

Intelligent
building ...



**... means concentrating
on what's important.**

Intelligent building means concentrating on what's important.

PORR has been pursuing this strategy for years. Whether it's concentrating on our fast-growing home markets of Austria, Germany, Switzerland, Poland and the Czech Republic or spinning off the real estate business in order to focus on construction – our core competency. This is also why we are presenting the 2016 business year in a more concise form, distilled down to the essentials. And that's why we are focusing on the values that combine to make up intelligent building.



Fact check

EUR 4,804_m

Order backlog at record level

EUR 3,925_m

Production output higher than ever before

12.3%

Increase in EBT

EUR 91.1_m

EBT at record high

42.2%

Excellent performance of the PORR share

Key Data

in EUR m	2016	Change	2015	2014	2013
Operating data					
Production output	3,925	11.4%	3,524	3,475	3,162
Foreign share	47.6%	0.7PP	46.9%	39.2%	35.9%
Revenue	3,417	8.8%	3,140	3,009	2,630
Order backlog	4,804	4.9%	4,579	4,058	4,398
Order intake	4,150	2.6%	4,045	3,135	4,377
Average staffing levels	15,328	10.4%	13,878	12,834	11,920

Income statement					
EBITDA	187.3	12.9%	165.9	156.4	146.6
EBIT	100.1	14.0%	87.8	81.7	80.9
EBT	91.1	12.3%	81.1	66.1	59.6
Profit	66.8	9.5%	61.0	48.6	52.5
Earnings per share ¹ (in EUR)	2.23	10.4%	2.02	1.61	1.94
Dividends per share (in EUR)	1.10 ²	10.0%	1.00 ³	0.75	0.50

Statement of financial position					
Total assets	2,360	2.5%	2,304	2,146	2,296
Equity (incl. non-controlling interests)	440.9	7.0%	412.1	385.2	347.7
Equity ratio	18.7%	0.8PP	17.9%	18.0%	15.1%
Cash and cash equivalents	476	-26.4%	647	466	333
Net cash/net debt	53	-71.7%	187	65	-357
Gearing ratio	-0.12	-73.9%	-0.46	-0.17	1.03
Capital employed	331	92.4%	172	265	645

Cash flow and investments					
Operating cash flow	156	7.2%	145	151	122
Cash flow from operating activities	56	-71.0%	193	154	182
Cash flow from investing activities	-109	-	-21	91	37
Cash flow from financing activities	-116	-	9	-112	5
Investments	169	-1.2%	171	224	74
Depreciation/amortisation/impairment	87	11.5%	78	75	66

Key data regarding shares	2016	2015	2014	2013	2012
Number of shares	29,095,000	29,095,000	14,547,500	11,902,500	2,045,927
Market capitalisation at year-end (in EUR m)	1,132.4	813.2	648.4	297.2	152.4

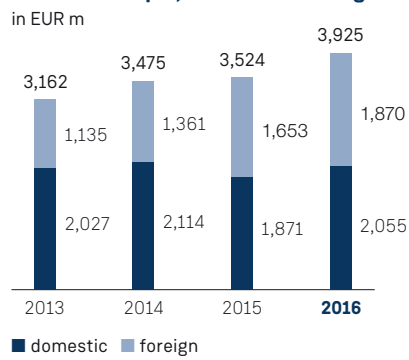
¹ adjusted to the number of shares in 2016 to facilitate comparisons

² proposal to the AGM

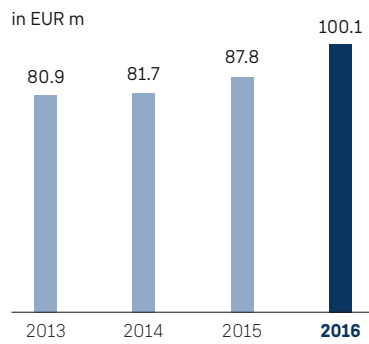
³ dividend of EUR 1.00 plus special dividend of EUR 0.50

The figures have been rounded off using the compensated summation method. Absolute changes are calculated from the rounded values, relative changes (in percent) are derived from the non-rounded values.

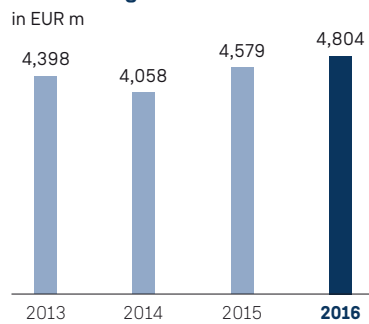
Production output, domestic and foreign



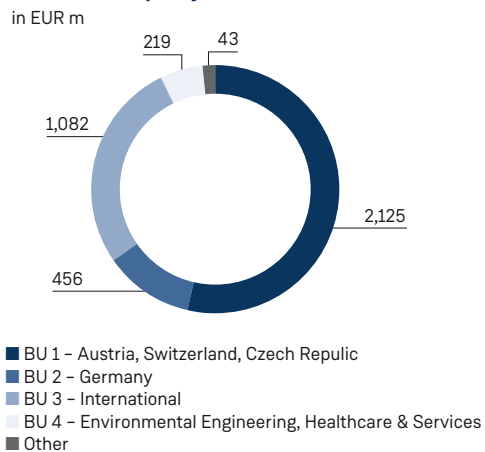
EBIT



Order backlog



Production output by business unit in 2016



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Five Questions for CEO Karl-Heinz Strauss

Mr Strauss, for years PORR has been committed to “Intelligent growth”. Is this the decisive success factor behind the continuous corporate growth?

For sure, as a good strategy prioritises the selection of the right markets. We have been developing and successfully implementing the intelligent growth strategy since 2011. The decisive factor is that this strategy remains unchanged to this day and has thereby been fundamentally anchored in the company. The three-pronged strategic breakdown of our markets remains in place: we want to succeed as a leading construction company on our home markets of Austria, Germany, Switzerland, Poland and the Czech Republic. In our project markets we want to be a sought-after project partner with our export products and on our highly promising target markets we want to tap in to the future potential. One thing that is unchanged here is our principle of “earnings over output”. After all, our goal is not to be one of the biggest, but one of the best. This strategy is secured through strict cost management and efficient risk management.

Intelligent growth also includes “intelligent building”. What do you understand by this?

Digitalisation will completely transform the construction world in the coming years. That’s why it’s important to dynamically advance this issue in our company. That’s the only way that technological excellence can remain at the core of our Group. This is why the “Roadmap 2020” is our most important instrument, at the same time as being the most ambitious project that PORR has ever undertaken. There is a sustainable change underway in our company towards digitalisation. A key element here is the “paperless construction site”, which offers every project participant a highly efficient network. Real-time data is permanently available to our customers and us and forms the basis for making the right decisions on the construction site.

What is the role of PORR staff in achieving these goals?

We need the best staff and their 100% commitment. In addition, we have to establish PORR as the best place to work. The new “working world” has already made us faster and more transparent. We are continuing to focus on staff training and development along with team building. The aspect of



diversity also plays a role here: diverse teams lead to different approaches and a broader set of solutions. We want to exploit this diversity and in this way to continue to strengthen our corporate culture. The goal is to support our hierarchies through fast, flexible project teams.

PORR wants to be among the best in every sense. Have you remained faithful to this principle?

Without question. In 2016 our colleagues have once again delivered a sensational performance. We can look back on an exceptional year and the direction for 2017 is also correct. Strong motivation and the entrepreneurship of every individual are decisive if we want to be one of the best. We have already put in place other foundations in recent years: modern infrastructure and powerful IT. And yet the “Roadmap 2020” shows that we are still at the start line in many areas. Another important point here is our capital basis, which is currently stronger than ever before. Equity and liquidity mean security – with this foundation we can take a proactive approach to shaping the future.

What should we expect from PORR in the future?

We are optimistic about the future. What we need to do is continue to protect and expand what we have already achieved. We intend to write the next chapter in our success story in 2017. By 2020 we want to grow in all of our home markets and become one of the top companies in the industry. Numerous vocational aspects – such as the issue of health and safety – should contribute to making the company even more attractive and continuing to enhance efficiency and quality.



The PORR Executive Board team, from left: J. Johannes Wenkenbach, Karl-Heinz Strauss and Christian B. Maier

Intelligent growth with a sense of proportion

PORR continued with its successful course in 2016. In addition to increasing production output and achieving significant growth in EBT, our highly dedicated team managed to acquire numerous large-scale tenders in a challenging environment, thereby setting another new record in the order backlog. This is even more pleasing given the fact that consolidation on the construction market is continuing at an undiminished pace and that the pressure on margins is growing steadily.

We managed to increase our production output by 11.4% to EUR 3,925m, thereby meeting all of our targets. The growth drivers once again were our home markets – particularly Business Unit 1 with the markets Austria, Switzerland and the Czech Republic. Business Unit 2 – Germany also recorded strong growth, advancing its expansion strategy with an output increase of EUR 82m. Business Unit 3 – International matched the level of the previous year in terms of output, while Business Unit 4 – Environmental Engineering, Health-

care & Services achieved a sharp increase in both the order backlog and production output, expanding the PORR service portfolio in specialist and niche areas.

The order situation once again developed well. The cushion of orders continued to expand with growth of 4.9% in the order backlog and 2.9% in the order intake. The largest new tenders since the start of the year included the D4/R7 motorway section, the Bratislava Bypass in Bratislava, the Al Wakrah football stadium in Qatar and the office building Europaallee Zurich, lot F, for the Swiss Federal Railways. The largest new project in the third quarter was the first tunnelling order in Norway. PORR was awarded the tender to build a 5.5km-long section of County Road 17 in the Nordland Province by Nordland Fylkeskommune/Statens vegvesen.

The most important yardstick of a company's success is the earnings it generates. And these were significantly increased

once again last year. EBT reached EUR 91.1m, a rise of 12.3%. The net cash position as of 31 December remained again clearly positive at EUR 53m.

The PORR strategy of intelligent growth paid off yet again in 2016. Our goal remains not to be among the biggest, but among the best, and to secure top market positions on all of our home markets. In our project markets we succeed through our selected export products and we are expanding on our target markets – the current focus is on Sweden and Denmark – with strong local partners. The strict strategic approach of “earnings over output” is the top priority here.

Additional milestones defined the year 2016, all of which combined to facilitate the continuous implementation of our strategic approach:

In the period under review we succeeded in entering the British market. With the construction of the Humber Pipeline we are realising the first tender on this attractive market as part of a joint venture for the National Grid.

An important step was taken towards a unified brand with the incorporation of TEERAG-ASDAG AG into PORR Bau GmbH. It had already been a wholly owned PORR subsidiary since 2012. Through the merger we are showing that together we are a strong team and that our full service provision encompasses all construction services with complete regional coverage.

Internally we are preparing for the future challenges that come with digitalisation and BIM (Building Information Modeling). With this in mind, in 2016 we accorded the highest priority to implementing our “Roadmap 2020”. In the course of this project we are concentrating on process optimisation throughout the entire Group along with another milestone in digitalising construction sites. We want to realise the paperless construction site by 2020 using four work streams – E-Business, Integrated Construction Site Management, E-Support and Group Management Information.

At the same time, our diversity initiative Work&Life@PORR got fully underway in the year under review. We view the diversity of our organisation as a valuable resource and dif-

ferences are seen as opportunities to achieve something new together. Under this initiative, we also intend to do justice to the increasing demands of family-oriented, flexible personnel policy. In the long term this should increase the appeal of our jobs and thereby sustainably establish PORR as a “best place to work”. The interior redesign of all of the company’s work spaces in the course of its new world of work was completed, enhancing both communication and transparency in the company.

There is a common goal behind all of the measures that we have implemented in the past year: we want to be among the best. This common goal is what drives PORR – across every country, every hierarchy and every culture. Customers and the high quality and performance demands are at the heart of everything we do.

We are confident that we are ideally placed to continue our success in the future. The strategic focus on our home markets has proven its value and facilitates earnings-driven growth at the same time as minimising risks. Our products have also proven their value – as confirmed by the steadily growing order backlog, the high quality standards and the enormous loyalty of our customers. But what’s really proven its value is the motivation, the enthusiasm and the dedication of our employees. After all, our success comes from the hard work of our staff members, who fulfil customer requests and realise projects in a first-class manner despite a difficult environment. This is why we want to create a workplace that strengthens the performance and innovation of every individual and enhances his or her ability to make decisions. At the same time we are making further investments in the field of occupational health and safety – in the coming year we will once again focus on realising our committed objectives in this area.

Last but not least, our thanks go to our shareholders, who have stood by our side for many years and placed their trust in our approach. This trust certainly paid off in the year under review. With an increase in the share price of more than 40%, PORR can look back on one of the strongest performances on the Vienna stock market. Thank you very much for your trust!

Yours sincerely, the Executive Board



Karl-Heinz Strauss
Chief Executive Officer



Christian B. Maier
Executive Board Member



J. Johannes Wenkenbach
Executive Board Member

Project Highlights

Sapphire-Libeskind

Residential and commercial building

Berlin | Germany

Gross floor area: 8,000m²

Construction period: 2014-2016





Europaallee Zürich

Office complex
Zurich | Switzerland
Lots B, D, F
Total gross floor area: 96,600m²
Construction period: 2015–2019



Prager Carrée

Residential and office building
Dresden | Germany
Gross floor area: 44,005m²
Construction period: 2014–2016





Reinvigorating Stephansplatz

Refurbishment and plastering
Vienna | Austria
Refurbished space: 12,000m²
Construction period: 2017



Al Wakrah Stadium

Stadium

Doha | Qatar

Area: 560,000m², 40,000 capacity

Construction period: 2016–2018



Quartier Belvedere Central

Hotel, office and apartments

Vienna | Austria

Seven lots, five currently under construction

Construction period: 2014–2018





Stuttgart 21/Albaufstieg

Boßler Tunnel
New construction railway tunnel
Baden-Württemberg | Germany
Two tunnel tubes of 8.8km
Construction period: 2012–2019

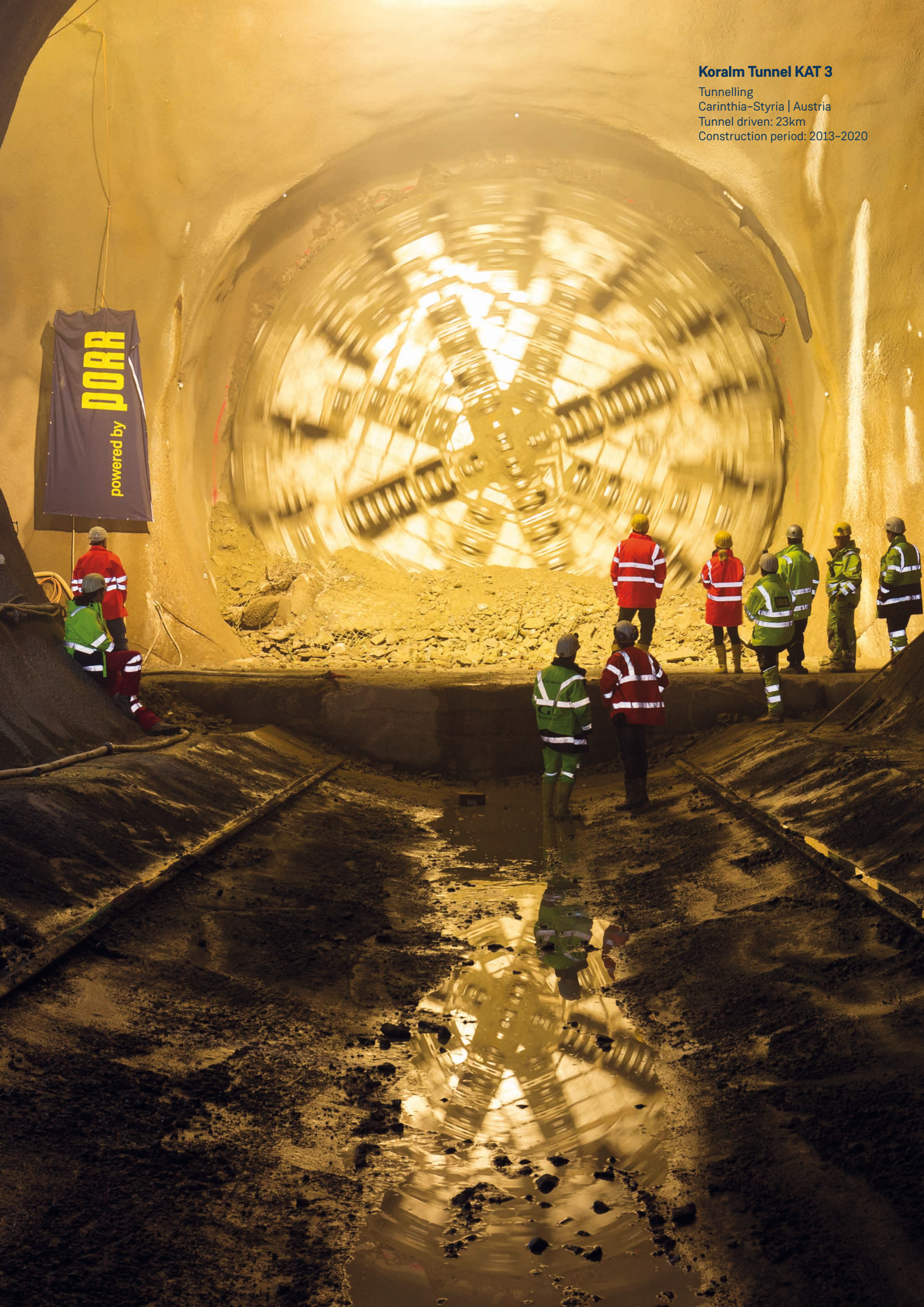


Loftesnesbrui

Bridge over Sogndalsfjorden Fjord
Sogn og Fjordane w | Norway
Bridge length: 194m
Construction period: 2015–2018

Koralm Tunnel KAT 3

Tunnelling
Carinthia-Styria | Austria
Tunnel driven: 23km
Construction period: 2013-2020





54,3

**Chrudim Bypass,
Medlešice section**

Expanding the bridge over
the River Chrudimka
Czech Republic
Construction period: 2013–2016



LSCC Böhlinger

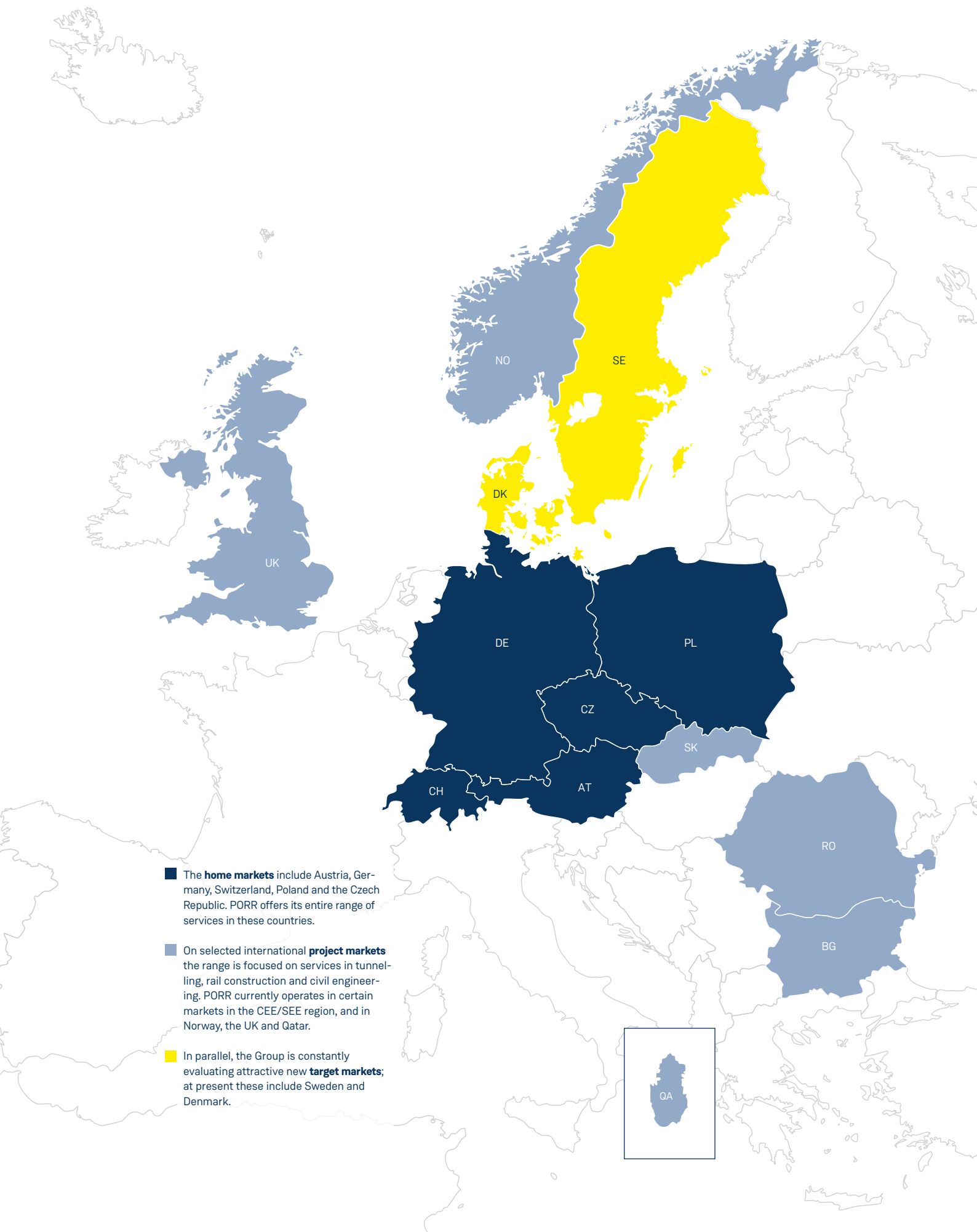
Specialist civil engineering
Concrete construction
Vienna | Austria
Construction period: 2017



S8 motorway

Construction of a motorway section
Poland
Length: 16km
Construction period: 2016–2018

About PORR



■ The **home markets** include Austria, Germany, Switzerland, Poland and the Czech Republic. PORR offers its entire range of services in these countries.

■ On selected international **project markets** the range is focused on services in tunneling, rail construction and civil engineering. PORR currently operates in certain markets in the CEE/SEE region, and in Norway, the UK and Qatar.

■ In parallel, the Group is constantly evaluating attractive new **target markets**; at present these include Sweden and Denmark.

Business Model and Markets

Focused country strategy yields success

PORR is a leading construction company in Austria and is also one of the industry's key players in its other home markets of Germany, Switzerland, Poland and the Czech Republic. With its strategy of intelligent growth, involving a focus on the stable home markets with secure margins, PORR is positioned as a profitable company with strong, sustainable growth potential. It strives for a leading industry position on its home markets with its comprehensive product portfolio. Every other country is defined as a project market, in which large-scale infrastructure projects are primarily offered on a project-specific basis.

Core competency - construction

As a full service provider, PORR offers comprehensive services covering the entire value chain in construction - from building construction and civil engineering to energy construction, traffic construction and tunnelling through to environmental engineering. Here the company is committed to its core competency - construction - and strives to realise as many construction services as possible itself. Optimal solutions for clients are achieved through outstanding commitment, an entrepreneurial approach and the ongoing expansion of expertise.

Four powerful business units

The PORR business is divided into four business units that first and foremost reflect the market strategy. The segment with the highest output by a considerable margin is Business Unit 1 - Austria, Switzerland, Czech Republic. Around 54% of production output comes from this segment, which bundles

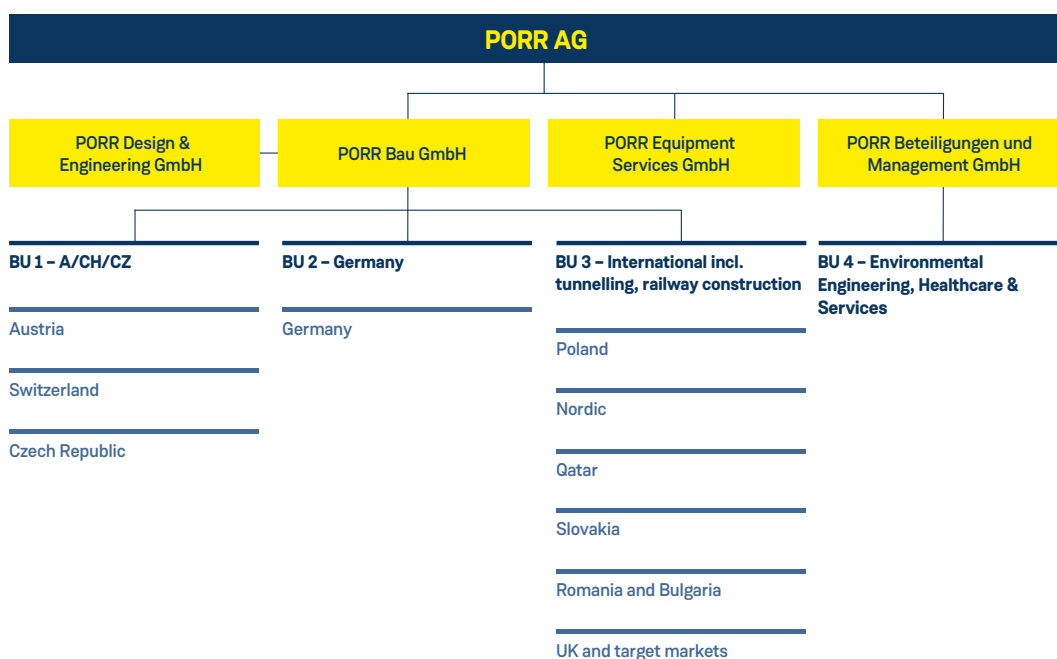
2016 in figures

Production output	+11.4%	EUR 3,925m
Order backlog	+4.9%	EUR 4,804m
Order intake	+2.6%	EUR 4,150m
Staff	+10.4%	15,328

the permanent business and large-scale building construction projects. The strong commitment to Germany is recognised in the establishment of Business Unit 2 - Germany. Business Unit 3 - International contains the activities in Poland as well as other CEE/SEE countries, the UK, Qatar and Norway. Business Unit 4 covers the fields of Environmental Engineering, Healthcare and Services and is home to numerous PORR subsidiaries.

Being among the best

Streamlined, flexible project teams, cutting-edge infrastructure and transparent management are the PORR success factors. More than 15,300 staff in 19 countries provide the best service to customers with their dedication and commitment. The constructive cooperation across every sector, along with the extensive experience and skills in every business area, gives the company a decisive competitive advantage, with which the existing market potential can be consistently exploited. The working environment promotes innovation in the Group - a decisive factor for positive future growth.



Corporate Strategy

The successful PORR corporate strategy remains in place unchanged. PORR is committed to a sustainable, long-term rise in production output and earnings through intelligent growth, whereby earnings always take priority over output.

Focus on the construction business

The PORR Group remains committed to its core competency – construction. The Group embraces its role as a construction company and thereby strives to realise as many construction services as possible with in-house expertise. PORR has addressed the different needs of permanent versus project business through its organisational structure – this is divided into business units with the appropriate focal points. Austria, the Czech Republic and parts of Switzerland have been identified as permanent markets, while PORR pursues a project-driven approach on all other markets. The focus on “Concessions” underlines PORR’s priority on cooperation with the public and private sector for the mutual benefit of all parties.

PORR markets

PORR distinguishes between home markets, project markets and target markets.

Home markets: In 2016 PORR generated 87.4% of its production output on the home markets. The PORR Group intends to secure its leading market position in Austria and to grow in niche areas, while pursuing a clear growth strategy in Germany. PORR has defined Germany as its most important foreign market and offers its entire portfolio of construction services here. Furthermore, PORR is positioned as a reliable partner to German industry, known for its trustworthiness and adherence to deadlines and costs. A selective expansion policy is planned for Switzerland, Poland and the Czech Republic, where PORR generally offers its full portfolio – the goal in the Czech Republic in particular is to provide complete coverage. The existing knowhow from the base in Poland should be used to cultivate the Scandinavian market.

Project-based and international markets: PORR operates selectively in Slovakia, Romania, Bulgaria, Norway, the UK and Qatar through its export products – primarily in tunnelling, rail construction and civil engineering (specialised and large-scale projects). Moreover, PORR realises projects for longstanding industrial clients on a follow-your-customer principle. Internationally, PORR is pursuing further expansion in the infrastructure sector.

The **target markets** at present are Sweden and Denmark. Here PORR is committed to cooperation with local partners, as these partnerships offer the opportunity of combining PORR’s knowhow and technical expertise with specific knowledge of local markets and the skills and staff of local partners. PORR has already embraced this approach on the existing markets of Norway, the UK and Qatar.

Strict discipline regarding costs, capital and risks

PORR is committed to continuously improving performance in order to secure profitable growth and increase profitability. The basis for this involves the risk-based approach to new tender processes – “earnings over output”; proactive management of its cost base; comprehensive risk management extending from project calculation to realisation, with the goal of minimising the number and impact of loss-making construction projects; disciplined capital expenditure; a clear division of responsibilities within optimised, flexible structures; cutting-edge information management systems and the implementation of transparent leadership throughout the Group.

Digitalisation and BIM (Building Information Modeling) will completely transform the construction world in the coming years. That’s why it’s important to embed this issue deeply in our company. PORR founded the project “Roadmap 2020” in order to be prepared for the challenge of digitalisation. The Roadmap is the strategic implementation plan for digitalising PORR and is being realised through the cross-sector teams from the departments Corporate Development, IT & Business Processes, PORR Design & Engineering, PORR Equipment Services and, first and foremost, the operating staff from every unit. The Roadmap covers every business unit, regional unit and the corporate headquarters.

Focus on innovation

In order to be one of the best, a key factor is developing existing technology and initiating new research projects. Employees who are encouraged to launch and realise new projects are the true innovation drivers. PORR pursues an integrated approach to research, whereby every unit has access to centrally managed research resources such as laboratories.

... relies on environmental responsibility.

Intelligent building relies on environmental responsibility.

We have a responsibility to pass on this Earth in the same state it was passed on to us. This is why it is obvious for PORR that we have to embrace responsibility to society and the environment, conserve resources, and design and build in a sustainable manner. We are setting standards with forward-looking building concepts (Green & Blue Buildings) and reducing dust and exhaust emissions, energy consumption and noise pollution with our innovative energy and equipment management.



PORR on the Stock Exchange

Investment Highlights

<p>Top performance of the PORR share: +42.20%</p>	<p>Dividends EUR 1.10</p>	<p>Great appeal for small shareholders</p>
<p>Strategic approach driving the value of shares</p>	<p>Positive impact on value from intelligent growth</p>	<p>Payout ratio 49.73%</p>

Financial markets undergo sporadic strong growth

2016 was a year characterised by major political changes. Brexit and the surprising election results in the USA affected the capital markets, as did the rejection of the Italian constitutional changes. This meant that the year 2016 on the stock exchanges was also highly volatile, although it did result in significant growth by year-end – the global index MSCI World was up by 5.3% against year-end 2015.

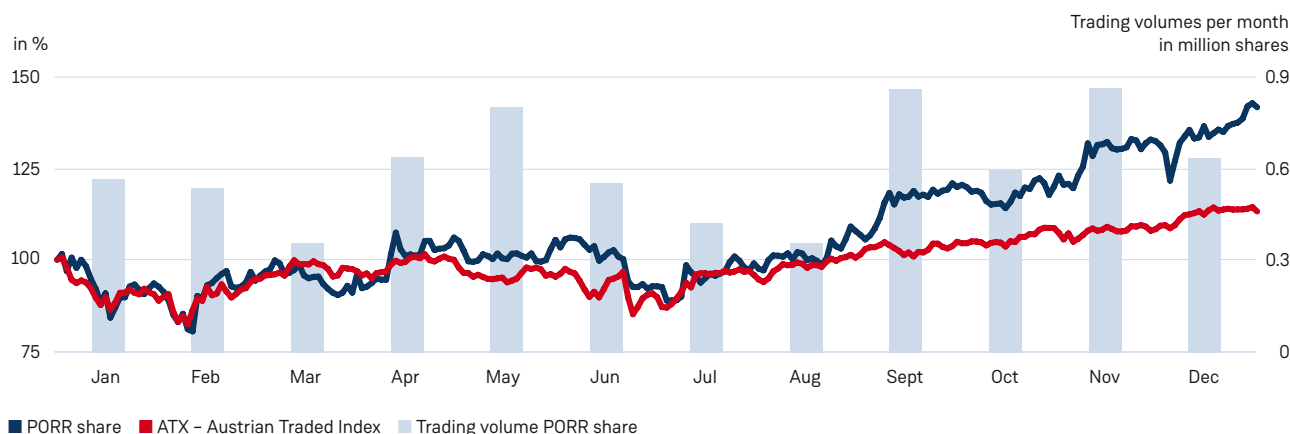
Price performance varied greatly across the individual international markets. In general there was a price rally following the surprising victory of Donald Trump, a rally that continued until the end of the year. The US index Dow Jones Industrial (DJI) grew by an impressive 13.4%. The most important US stock indices experienced weaker growth in percentage terms, the broad market index S&P 500 was up by 9.5% and the technology-based Nasdaq Composite Index grew by 7.5%. The leading Japanese index Nikkei 225 managed to surpass the level of year-end 2015 by 0.4% only thanks to its excellent performance in the final weeks of the year. Overall, the prices on the emerging markets exchanges were positive in 2016 – the MSCI Emerging Markets Index rose by 8.9%. Starting out from a relatively low baseline and buoyed by the favourable

economic data, the exchanges in CEE were positive overall. Here the CECE Index, calculated in euros, rose by 5.8% overall thanks to an exceptionally good performance in December. The weaker growth prospects and a range of political uncertainties on the largest European economies stifled stock market performance in Europe. Following an exceptionally volatile year, the eurozone index EURO STOXX 50 rose by a modest 0.7%. The market performance of the individual European exchanges proved to be highly disparate.

Top performance by the Vienna Stock Exchange

In line with the international price performance, the Vienna Stock Exchange also had a negative start to the year 2016. The leading index ATX initially fell below 2,000 points and had lost 18.4% of its value against year-end 2015 by mid-February. Following a temporary recovery and a renewed slump resulting from the Brexit turbulence, a sharp upwards trend set in from the middle of the year, triggered by the fundamentally favourable corporate data and positive economic growth in the expanded home market of Central and Eastern Europe. At 2,618.43 points, the ATX was up by 9.2% against the end of the previous year at year-end 2016 and thereby classified as one of the best-performing stock exchanges in Europe.

Share price and trading volumes of the PORR share 2016 (Index)



PORR shares – stock market indicators

		2016	2015
Price at 30 December	EUR	38.92	27.95
Year high	EUR	39.36	30.33
Year low	EUR	22.24	20.43
Earnings per share ¹	EUR	2.23	2.02
Cash flow per share	EUR	2.94	6.65
Dividends per share	EUR	1.10 ²	1.50
Dividend yield, cash dividend	%	2.83	3.58
Dividend yield, cash and special dividend	%	-	5.37
Payout ratio on cash dividends ³	%	49.73	49.38
Book value per share	EUR	13.58	14.16
Market value/book value		2.87	1.97
Market capitalisation at 30 December	EUR m	1,132.4	813.2
P/E ratio at 30 December		17.49	13.83
Number of shares in issue at 30 December	No.	29,095,000	29,095,000

¹ based on the weighted average of shares in acc. with IAS 33

² proposal to the Annual General Meeting

³ based on the number of shares at year-end, less treasury shares

Strong performance of the PORR share

Despite the pronounced volatility at the start of the year, the PORR share performed exceptionally well and closed the year with an impressive plus of 42.2% against year-end 2015. It thereby significantly outperformed both the Austrian and the European stock markets. Uncertainty was only reflected in the first quarter of 2016 – when the PORR share reached its year-low of EUR 22.24. Following a volatile period, it experienced an upsurge at the end of the first half, which led to a final rally with the year-high of the PORR share of EUR 39.36 achieved on 29 December 2016. This also meant that the market capitalisation reached a record level of EUR 1,132.4m as of 30 December 2016. In the reporting period the average daily trading volume was 30,227 shares.

Dividend of EUR 1.10

The Executive Board and the Supervisory Board will propose to the Annual General Meeting an increase in dividends to EUR 1.10, thereby enabling shareholders to participate in the positive performance of the business in 2016.

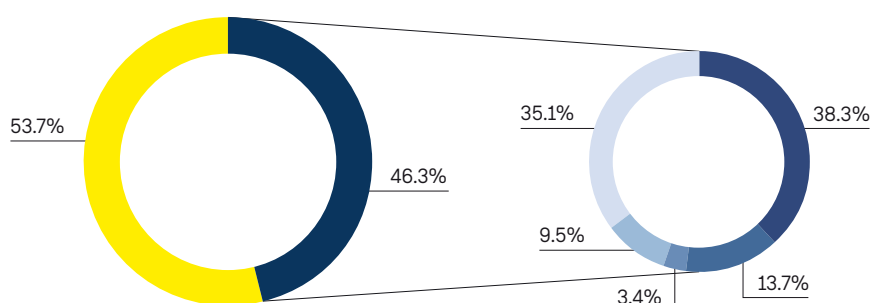
Broad international shareholder structure

An analysis of the shareholder structure gives an indication of the international distribution of the share capital. The largest percentage of shares in issue – 53.7% at year-end – was held by the syndicate consisting of the Strauss Group and the IGO-Ortner Group. An analysis conducted at the start of 2017 showed that the other shares have a broad international dispersion. The majority are held by institutional investors; in terms of region the focus is on Austria (38.3%), UK (13.7%), Germany (9.5%) and the USA (2.4%).

Analyst recommendations confirmed

The Executive Board welcomes the broad broker coverage in order to continuously increase the visibility and appeal of the shares. At the start of 2017 PORR AG was covered by eight brokers: HSBC, ERSTE Group, Berenberg Bank, Hauck & Aufhäuser, HELVEA Baader Bank, Raiffeisen Centrobank, Kepler Chevreux and SRC Research. In their latest analyses, four analysts confirmed their Buy recommendations for the

PORR AG shareholder structure in March 2017



■ Syndicate (Strauss Group, IGO-Ortner Group)
■ Free float¹

■ Austria
■ UK
■ Germany
■ Central and Northern Europe (excl. DE)
■ Rest of the world

¹ of which 5.85% Renaissance Group, 2.65% PORR Management and 0.74% PORR AG (treasury shares)

Current analyst recommendations

Institution	Analyst	Price target (in EUR)	Recommendation	Date
Kepler Chevreux	Stephan Trubrich	35.00	Hold	6.4.2017
Raiffeisen Centrobank	Markus Remis	37.50	Hold	17.3.2017
ERSTE Group	Daniel Lion	36.90	Reduce	27.2.2017
HSBC	Tobias Loskamp	35.50	Hold	2.12.2016
Hauck & Aufhäuser	Nils-Peter Gehrmann	49.00	Buy	29.11.2016
SRC Research	Stefan Scharff, Thilo Gort	40.00	Buy	29.11.2016
HELVEA Baader Bank	Jan-Hauke Jendrny	34.00	Buy	29.11.2016
Berenberg Bank	Olivia Peters	37.00	Buy	12.10.2016

PORR share, three analysts classified the share as Hold, and ERSTE Group recommended Reduce.

Intensive investor relations

The goal of investor relations is transparent, timely information that allows every stakeholder to make a true and faithful evaluation of the company. Together with the investor relations team, the management held numerous one-on-one

talks with investors and analysts in Europe's largest financial centres throughout the year and took part in international investment conferences. In addition to these activities and in the interests of transparency, PORR gave regular and comprehensive reports on its business performance as part of the quarterly teleconferences for analysts, institutional investors and banks, as well as at the press conferences held twice a year.

... secures intelligent growth.

Intelligent building secures intelligent growth.

Selective, targeted growth focused on earnings is the overriding principle of PORR's strategic business model. The economically stable home markets are the foundation on which we can build. This facilitated our good growth in operating output once again in the 2016 business year, as well as a high order intake and a record order backlog.



Corporate Governance

PORR views Corporate Governance as a key concept for responsible and transparent company management and the comprehensive auditing that accompanies this. The Executive Board and Supervisory Board work closely together in the interests of the company and its staff and continuously approve the strategic direction of the PORR Group. Constant dialogue with all relevant interest groups builds trust, also in corporate activities, and provides the basis for sustainable corporate growth in the future.

In December 2014 the PORR Group made a joint formal declaration by the Executive Board and the Supervisory Board committing itself to observance of the Austrian Code of Corporate Governance. A top priority for PORR AG is continuously implementing the standards of responsible and sustainable corporate management.

With reference to the deviations listed below in the Comply or Explain catalogue, PORR is committed to upholding the rules of the Austrian Code of Corporate Governance and sees this as a key precondition for responsible corporate management.

In accordance with Rule 62 of the Austrian Code of Corporate Governance, an external evaluation of adherence to the C Rules took place in 2015. BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was hired to conduct the assessment and confirmed PORR's adherence to the C Rules in its report of 22 January 2016.

In accordance with Rule 36 of the Austrian Code of Corporate Governance, in 2016 the Supervisory Board once again conducted a self-evaluation in the form of a survey which primarily addressed the efficiency of the Supervisory Board, its organisation and its working practices. The findings were then evaluated and discussed in the Supervisory Board.

Comply or Explain catalogue

Rule 21: The provisions of the Compliance Decree are upheld by PORR, a listed company, and by the management of its direct subsidiaries. Owing to the high number of subsidiaries, as is common to the industry, the application cannot, however, be implemented across every subsidiary, as this would result in an unmanageable administrative burden across more than 100 fully consolidated companies. Therefore, after seeking comprehensive advice and incorporating all internal PORR

staff units, the PORR Executive Board has decided to refrain from the implementation of the rule in every subsidiary.

Rules 27/30: A core issue for PORR is to ensure that Executive Board remuneration is objectively as measurable and transparent as possible. The Executive Board remuneration contains fixed and variable components which conform to the directives of Rule 27 to the greatest possible extent. The variable component is based on parameters including personal performance, personal dedication, PORR's economic situation and the respective sphere of responsibility, as well as non-financial parameters. The non-financial parameters primarily relate to implementing steps for the further development of PORR's sustainable profitability, which are, however, difficult to subject to objective measurement. The existing remuneration system has proven its value in practice. For these reasons, PORR does not see a need for new regulations.

Publishing every detail related to Executive Board remuneration, in particular the individual performance criteria of the variable component, will not be undertaken as, in PORR's opinion, this information will not be of any particular relevance to the capital markets for PORR shareholders and other parties.

Rule 49: The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the company or a subsidiary for a remuneration not of minor value is subject to approval by the Supervisory Board in line with the law. The company will, however, refrain from publishing these details due to related operational and business confidentiality issues. In any case, the notes to the consolidated financial statements show PORR disclosures on related party transactions, which contain the remuneration for services of members of the Supervisory Board outside of their activities on the Supervisory Board.

The latest version of the "Austrian Code of Corporate Governance" as laid out by the Austrian Working Group for Corporate Governance is available to the public on the homepage of the Austrian Working Group for Corporate Governance at www.corporate-governance.at. The website also includes an English translation of the Code and the interpretations developed by the working group. Furthermore, the latest Corporate Governance Code is available on the PORR homepage at porr-group.com/CG-Kodex.

The Group Executive Board

The Executive Board consists of between two and six people appointed by the Supervisory Board. The Supervisory Board also has the right to appoint deputies to the Executive Board. The Executive Board currently consists of three members. The Supervisory Board can name a member of the Executive Board as Chairman and name one member as the Deputy Chairman.

The members of the Executive Board are appointed by the Supervisory Board for a maximum term of five years. The renewed appointment or an extension of this period (each for a maximum of five years) is permitted. The Supervisory Board can dismiss a member of the Executive Board before the end of his/her term in office if there is an important reason to do so, for example if there is a serious breach of duty or if the Annual General Meeting passes a vote of no confidence in the Executive Board member.

The Executive Board must conduct its business in line with the specifications of the Austrian Stock Corporation Act, the statutes, other laws and the rules of procedure. The Executive Board must report regularly to the Supervisory Board on its activities. The Supervisory Board rules on the division of responsibilities in the Executive Board in line with maintaining the overall responsibility of the Executive Board as a whole. The Executive Board requires Supervisory Board approval in order to undertake any business dealings specified in the relevant version of Section 95 Paragraph 5 Stock Corporation Act. In as far as legally permitted by Section 95 Paragraph 5 Stock Corporation Act, the Supervisory Board lays down limits on amounts up to which its approval is not required.

The Executive Board

Board member	Date of birth	Position and responsibilities	Member since	Appointed until
Karl-Heinz Strauss	27.11.1960	Chairman of the Executive Board and CEO	13.9.2010	31.12.2019
Christian B. Maier	9.1.1966	Executive Board member and CFO	1.2.2012	31.1.2020
J. Johannes Wenkenbach	26.2.1957	Executive Board member and COO	1.2.2012	31.1.2020

Ing. Karl-Heinz Strauss, MBA, was born on 27 November 1960 in Klagenfurt, Austria. After graduating from the technical college of civil engineering, he completed international study programmes in Harvard, St. Gallen and Fontainebleau. He received his MBA from IMADEC. From 1980 to 1984 he worked as an independent entrepreneur in the civil engineering sector. In 1987 he started his career at Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB) in the corporate customers sector. From 1992 he worked in various positions as a Managing Director and member of the Supervisory Board in various RZB real estate companies and was head of Concorde Projektentwicklungsgesellschaft m.b.H., which he played a large role in founding and building up. In 1994 he was appointed to the Executive Board of Raiffeisen Wohnbaubank AG. In 2000 he took over the management of STRAUSS & PARTNER IMMOBILIEN GmbH.

Furthermore, the Supervisory Board is entitled to determine types of business which require its approval in addition to the legally stipulated (Section 95 Paragraph 5 Stock Corporation Act) cases. The Supervisory Board has issued appropriate rules of procedure for the Executive Board.

The Executive Board passes resolutions by simple majority of the votes cast. If an Executive Board member has been appointed as Chairman of the Executive Board, he has a casting vote in the case of a tie.

The Executive Board members must fulfil their responsibilities as their main employment and manage the company's business with the care of a proper and conscientious manager. They must manage the business in a way which satisfies the interests of the shareholders, the staff members and of the public. The Executive Board members may not take on any other employment without the approval of the Supervisory Board and may not take on an executive function in any companies which are not within the consolidated group.

The Group is represented by two Executive Board members, or by one Executive Board member with one authorised signatory. With legal restrictions, the Group can also be represented by two authorised signatories. Any Deputy Executive Board members are considered equal to regular Executive Board members with regard to rights of representation.

The table above shows the Executive Board members, their date of birth, their position, the date of their first appointment as well as the probable end of their time in office. In 2015 the following people sat on the Executive Board:

Karl-Heinz Strauss has been Chairman of the Executive Board and CEO at PORR AG since 13 September 2010. On the Executive Board he is currently responsible for Risk Management/ Compliance, the Office of the Executive Board and Strategy, Business Unit 1 – A/CH/CZ, Business Unit 2 – Germany, Business Unit 4 – Environmental Engineering, Healthcare & Services, along with Internal Audit, Corporate Communications, Legal Affairs, Human Resources, Quality Management, PORR Design & Engineering and Corporate Development.

MMag. Christian B. Maier was born on 9 January 1966 in Judenburg, Austria. He graduated in mechanical engineering from HTBL Kapfenberg, a secondary industrial college, before going on to study geology and business administration in Vienna. His career led him to Creditanstalt and Bank Austria AG, where he was part of the team responsible for

incorporating Creditanstalt into Bank Austria in 1997/1998. From 1998 to 2003 Christian B. Maier was an Executive Board member and CFO of the listed company UnternehmensInvest AG. In 2003 he moved to Constantia Industries as Executive Board member and CFO, where he played a key role in the company's success.

Christian B. Maier was appointed to the PORR AG Executive Board on 1 February 2012 and is the PORR CFO. On the Executive Board he is currently responsible for Risk Management/Compliance, Financial management of the operating units, Group Management, Accounting, Controlling/ICS, Financial Management/Treasury/Insurance, Tax, IT & Business Processes.

Dipl.-Ing. J. Johannes Wenkenbach was born on 26 February 1957 in The Hague, Netherlands. He began his career at the Dutch construction company "Ballast Nedam Groep" after graduating from Delft University of Technology. During his career at various international construction companies, such

as Strukton Groep NV and the Royal BAM Group subsidiary, Wayss & Freitag Ingenieurbau AG, he fulfilled various roles on Executive Boards and was able to extend his international expertise in the operating construction business. J. Johannes Wenkenbach has many years of experience in civil engineering, project planning, project management and in project financing. In terms of geography, his experience is focused on the Middle East, South East Asia and Germany.

J. Johannes Wenkenbach was appointed as a regular Executive Board member and COO of PORR AG on 1 February 2012. On the PORR Executive Board he is currently responsible for Risk Management/Compliance, Business Unit 2 – Germany and Business Unit 4 – International, as well as for Purchasing and PORR Equipment Services GmbH.

The members of the Group's Executive Board each fulfil the following additional functions on Supervisory Boards or comparable positions in (non-consolidated) domestic and foreign companies:

Supervisory board mandates or comparable functions of Executive Board members in external companies as at 31 December 2016

Executive Board member	Company	Position
Karl-Heinz Strauss	DATAH HandelsgmbH	Supervisory Board member
	KAPSCH-Group Beteiligungs GmbH	Supervisory Board member
	KAPSCH Aktiengesellschaft	Supervisory Board member
	UBM Development AG ¹	Supervisory Board Chair
Christian B. Maier	Rath Aktiengesellschaft ¹	Supervisory Board member
	Raiffeisenbank Knittelfeld eGen	Supervisory Board member
	UBM Development AG ¹	Supervisory Board member

The Executive Board members of the parent company also realise management and supervisory functions in companies included in the consolidated financial statements.

Executive and non-executive functions of Managing Board members of companies included in the consolidated financial statements as at 31 December 2016

Executive Board member	Company	Position
Karl-Heinz Strauss	PORR AG ¹	Chairman of the Executive Board
	PORR Bau GmbH	Chairman of the Supervisory Board
	PORR Bauindustrie GmbH	Managing Director
	PORR Construction Holding GmbH	Managing Director
	PORR Deutschland GmbH	Chairman of the Supervisory Board
	PORR SUISSE AG	President of the Administrative Board
	TEERAG-ASDAG Aktiengesellschaft	Chairman of the Supervisory Board
Christian B. Maier	PORR AG ¹	Executive Board Member
	PORR Bau GmbH	Deputy Chairman of the Supervisory Board
	PORR Bauindustrie GmbH	Managing Director
	PORR Construction Holding GmbH	Managing Director
	PORR Financial Services GmbH	Managing Director
	TEERAG-ASDAG Aktiengesellschaft	Deputy Chairman of the Supervisory Board
	J. Johannes Wenkenbach	PORR AG ¹
PORR Bau GmbH	Supervisory Board member	
PORR Deutschland GmbH	Supervisory Board member	
PORR Polska Construction Spółka Akcyjna	Supervisory Board member	
PORR Polska Infrastructure Spółka Akcyjna	Chairman of the Supervisory Board	
TEERAG-ASDAG Aktiengesellschaft	Supervisory Board member	

¹ listed on the stock exchange

The Group's Supervisory Board

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 110 Paragraph 1 of the Labour Constitutional Act, certain members are also appointed by the Works Council. As of 31 December 2016 the Group's Supervisory Board consisted of nine members appointed by the AGM and four further members appointed by the Works Council. As long as the AGM has not specified a shorter term when appointing one or all members, the Supervisory Board members are appointed until the end of the Annual General Meeting which rules on the approval of the Supervisory Board for the fourth business year after the initial election; the business year in which the Supervisory Board member was appointed does not count towards this four-year term. The reappointment of a Supervisory Board member – also an outgoing member – is permitted.

The appointment of a member of the Supervisory Board can be rescinded before the end of his/her time in office by AGM resolution. The resolution requires a simple majority of votes cast. Every member of the Supervisory Board can resign from his/her post following a 21-day notice period upon a written declaration to the Chairman of the Supervisory Board, without stating an important reason. The Chairman of the Supervisory Board, or his/her Deputy in the case of his/her resignation, can decide to shorten the notice period.

Should certain members leave the Board before the end of their term in office, 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. Members appointed as a replacement only serve for the remainder of the term which the previous member would have served, unless otherwise determined by the AGM at the time of the appointment.

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/her seat on the Supervisory Board effective immediately if the Supervisory Board member steps down before the end of his/her 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/she 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/she has been chosen to represent.

In a meeting held once a year following the AGM, which does not require any special invitation, the Supervisory Board elects a Chairman and one or more Deputies from among its members. If two Deputies are appointed, then the order in which they are to take up the post shall be determined. The term in office runs until the end of the next AGM. If the Chairman or one of the elected Deputies withdraws from his/her post, the Supervisory Board must appoint a replacement for the rest of the term in office, whereby re-election is permitted.

Should no candidate win a simple majority vote, then a runoff election is held between the people who have received the most votes. Should the runoff election result in a tie, lots shall be drawn to decide the election. If the Chairman or one of the elected Deputies withdraws from his/her post, the Supervisory Board must immediately hold a new election to appoint a successor. The Chairman and the Deputies can resign their post at any time following a 14-day notice period upon a written declaration to the Supervisory Board; this does not require them to step down from the Supervisory Board at the same time.

Every Deputy Chairman has the same rights and responsibilities as the Chairman when he/she is standing in for him. This also applies to holding a casting vote in elections and passing resolutions. Should the Chairman and his deputies be prevented from realising their obligations, this obligation passes to the oldest Supervisory Board member (in terms of age) for the duration of the incapacity. Declarations of intent by the Supervisory Board and its committees shall be submitted to the Chairman of the Supervisory Board, or to his Deputy should he be incapacitated.

In line with its legal responsibilities and those arising from the statutes, the Supervisory Board produces rules of procedure. Resolutions of the Supervisory Board on its rules of procedure require a simple majority of the members appointed by the AGM in addition to the general requirements on resolutions.

The Supervisory Board can form committees made up of its members. Their responsibilities and powers as well as their general rules of procedure are specified by the Supervisory Board. The committees can also take on the authority to make decisions. The committees can be convened long-term or for individual tasks. The Employee Representatives on the Supervisory Board have the right to nominate members with voting rights to the committees in the ratio specified by Section 110 Paragraph 1 of the Labour Constitutional Act. This does not apply to meetings and votes which relate to relation-

ships between the company and the Executive Board members, except resolutions on the appointment or revocation of an Executive Board member as well as resolutions granting options in company shares.

The Supervisory Board passes resolutions in its regular meetings. The Supervisory Board shall hold meetings as often as the interests of the company require, at least once per quarter. In 2016 the Supervisory Board held five regular Supervisory Board meetings. The Chairman determines the form of the meeting, the way in which resolutions may be passed outside of meetings and the method of counting votes. The Executive Board members attend all meetings of the Supervisory Board and its committees, as long as the Chairman of the meeting does not determine otherwise.

A Supervisory Board member can nominate another member in writing to represent him/her at a meeting. A member represented in this way shall not be included in the count determining if the meeting is quorate. The right to chair the meeting cannot be deputised. A Supervisory Board member, who is unable to attend a meeting of the Supervisory Board or its committees, is entitled to submit his/her written vote on individual agenda items via another member of the respective Board or committee.

The Supervisory Board is quorate when all members of the Supervisory Board have been properly invited to attend and when at least three Supervisory Board members, including one Chairman or Deputy, participates in the resolution. A topic of negotiation which is not on the agenda can only be ruled on by the Supervisory Board if all Supervisory Board members are present or represented and no member participating in the resolution objects.

Resolutions are passed by simple majority of votes cast. Abstentions are not counted as votes cast. In the case of a tie – also in elections – the Chairman has the casting vote. Every Deputy Chairman acting in the capacity of the Chairman's representative has a casting vote in resolutions and elections; this also applies to committee Chairmen.

The Chairman can also decide that the votes of individual members not in attendance can be cast in written, oral or comparable form (especially fax, email) for resolutions of the Supervisory Board or its committees. Resolutions can also be passed by votes cast in written form (fax, email), without the Supervisory Board coming together for a meeting in cases where the Chairman (or his Deputy if he is incapacitated) so rules; this is conditional on no Supervisory Board member explicitly objecting to this procedure in written form (fax, email) within a period of three working days. Representation by another Supervisory Board member is not permitted when votes are cast in written form. A resolution is considered binding when all Supervisory Board members have been asked for their vote in written form (fax, email) and at least three members, including the Chairman or Deputy, have submitted their votes within a period of seven working days.

Resolutions can also be passed by votes cast in the form of a teleconference, internet conference or video conference, without the Supervisory Board coming together in a meeting in cases where the Chairman (or his Deputy if he is incapacitated) so rules; this is conditional on no Supervisory Board member explicitly objecting to this procedure in written form (fax, email) within a period of three working days. Representation by another Supervisory Board member is not permitted. A resolution is considered binding when all Supervisory Board members have been invited to the conference in written form (fax, email) and at least three members, including the Chairman or Deputy, have submitted their votes at the conference.

Under the conditions defined in the statutes, meetings of the Supervisory Board can also be held using electronic communication, without the physical attendance of Supervisory Board members at a meeting in a single venue. The Chairman can make use of the option to hold a video conference instead of a physical meeting of all members at one location, in particular when the urgency of convening a meeting, the frequency of meetings or the absence of Supervisory Board members from the location suggest this would be in the interests of the company.

Composition of the Supervisory Board

The following table shows the current members of the Supervisory Board in 2016, their date of birth, their position, the date of their first appointment to the Supervisory Board as well as the probable end of their time in office:

The Supervisory Board

Name	Date of birth	Function	Member since	Appointed until
Karl Pistotnik ⁵	12.8.1944	Chairman of the Supervisory Board ²	6.12.2012	AGM 2019 ¹
Klaus Ortner	26.6.1944	Deputy Chairman ²	30.7.1998	AGM 2019 ¹
Michael Diederich ^{5,6,7}	28.8.1965	Member	22.5.2014	AGM 2019 ¹
Robert Grüneis ^{5,6}	22.5.1968	Member	22.5.2014	AGM 2019 ¹
Walter Knirsch ^{5,6}	8.2.1945	Member	6.12.2012	AGM 2019 ¹
Iris Ortner	31.8.1974	Member	27.5.2010	AGM 2019 ¹
Bernhard Vanas ⁵	10.7.1954	Member	6.12.2012	AGM 2019 ¹
Susanne Weiss ^{5,6}	15.4.1961	Member	6.12.2012	AGM 2019 ¹
Thomas Winischhofer, LL.M., MBA	26.5.1970	Member	29.5.2008	AGM 2019 ¹
Peter Grandits ⁹	9.12.1959	Member	13.9.2001	n/a
Walter Huber ⁹	7.6.1955	Member	1.7.2010	5.12.2016 ^{3,8}
Walter Jenny ⁹	12.12.1954	Member	1.9.2005	n/a ⁴
Michael Kaincz ⁹	31.1.1960	Member	9.6.2011	n/a
Michael Tomitz ⁹	4.1.1961	Member	9.6.2011	n/a

¹ The Supervisory Board members are appointed by the Annual General Meeting until the end of Annual General Meeting which will rule on the fiscal year 2018

² Since 6 December 2012 Karl Pistotnik has been the Chairman of the Supervisory Board and Klaus Ortner has been the Deputy Chairman.

³ Walter Huber was previously a member of the Supervisory Board from 13 September 2001 to 20 May 2009.

⁴ Walter Jenny was not a member of the Supervisory Board from 6 November 2012 to 6 December 2012.

⁵ has declared him/herself independent in line with C Rule 53 of the Austrian Code of Corporate Governance

⁶ is not a shareholder with an interest of more than 10% or representing the interests of any such investor in line with C Rule 54 of the Austrian Code of Corporate Governance.

⁷ has not participated in person in more than half of the meetings of the Supervisory Board in line with C Rule 58 of the Austrian Code of Corporate Governance

⁸ date of leaving the Board

⁹ appointed by the Works Council

The members of the Group's Supervisory Board each fulfil the following additional functions on Supervisory Boards or comparable positions in (non-consolidated) domestic and foreign companies:

Supervisory Board mandates or comparable functions of Supervisory Board members as at 31 December 2016

Name	Company	Function
Karl Pistotnik	SDN Beteiligungs GmbH	Chairman of the Supervisory Board
	Stumpf AG	Supervisory Board member
Klaus Ortner	ELIN GmbH	Chairman of the Supervisory Board
	UBM Development AG ¹	Supervisory Board member
Robert Grüneis	Philips Austria GmbH	Supervisory Board member
	Energie Burgenland AG	Supervisory Board member
Michael Diederich	Bayerische Börse AG	Deputy Chairman of the Supervisory Board
	ESMT - European School of Management & Technology GmbH	Supervisory Board member
Walter Knirsch	Finanzmarktaufsicht (FMA) ²	Supervisory Board member
Iris Ortner	TKT Engineering Sp. z o.o.	Deputy Chair of the Supervisory Board
	ELIN GmbH	Deputy Chair of the Supervisory Board
	UBM Development AG ¹	Deputy Chair of the Supervisory Board
Bernhard Vanas	SDN Beteiligungs GmbH	Supervisory Board member
	UBM Development AG ¹	Supervisory Board member
Susanne Weiss	Wacker Chemie AG ¹	Supervisory Board member
	ROFA AG	Chair of the Supervisory Board
	Schattdacor AG	Supervisory Board member
	UBM Development AG ¹	Supervisory Board member
Thomas Winischhofer	TKT Engineering Sp. z o.o.	Supervisory Board member

¹ listed on the stock exchange

² co-opted

Criteria for independence

C Rule 53 of the Austrian Code of Corporate Governance specifies that the majority of the members of the Supervisory Board elected by the Annual General Meeting or appointed by shareholders in line with the statutes shall be independent of the company and its Executive Board. A Supervisory Board member shall be considered independent if he/she does not have any business or personal relationship with the company or its Executive Board which constitutes a material conflict of interests and could therefore influence the behaviour of the member. The following criteria serve to define the independence of a Supervisory Board member:

- In the past five years the Supervisory Board member shall not have served on the Executive Board or as a management-level employee of the company or one of its subsidiaries.
- In the past year the Supervisory Board member shall not maintain or have maintained any business relations with the company or one of its subsidiaries to an extent which is significant for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has considerable economic interest, although this does not apply to exercising functions in bodies of the Group. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is classified as not independent.
- In the past three years the Supervisory Board member shall not have been an auditor of the company or been a shareholder or employee of the audit company which audited PORR AG.
- The Supervisory Board member shall not serve on the Executive Board of a different company in which an Executive Board member of the company serves on the Supervisory Board.
- The Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.
- The Supervisory Board member shall not be a close family member (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the company's Executive Board, or of a person to whom any of the aforementioned items apply.

In accordance with these criteria, the Supervisory Board members Michael Diederich, Robert Grüneis, Walter Knirsch, Karl Pistotnik, Bernhard Vanas and Susanne Weiss have declared themselves to be independent. The Supervisory Board members Iris Ortner, Klaus Ortner and Thomas Winischhofer have not submitted a declaration.

C Rule 54 of the Austrian Code of Corporate Governance specifies that companies in which free float accounts for more than 20% of shares must have at least one independent member as defined by C Rule 53 on the Supervisory Board, as elected by the general meeting or appointed under the

statutes, who does not hold more than 10% of shares or represent the interests of such a shareholder. The Supervisory Board members Michael Diederich, Robert Grüneis, Walter Knirsch and Susanne Weiss have declared that they meet these criteria.

Supervisory Board committees

In the business year 2016 the following committees were formed by the Supervisory Board in order to support and deal efficiently with complex issues:

Audit committee

The audit committee was composed of the following Supervisory Board members in 2016:

- Karl Pistotnik (Chair)
- Klaus Ortner
- Michael Diederich
- Bernhard Vanas (financial expert as defined in Section 92 Paragraph 4a Stock Corporation Act)
- Thomas Winischhofer
- Peter Grandits
- Walter Huber (until 5 December 2016)
- Michael Tomitz

The responsibilities of the audit committee include (i) monitoring the financial reporting process as well as issuing recommendations or suggestions to ensure its reliability; (ii) monitoring the effectiveness of the internal control system, the internal audit system, where appropriate, and the Group's risk management system; (iii) monitoring the auditing of the individual and consolidated financial statements under consideration of the findings and conclusions in the reports published by the Regulatory Authority on Auditors in accordance with Section 4 Paragraph 2 Line 12 of the Supervision of Auditors Act (APAG); (iv) assessing and monitoring the independence of the chartered auditors, in particular as regards any additional services they may have provided to the company (Article 5 of EU Regulation Nr. 537/2014 and Section 271a Paragraph 6 of the Austrian Commercial Code apply); (v) producing the report on the results of the audit to the Supervisory Board and a statement on how the audit has contributed to the reliability of financial reporting and the role of the audit committee; (vi) assessing the annual financial statements and preparing for their approval, assessing the proposal for appropriation of profits, the Management Report and the Corporate Governance Report, as well as reporting on the audit findings to the Supervisory Board; (vii) assessing the consolidated financial statements and the Group Management Report, the consolidated Corporate Governance Report, as well as reporting back to the Supervisory Board of the parent on the audit findings; and (viii) preparing the Supervisory Board's recommendation on carrying out the process for selecting the auditor under consideration of the appropriateness of his/her fee and preparing the Supervisory Board's recommendation on the choice of auditor. Article 16 of EU Regulation Nr. 537/2014 applies. On 20 April 2016 a meeting of the audit committee was held in the presence of the auditors for the purpose of

auditing and preparing the approval of the 2015 consolidated financial statements. At the same meeting, the Supervisory Board selected the auditor for the individual and consolidated financial statements as at 31 December 2016. In a meeting on 21 September 2016 the audit committee dealt with the reform to the EU Audit Act, monitoring the financial reporting process, evaluating the effectiveness of the internal control system, the internal audit system and risk management within the Group. An additional meeting of the audit committee was held on 28 November 2016 in accordance with Rule 81a of the Austrian Code of Corporate Governance, in which the monitoring of the audit was discussed. This meeting also gave the audit committee and the (Group) auditor the chance to communicate without the presence of the Executive Board. In a meeting on 12 December 2016, the audit committee addressed the report of the (Group) auditor on the functioning of risk management in accordance with Rule 83 of the Austrian Code of Corporate Governance and the internal audit report, including discussions on the audit plan and the material findings, in accordance with Rule 18 of the Austrian Code of Corporate Governance.

Nomination committee

The nomination committee was composed of the following Supervisory Board members in 2016:

- Karl Pistotnik (Chair)
- Klaus Ortner
- Susanne Weiss

The nomination committee has the following responsibilities: (i) preparing Executive Board appointments including successor planning: before appointing Executive Board members, the nomination committee shall define the profile for the Executive Board member taking into account the corporate strategy and state of the company and prepare the decision by the full Supervisory Board on the basis of a specific appointment process and taking into account the successor planning; (ii) proposing possible candidates to the Supervisory Board: the nomination committee is involved with planning the allocation of Supervisory Board mandates. The nomination committee shall submit appointment proposals to the entire Supervisory Board, which shall be proposed on the basis of a resolution of the entire Supervisory Board to the General Meeting for their approval. When proposing appointments, attention must be paid to the qualifications and personal skills of the Supervisory Board members, as well as the balanced composition of the Supervisory Board in light of the structure and business area of PORR AG. Furthermore, the aspects of diversity in the Supervisory Board with regard to representation of gender, age and internationality shall be considered appropriately. Attention shall be paid to the fact that no-one shall be put forward as a member of the Supervisory Board who has been convicted of a crime which calls his/her professional reliability into question.

The nomination committee did not meet in 2016.

Remuneration committee

The remuneration committee consisted of the following members in 2016:

- Karl Pistotnik (Chair)
- Klaus Ortner (Remuneration expert)
- Susanne Weiss (Remuneration expert)

The remuneration committee has the following responsibilities: (i) handling matters related to remuneration of the Executive Board members and the content of the employment agreements with Executive Board members, particularly specifying the underlying principles of Executive Board member remuneration and determining the criteria for variable remuneration components in line with Rules 27, 27a and 28 of the Austrian Code of Corporate Governance; (ii) evaluating the remuneration policy for Executive Board members at regular intervals; (iii) approving additional duties of Executive Board members.

A meeting of the remuneration committee was held on 20 April 2016 which dealt with determining the 2015 annual bonus for the members of the Executive Board of PORR AG.

Positive action for women

Female managers at various levels of the organisation, division heads, female authorised signatories and two female members of the Supervisory Board are active in the PORR Group.

Positive action for women at every level of the hierarchy poses a particular challenge for the PORR AG and its consolidated companies. The fact that very few women choose a technical career has led to a traditionally low ratio of women in the construction industry. It is also seen as the main barrier to the future appointment of female managers in top positions. The primary goal is therefore to encourage girls and women to take up technical professions and those in the construction industry. Targeted employer branding measures such as participating in the “Vienna Daughters’ Day” and “Apprentice Day”, as well as the “PORR@HAK” road show, give an insight into apprenticeships, technical and commercial vocations and graduate positions, thereby making the male-dominated construction sector more attractive to women.

With regard to recruiting managers, PORR’s focus lies in finding appropriate female candidates. The first signs of this strategy’s success can already be seen in the continuous increase in the percentage of women at management level. Another measure is the increased focus on female students at graduate jobs fairs in order to highlight the attractive opportunities in the construction industry. The increase in the share of women in operational units should lead to a reservoir of qualified women which can also supply the upper management levels in the medium term.

In addition to the employer branding activities to attract new female employees, it is essential to give existing female staff the chance to forge their careers within the PORR Group itself. One priority here is ensuring greater compatibility between professional and private life. This is why the PORR Group started the PORR Diversity Initiative in 2015. The catalogue of measures includes more flexible working-hours models, a proactive management concept for parental leave and an enhanced range of offers for family and nursing care support.

A further focal point is the company's women's network "Women@PORR". The goal is promoting a stronger network and more intensive exchange of experiences among female colleagues. This is why best-practice examples and role models are regularly presented, reporting on their professional life and giving tips. Furthermore, since autumn 2016 there has been special training for women, dedicated in particular to developing skills, focusing on strengthening and promoting personal initiative.

Another measure for female staff is the pilot project "Mentoring for women", introduced in December 2016.

Disclosure on Executive Board remuneration

Remuneration policy principles

The total remuneration of the Executive Board consists of a fixed salary, a variable bonus and other compensation.

The maximum value of the variable performance bonus for the Chairman of the Executive Board amounts to EUR 700,000.00 gross per year. The maximum value of the bonus for the Executive Board members Christian B. Maier and J. Johannes Wenkenbach amounts to EUR 500,000.00 gross per year. The precondition for granting this bonus for all members is fulfilling the quantitative and qualitative elements of a set of criteria which are determined by the Supervisory Board's staff committee.

An annual contribution of around EUR 40,000.00 is paid into a pension scheme for Executive Board members Christian B. Maier and J. Johannes Wenkenbach.

D&O liability insurance covers the members of the Executive Board, the cost of which is borne by the company.

Executive Board remuneration 2016

in EUR	Salary	Variable bonus	Pension scheme
Karl-Heinz Strauss	750,000.00	700,000.00	-
Christian B. Maier	500,000.00	500,000.00	40,000.00
J. Johannes Wenkenbach	500,000.00	500,000.00	40,000.00

Remuneration policy principles for significant consolidated companies

The remuneration corresponds to market rates. Furthermore, there is a bonus model for the entire Group that specifies agreed targets for management staff, as well as a bonus pool for other employees.

The targets agreed for management staff are based on consolidated earnings, divisional earnings and individual targets.

The additional bonus pool applies to all staff members who do not have agreed targets. The amount of the bonus pool is determined annually by the Executive Board.

Principles governing the share option programmes in the company

In the 2016 business year there were no share option programmes in the company.

Disclosure on Supervisory Board remuneration

In addition to reimbursement of expenses and an attendance fee for every meeting, all Supervisory Board members receive an annual payment for their services. The amount of the attendance fee and the annual payment are determined by a resolution by the Annual General Meeting (AGM). The AGM can also rule on a total amount of remuneration for the Supervisory Board and leave the Chairman of the Supervisory Board to decide how it is distributed. If the Supervisory Board mandate begins or ends during a business year, the respective Supervisory Board member is paid pro-rata compensation for the duration of his/her time on the Supervisory Board.

If members of the Supervisory Board take on special activities in this function and in the interests of the company, extra compensation for this can be approved by AGM resolution.

In the interests of the company, Supervisory Board members are covered by an appropriate level of D&O liability insurance, the costs of which are borne by the company.

The resolution of the AGM on 11 July 2013 determined the following remuneration for members of the Supervisory Board: the resolution states that the Chairman of the Super-

Remuneration of Supervisory Board members in 2016

in EUR	Fixed remuneration ¹	Attendance fee for meetings ²
Michael Diederich	15,000.00	2,000.00
Robert Grüneis	15,000.00	4,000.00
Walter Knirsch	15,000.00	4,000.00
Iris Ortner	15,000.00	5,000.00
Klaus Ortner	20,000.00	6,000.00
Karl Pistotnik	25,000.00	5,000.00
Bernhard Vanas	15,000.00	5,000.00
Susanne Weiss	15,000.00	5,000.00
Thomas Winischhofer	15,000.00	5,000.00

¹ Payout four weeks after the AGM

² The attendance fee for meetings is EUR 1,000.00 per session

visory Board shall receive fixed remuneration of EUR 25,000 per year, the Deputy Chairman of the Supervisory Board shall receive fixed remuneration of EUR 20,000 per year and the other members shall receive fixed remuneration of EUR 15,000 per year. The attendance fee for meetings was set at EUR 1,000 per meeting of the Supervisory Board or one of its committees. Members of the Supervisory Board who do not reside in Austria receive an additional reimbursement of tax at source settled by the company. The fixed remuneration is due in arrears once a year, within four weeks of the AGM. The attendance fee for meetings is due within the four weeks following the respective Supervisory Board meeting.

Furthermore, the Supervisory Board members appointed by the AGM have no claim whatsoever to pension or redundancy payments or any similar compensation upon conclusion of their mandates.

The Corporate Governance Report and the consolidated Corporate Governance Report have been brought together in a single report. This Corporate Governance Report is published as part of the Annual Report and is available on the Group's website at porr-group.com.

Report on Payments to Government Entities

In 2016 payments in a minor amount were made to government entities by Group subsidiaries operating in the extractive industries. As a result of the inclusion in the Group tax group and the profit-and-loss transfer agreements concluded, no corporation tax was paid. Reference is made to the application of the simplified option pursuant to Section 243c Paragraph 5 of the Commercial Code.

Supervisory Board Report

The Supervisory Board considers PORR to have continued seamlessly on in 2016 from the successful business performance of the previous years. Employees and managers successfully implemented the intelligent growth strategy of the Executive Board and made significant achievements in production output, earnings, and with regard to the order backlog. The Supervisory Board particularly welcomes the improvement in earnings and the developments in equity.

In close cooperation with the Supervisory Board, the Executive Board undertook targeted strengthening of the Group's core competencies through M&A activities. The German specialist civil engineering company Franki Grundbau GmbH was acquired at the turn of the year and further purchases were under evaluation. Some of these transactions, such as the purchase of the medium-sized German traffic construction specialists Heijmans Oevermann GmbH, were concluded after the end of the reporting period 2016.

TEERAG-ASDAG AG, already a wholly owned subsidiary of PORR AG since 2012, merged with PORR Bau GmbH as of 3 September 2016 and now operates as PORR Bau GmbH, with the supplement "Civil engineering". The Supervisory Board would like to highlight the exceptionally professional way the integration was carried out, as this was a particular challenge for everyone involved due to the size of the company.

The Supervisory Board has been kept constantly informed of the details related to significant developments in M&A transactions and the merger of TEERAG-ASDAG AG and PORR Bau GmbH and thanks the Executive Board Members J. Johannes Wenkenbach (COO) and Christian B. Maier (CFO), under the leadership of CEO Karl-Heinz Strauss, for their successful and productive cooperation.

The Supervisory Board confirms that the combination of the proven Executive Board team, the exceptional work of the staff and the highly promising order intake leads to the expectation of continued positive growth in the 2017 business year.

The Supervisory Board has actively encouraged and supported the company's development in keeping with the responsibilities assigned to it. In line with Section 81 of the Stock Corporation Act, the Executive Board has kept the Supervisory Board constantly informed of full details of the development of

the business and financial position of the Group and its shareholdings, of staff and planning matters and of investment and acquisition projects through spoken and written reports, and the latter has discussed strategy, business development and risk management with the Supervisory Board. In a total of five meetings, the Supervisory Board passed the relevant resolutions that were required. The necessary approval for the transactions for which consent is required under Section 95 Paragraph 5 of the Stock Corporation Act and pursuant to the rules of procedure for the Executive Board was obtained; in urgent cases, written voting was used for authorisation of this nature. The average level of attendance at Supervisory Board meetings on the part of the members that had been elected by the AGM was 84%.

Supervisory Board committees

In 2016 the Supervisory Board formed the following committees made up of its members in order to support and deal efficiently with complex issues:

Audit committee

On 20 April 2016 a meeting of the audit committee was held in the presence of the auditors for the purpose of auditing and preparing the approval of the 2015 consolidated financial statements. At the same meeting, the Supervisory Board selected the auditor for the individual and consolidated financial statements as at 31 December 2016. In a meeting on 21 September 2016 the audit committee dealt with the EU Audit Reform, monitoring the financial reporting process, evaluating the effectiveness of the internal control system, the internal audit system and risk management within the Group. Another meeting of the audit committee was held on 28 November 2016 in accordance with Rule 81a of the Austrian Code of Corporate Governance, in which the monitoring of the audit was discussed. This meeting also gave the audit committee and the (Group) auditor the chance to communicate without the presence of the Executive Board. In a meeting on 12 December 2016, the audit committee addressed the report of the (Group) auditor on the functioning of risk management in accordance with Rule 83 of the Austrian Code of Corporate Governance and the internal audit report, including discussions on the audit plan and the material findings, in accordance with Rule 18 of the Austrian Code of Corporate Governance.

Nomination committee

The nomination committee did not meet in 2016.

Remuneration committee

A meeting of the remuneration committee was held on 20 April 2016 which dealt with determining the 2015 annual bonus for the members of the Executive Board of PORR AG.

The annual financial statements of PORR AG as per 31 December 2016, including the notes to the consolidated financial statements and the management report, and the consolidated financial statements that had been prepared as of 31 December 2016 in accordance with International Financial Reporting Standards (IFRS, as applied in the EU) and the Group management report, were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit, based on the bookkeeping and documentation of the company as well as the explanations and documentation provided by the Executive Board, revealed that the bookkeeping records and the annual financial statements and consolidated accounts complied with the legal requirements and provided no cause for complaint. The management report and Group management report accord with the annual and consolidated financial statements. The aforementioned audit company has therefore issued an unqualified audit opinion for the annual and consolidated financial statements.

The audit report prepared by the auditor, the Corporate Governance report, the report on payments to government entities and the Executive Board's proposal on the appropriation of net profit were dealt with in detail with the auditors on 24 April 2017 in the audit committee and submitted to the

Supervisory Board. The Executive Board proposes to pay out a dividend of EUR 1.10 per share entitled to dividends from the net retained profits of EUR 32,153,802.42, with the rest of the balance carried forward to new account. The audit committee and the Supervisory Board have approved the annual financial statements as of 31 December 2016 and the Group management report, the Corporate Governance Report, the report on payments to government entities and the proposal of the Executive Board regarding the appropriation of net profits following intensive discussion and auditing. The annual financial statements as of 31 December 2016 have thus been adopted. The audit committee and the Supervisory Board also approved the consolidated accounts for 2016 that had been prepared in accordance with IFRS and the Group management report. The Supervisory Board agreed with the proposal of the Executive Board regarding the appropriation of earnings.

The Supervisory Board thanks customers and shareholders for the confidence they have placed in PORR and their commitment to the company, as well as the Executive Board and staff for the dedication they have demonstrated over the past year and the constructive collaboration it has enjoyed with them.

April 2017, Vienna

Karl Pistotnik m.p.
Chairman of the Supervisory Board

Group Management Report

Economic Environment

With an increase of 3.1%, global economic growth matched the level of the previous year in 2016. Geopolitical crises continued to impact on the performance of the global economy. In the USA economic growth accelerated due to the stronger foreign demand over the course of the year. The dominating factors at year-end were the uncertainties related to future economic policy – in particular the risk of increased trade restrictions – as well as a tightening of monetary policy in the USA. The economy in Asia rose significantly. Commodity-exporting countries, particularly the emerging markets, continued to profit from the stabilisation of commodities prices.¹

In contrast, the pace of economic growth in the eurozone was unchanged – the European economy continued along its moderate growth course. Great Britain's vote to leave the EU was not yet reflected in the eurozone growth rates. Private consumer demand was once again the growth driver in the majority of EU countries. While the economy in the 19 Euroconstruct countries grew by 1.8% in 2016, this growth was far short of the level of the previous year. A weak appetite for investment stifled the pace of growth and foreign trade also slowed down still further. In contrast the fiscal policy of the central banks had a positive effect on growth.²

Driven by strong domestic demand, real GDP in Germany increased by 1.8% in 2016 according to the initial calculations of the Federal Statistical Office.³ The growth prospects in Central and Eastern Europe (CEE) also improved in light of the recession in Russia, which was only moderate contrary to expectations, and was set to be just under 3.0%. As in previous years, the economy in Poland achieved growth of 3.2% and was further boosted by increased consumer spending and a good job market situation. With growth of 2.3%, the Czech economy lagged significantly below the record year 2015.⁴

The Austrian economy is currently in a recovery phase that is being buoyed by domestic demand. Real GDP growth accelerated – following on from less than 1.0% for four years

in a row – to 1.4% in 2016. This development was driven by investments and private consumption, which benefited from the income tax reform implemented in January 2016. Annual growth of 1.5% has been forecast for the years 2017 to 2019.⁵

Developments in the Construction Industry

Analysts' expectations were high following the original optimistic forecasts that 2016 would be the first year of robust economic growth after a long crisis. However, disenchantment set in after the Brexit vote and the surprising relapse of certain countries into a downturn: Euroconstruct forecast subdued growth of 2.0% in construction output for the 19 member states in 2016. Eastern Europe also failed to overcome the crisis and was confronted with decreases – although in individual countries such as Poland this started out from a high baseline. The only sector that outperformed the forecasts was residential construction, while investments in building construction and infrastructure construction were lower than in the previous year. Growth rates of 2.1% and 2.2% have been forecast for Europe in 2017 and 2018 – with significantly more robust growth in Eastern Europe.⁶

There are multiple reasons for the slowdown. In addition to the negative impacts expected from the Brexit vote and the likelihood of weaker economic growth in China and Germany, there is an array of structural problems. The ongoing weakness in the banking sector in Europe and the expected hike in interest rates are having a stifling effect on the construction business.

With a plus of 2.5%, Germany's construction output achieved robust growth in 2016. That said, the growth was almost exclusively driven by the increased demand for residential construction caused by migration. The petering out of this trend after 2018 is likely to lead to stagnation in German construction.

In Austria the three segments residential construction, building construction and infrastructure construction achieved slight growth. While Euroconstruct does not see any notable weak-

¹ Wifo press release, 8.11.2016, http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=59098&mime_type=application/pdf

² Euroconstruct: 2016_B2_Country-Report Barcelona

³ <http://www.finanzen.net/nachricht/zertifikate/IKB-Kapitalmarkt-News-Deutsche-Konjunktur-Robuster-Ausblick-5293684>

⁴ Euroconstruct: 2016_B2_Country-Report Barcelona

⁵ <https://www.oenb.at/Presse/Pressearchiv/2016/20161212.html>

⁶ EC Nov2016: Seite 8-22

nesses in Austria's construction output, it also sees hardly any particular strengths. In 2016 growth stood at 1.6% and it is expected to remain at a similar level in the next three years.

Development of Output

PORR's production output is determined from the proportional construction output of all companies in which PORR has a direct or indirect interest, as well as from the proportional output of consortiums involving any one of the PORR Group companies, reconciled pursuant to commercial criteria. As opposed to the gross revenues reported in the consolidated income statement, the output of consortiums on the one hand and the output of all Group companies on the other hand – regardless of their form of inclusion in the consolidated accounts (fully consolidated, equity method, proportionate or those of minor significance) – are included proportionately in the calculation of production output.

PORR continued its successful course in 2016. At year-end production output stood at EUR 3,925m and thereby grew by EUR 401m or 11.4%. The growth was therefore significantly higher than that of the European construction industry (2.0%). PORR generated 87.4% of its total production output on the five home markets.

Austria remains the most important market and the foundation of the Group's success with production output of EUR 2,055m – an increase of EUR 185m or 9.9%. The strongest growth in percentage terms was achieved in Germany; with EUR 802m, a rise of EUR 167m or 26.4%, the announced expansion in the most important foreign market continued.⁷ The performance in Poland (1.0%), the Czech Republic (4.7%) and Switzerland (24.3%) rounded off the pronounced growth on the home markets. The development in output was also positive when broken down by segment. All four business units achieved increases, albeit to different degrees. Business Unit 1 – Austria, Switzerland, Czech Republic (BU 1) generated production output of EUR 2,125m, an increase of EUR 218m or 11.4%. Every single federal province managed to increase its output.

Business Unit 2 – Germany (BU 2) increased its output to EUR 456m – this corresponds to a rise of EUR 82m or 21.7%. At 31 December Business Unit 3 – International (BU 3) had generated output of EUR 1,082m, a slight increase of EUR 5m or 0.5%. The reason for this slight growth was several projects being pushed back to 2017. Business Unit 4 – Environmental Engineering, Healthcare & Services (BU 4) managed to expand its output significantly; it totalled EUR 219m, a rise of EUR 66m or 42.7%. As usual, the largest share of output was generated by PORR Umwelttechnik.

Order Balance

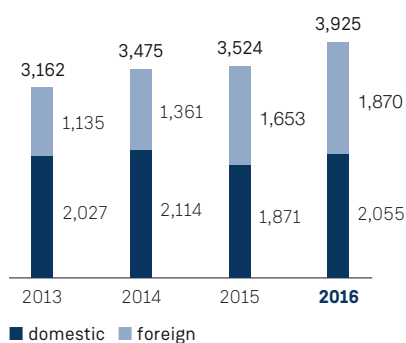
The development in orders was once again pleasing in 2016. Despite the high increase in output, it was possible to increase the order backlog and it totalled EUR 4,804m – a rise of EUR 225m or 4.9% – setting a new record. The cushion of orders is significantly higher than one year of production output.

As with production output, it was possible to increase the order backlog in every segment. In BU 1 it reached EUR 1,664m, a rise of EUR 99m or 6.3%. The performance in Germany was also positive: the order backlog of BU 2 totalled EUR 739m, an increase of EUR 49m or 7.1%. The order backlog also grew in BU 3 and stood at EUR 2,227m at 31 December 2016, an increase of EUR 30m or 1.4%. BU 4 benefited from the good order books of PORR Umwelttechnik. The order backlog grew to EUR 117m, a rise of EUR 36m or 43.9%.

The order intake also managed to surpass that of the previous year and reached EUR 4,150m, an increase of EUR 105m or 2.6%, whereby the division among business units was more mixed. The order intake rose in BU 2 and BU 4, while it slipped back in BU 1 and BU 3. The reason for the decline in BU 1 was the practically full utilisation of all capacity in Switzerland, where tenders are only being acquired very selectively with a view to the margins. In BU 3 the decrease was almost exclusively caused by the non-inclusion of the large-scale acquisition in Qatar in 2015.

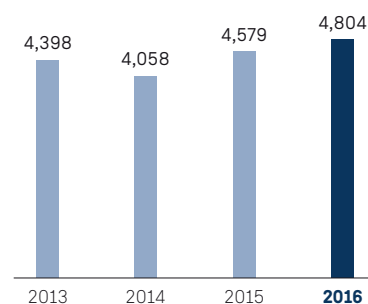
Production output

in EUR m



Order backlog

in EUR m



⁷ This country analysis of Germany includes the share of output from both BU 2 and BU 3.

Financial Performance

Revenue increases

Production output, commonly used in the construction industry as an indicator of size, is determined from the proportional construction output of all companies in which PORR has a direct or indirect interest, as well as from the proportional output of consortiums in which a PORR Group company participates, reconciled pursuant to commercial criteria. In contrast to the gross revenues reported in the consolidated income statement, the output of consortiums on the one hand and the output of all Group companies on the other hand – regardless of their form of inclusion in the consolidated accounts (fully consolidated, accounted for under the equity method, proportional or those of minor significance) – are included proportionately in the calculation of production output.

The PORR Group increased its production output yet again in 2016, with an increase of EUR 401.6m or 11.4% to EUR 3,925.3m.

The PORR Group's consolidated revenue rose by EUR 277.4m in 2016 to EUR 3,417.1m. The growth in revenue was slightly below production output, by 8.8%, as there was a disproportionately high rise in revenue from companies accounted for under the equity method and those of minor significance. At the same time, the proportional output of consortiums was only slightly above the levels of the previous year.

The income from companies accounted for under the equity method include results from associates and joint ventures, as well as the income from interests in consortiums. The contribution from consortiums held steady in 2016, as did the income from associates and joint ventures, contributing EUR 46.3m (2015: EUR 46.2m) to annual earnings, whereby the largest share was generated by the inclusion of income from consortiums (EUR 33.5m).

The PORR Group's other operating income increased more slowly than revenue, rising by 3.7% to EUR 105.5m.

In terms of expenses, cost of materials and other related production services represent the highest cost factor, as is common to the industry. The amount of these costs is dependent on how many of the services on construction projects are carried out by the Group itself and how many by subcontractors. This cost item increased by 9.3%, practically proportionate in relation to revenue. Here the individual components showed contrasting developments: expenditure on purchased services increased disproportionately sharply compared to revenue by 14.1% against the previous year (from EUR 1,409.4m to EUR 1,607.5m), while expenditure on materials fell by 1.2% against the previous year to EUR 643.9m. However, material expenses in relation to revenue were reduced by 1.9PP to 18.8%.

In 2016 staff expense rose by 8.2% to EUR 874.1m, which was lower than the growth in revenue, and also lower than the change in staffing levels, which were up by 7.6% against 2015.

Other operating expenses increased slightly against the previous year by 1.2%. This item includes legal and consultancy services, office running costs, travel expenses, buildings and land, taxes and duties, commission on syndicated guaranteed loans, advertising and shares of losses linked to orders processed through consortiums, as well as provisions for losses and penalties.

EBITDA, EBIT and EBT significantly higher than previous year

On the basis of the growth in revenue and the savings on other operating expenses, it was possible to increase EBITDA by 12.9% or EUR 21.4m to EUR 187.3m.

Depreciation, amortisation and impairment increased by 11.7% to EUR 87.3m because of higher investments and the expansion and conversion of operating sites.

EBIT thereby stood at EUR 100.1m, an increase of 14.0% against the previous year.

The slight fall in interest income from financial investments led to a slight decline in the financial result, slipping back by EUR 2.3m to EUR -9.0m.

Improvements in the operating cost structure allowed for an increase in EBT in the period under review to EUR 91.1m (2015: EUR 81.1m). With growth of 12.3% or EUR 10.0m, EBT saw a disproportionately sharp rise compared to revenue. The slight year-on-year increase in tax expense of EUR 24.2m (2015: EUR 20.1m) led to a EUR 5.8m rise in the consolidated profit to EUR 66.8m.

Financial Position and Cash Flows

At 31 December 2016 the PORR Group's total assets stood at EUR 2,360.5m and were thereby just EUR 56.5m or 2.5% below the value of the previous year despite corporate acquisitions and the increase in revenue. This was because the growth in the assets related to expanding business activities compensated for the reduction in cash and cash equivalents.

Non-current assets increase due to investments

Under non-current assets, there was a rise in property, plant and equipment due to investments in construction equipment and structural measures in company buildings of EUR 53.7m to EUR 521.1m, with investment property increasing by EUR 9.9m to EUR 43.5m, primarily because of acquiring an equity interest with a property asset. In addition, interests in companies accounted for under the equity method rose by EUR 4.9m to

EUR 43.3m and loans increased by EUR 22.1m to EUR 23.2m. Other financial assets held steady at EUR 89.9m, whereby total non-current assets increased from EUR 715.9m to EUR 799.7m.

Reduction of cash and cash equivalents in current assets

Current assets as at 31 December 2016 were reduced by a total of EUR 27.4m, whereby the increase in trade receivables necessitated by the significant expansion in revenue was compensated for by the high liquidity position from the previous year, which declined from EUR 647.2m to EUR 476.4m.

Adjustments to the capital and financing structures

At 31 December 2016 the equity ratio rose by 0.8 PP to 18.7%, despite the increase in total assets. Equity grew, primarily because of the good annual earnings (EUR 61.6m), while the dividends paid out in the amount of EUR 37.8m had a contrasting effect. Overall, equity rose by EUR 28.8m to EUR 440.9m.

While the high liquidity was used to redeem a bond and settle other financial liabilities, trade payables climbed by EUR 153.9m to EUR 785.6m, whereby most of the increase in trade receivables could be offset. Other liabilities decreased due to the reduction in advance payments for projects included in this item; they fell by EUR 58.9m to EUR 193.1m. Overall, current liabilities grew by EUR 18.3m to EUR 1,358.5m.

Non-current liabilities grew because of increasing a Schuldscheindarlehen and declined because of settling financial liabilities.

At 31 December 2016 the PORR Group had a net cash position (balance from bonds and financial liabilities less cash and cash equivalents and securities in current assets) of EUR 53.3m.

Decrease in cash and cash equivalents

While operating cash flow of EUR 155.8m was up against the previous year (2015: EUR 145.3m), cash flow from operating activities declined against 2015 by EUR 137.4m to EUR 56.1m. This was because while the increase in trade receivables was broadly offset by the rise in trade payables as of the reporting date, nevertheless, the POC advance payments received for projects not yet completed declined by EUR 58.9m. This reduction in advance payments corresponds with the output and payment plans of the projects.

Under cash flow from investing activities, the payments for investments in property, plant and equipment and financial assets, as well as the acquisition of multiple subsidiaries, were partly offset by the proceeds from selling property, plant and equipment. Cash flow from investing activities of EUR -108.6m was significantly lower than the comparable period, as the investments in 2015 contrasted with high amounts for redeeming loans and the investment activity in 2016 was adjusted to reflect the expansion in the business in 2016.

Cash flow from financing activities of EUR -116.0m shows the outflow of funds for paying dividends (EUR -47.6m), payout to non-controlling interests (EUR -0.4m), repayment of Schuldscheindarlehen (EUR -27m), the redemption of a bond (EUR -50.8m) and settling loans and borrowings (EUR -57.2m). This was slightly compensated for by the decrease in cash and cash equivalents from taking out loans and borrowings (EUR 15.6m), increasing a Schuldscheindarlehen (EUR 41.1m) and the payout of a scrip dividend (EUR 10.2m).

At 31 December 2016 cash and cash equivalents totalled EUR 476.4m.

Staff

In 2016 the PORR Group employed 15,328 people on average, which breaks down into 8,603 waged workers and 6,725 salaried employees. This represents a 10.4% increase against the previous year. While the increase in Austria of 2.9% was comparatively low, the staffing level in the foreign subsidiaries grew sharply by 22.3%. This was partly caused by the expansion strategy in Germany. The 8.2% increase in staff expenses to EUR 874.1m was lower than the growth in staff and below the rise in production output.

PORR is committed to ongoing HR development and employees have the opportunity to improve their performance and skills through a wide range of training and development measures. Diversity plays a major role and is an important part of the corporate culture. In 2016 the average training days per staff member stood at 1.49 (data based on Austria and Germany); the number of training sessions totalled 2,307. Overall PORR invested EUR 2.95m in the year under review, 2016, in training and development for its staff.

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/konzern/verantwortung/csr/, where the Sustainable Value Report 2014/2015 can also be downloaded. The next report will be published in 2018 for the years 2016/2017.

Focal points in 2016

In early summer 2016 PORR conducted a materiality analysis in order to adapt its sustainability strategy to meet the requirements of the GRI G4 guidelines. The materiality analysis forms the basis for focusing on the issues that are central to the company and the enhanced focus on the core business of PORR – construction. The material CSR topics were defined in the course of a comprehensive analytical process, consisting of workshops on general topic identification, defining the stakeholder groups and online surveys. The results showed that “long-term economic success” and “customer satisfaction” were the most relevant issues by a considerable margin, both from the company’s viewpoint and from that of the stakeholders. For staff members the top priorities were “safety and prevention” as well as “further education and training”.

A central topic in the period under review was realising the Diversity Initiative. As an international company, PORR is committed to diversity and equal opportunities in its HR strategy. The expectations of a job and working environment are changing: employees are looking for an atmosphere at work that not only values their contribution, but also offers varied tasks and individual responsibility. Additional potential comes from increasing migration and cooperation in heterogeneous teams. At the same time, targeted diversity measures can increase both the potential for innovation and creativity. With this in mind, the PORR Diversity Initiative started in autumn 2015 in order to improve the work-life balance and promote equal opportunities among staff. Here the first steps involved targeted measures such as those related to models of working hours and leave, childcare, a Parent-Child Office for childcare emergencies, support when relatives require nursing care, as well as special training sessions and implementing corporate networks.

One of the focal points in the field of education was on further development for the managers of the future, as well as training for team and group leaders and foremen. The commercial

trainee programme and the buddy system also continued. A priority for management staff in the year under review was compliance training on the topics “Anti-corruption” and “Preventing anti-competitive practices”. One of the focal points in 2016 was developing e-learning for soft skills and specialist competencies, including communication skills, occupational health and safety and labour law.

In addition to the Group’s internal women’s network, Women@PORR, the first training sessions as part of the Diversity Initiative on the issue of “Empowerment for women in construction” were successfully realised and a mentoring programme, which will enter its pilot phase in 2017, was conceived.

Once again PORR took part in numerous events in order to attract talent to the company early on. These included PORR@HAK, the Vienna Daughters’ Day, fair.versity Austria and other renowned careers fairs in Austria and abroad.

In the year under review PORR came a step closer to its goal – Zero Accidents – with a renewed decrease in accidents at work. The specialist competencies of the safety experts were bundled in the business units, brought together from across the Group in an occupational health and safety team, and boosted by the addition of five new safety officers. The focal points in 2016 involved the issues of personal safety gear (work wear), fastening loads and a safe approach to pressurised lines. Mandatory minimum training on employee safety was introduced to increase the health and safety performance across the Group, part of which consists of e-learning modules. The “Safety Walk” on the construction sites also continued, as it has proven to be a good instrument for preventing accidents.

**... needs
bright sparks.**

Intelligent building needs bright sparks.

Innovation comes from visionaries and bright sparks. People are at the heart of PORR's sustainable business growth and the company encourages every staff member and sees diversity as a major opportunity for the Group. We are committed to skilled workers for creative, interactive and complex tasks and we support teamwork as well as flexibility. As a matter of course this is complemented by promoting women and young talent, fair and transparent remuneration, and prioritising occupational health and safety.



Research and Development

PORR is striving for technological leadership in many areas. In order to do justice to this goal even more effectively, the PORR innovation initiative has been strengthened by the implementation of the “Knowledge factory”. As part of the online forum for technological issues, the company is promoting optimal staff networking, regardless of hierarchies. At the same time, the entire Group thereby has access to individual knowhow and any possible need for innovation can be identified.

PORR cooperates with competitors and major clients in 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 one for the further reduction in resource consumption of construction machinery.

In total PORR employs 45 people in the field of Research, Development and Innovation. Employees from other European PORR locations are also involved in certain projects. The PORR department of Technology Management and Innovation (PTI) serves as a contact point offering comprehensive consulting and support for every innovation question. Other departments and operating units support innovation projects – the 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.

A central issue of the work in innovation at PORR is the digitalisation of design and construction processes. There are 30 employees in PORR Design & Engineering 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, including Architecture, Statics, Calculation and Construction Site Progress.

In addition, the further development of 3D FEM statics programmes is being promoted in a multi-year project. The core of the project involves measurements of the loads actually incurred on three towers currently under construction. There have been multiple PORR developments and patents realised for projects in Germany and Austria in the field of tunnelling – a focal point of innovation in recent years. These include bonded steel/concrete lining for extremely high loads, lining with non-corrosive reinforcement, and materials for annular gap backfilling in case of high mountain-water pressure. A further development of the Slab Track system was also realised on the construction of the metro in Doha. Furthermore, a heavy-duty system for axle loads of up to 32 tonnes was developed; this can be used in the railway network of the Middle East and in heavy industry.

Forecast Report

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 Group’s output is generated in Austria, Germany, Switzerland, Poland and the Czech Republic. This is complemented by large-scale, high-margin projects in the project and target markets, predominantly in the infrastructure sector. With its focus on private industrial clients, PORR is also positioned in building construction as a skilled partner whose word is its bond.

Even though the share of output generated outside the five home markets has increased in recent years, more than 87% of construction output is still generated in the stable countries in the DACH region with strong credit standing, as well as in Poland and the Czech Republic. This strategy will be maintained and in the future PORR will continue to concentrate primarily on this region, in line with the principle “know your market, know your customers”. Internationally, PORR has successfully established itself as an expert, premium provider and infrastructure specialist from its hub in Qatar with export products in tunnelling, rail construction and foundation engineering.

In order to selectively strengthen its core competencies and niches, PORR constantly evaluates corporate acquisitions and realises them if they are judged to be positive and fit for the future. Here the growth market of Germany is particularly in focus, although acquisitions in Austria and individual options in other markets are also assessed.

The “Roadmap 2020” has been implemented in order to accelerate the digitalisation process and position PORR as a leading construction company in this field. The Roadmap is the strategic implementation plan to digitalise PORR and is being realised by cross-departmental teams from Corporate Development, IT & Business Processes, PORR Design & Engineering, PORR Equipment Services and especially by the operating employees from every unit.

In addition to promoting digitalisation, PORR’s primary goal is to sustainably secure its positioning as the ‘best place to work’. The programme “Work & Life @ PORR” has been successfully introduced in the competition for the best talent, offering staff comprehensive additional services relating to healthcare, nursing care, childcare and equal opportunities. PORR benefits from above-average staff retention, which is being strengthened still further by this programme, and receives a high number of applications for salaried and waged positions despite the prevailing lack of skilled labour.

Even though the good performance of the business has led to annual increases in production output, the cushion of orders has also continued to grow. With an order backlog of around EUR 4.8bn, today it stands at almost EUR 0.9bn above annual production output. This is complemented by very strong earnings last year, with an EBT increase of 12.3% and liquidity which is above the industry average, with a net cash position totalling EUR 53m.

The combination of high profitability and a very good order situation allows the Executive Board to assume a further increase in output and earnings for the current year 2017. 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, UK, 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 com-

parisons 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, speculative transactions are forbidden. All hedge transactions are performed centrally by the Group financial management. 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 is defined as the risk that liabilities cannot be paid upon maturity. Managing the liquidity risk is based on a financial plan updated once a quarter, which originates at operational level. For all projects a designated commercial employee conducts individual and monthly planning for the current year and for the subsequent years. The operational component involves planning all cash-related financial issues such as due dates for financing, M&A and capital market transactions, interest and dividends; this is performed centrally at holding level with the person holding Group responsibility.

At year-end 2016 the Group had a high liquidity level of TEUR 476,430; this liquidity is used on the one hand for the seasonal peak liquidity demand from April to November (typical to the construction industry), as well as for corporate acquisitions and settling loans due. Should additional liquidity demand arise, this could provisionally be covered by drawing on existing lines of credit.

At 31 December 2016 the net cash position, defined as the balance from cash and cash equivalents, bonds and current and non-current financial liabilities, amounted to TEUR 53,312 (previous year: TEUR 186,526).

Current financial liabilities, defined as the current portion of bonds and de facto current financial liabilities, amount to TEUR 43,993 (previous year: TEUR 94,899) and are covered by cash and cash equivalents and assets held for sale of TEUR 480,454 (previous year: TEUR 651,160). Bonds and *Schuldscheindarlehen* worth TEUR 300,662 were part of non-current financial liabilities of TEUR 379,125. At 31 December 2016 there was TEUR 204,734 (previous year: TEUR 211,947), available in bank lines for cash loans, which could be drawn on for the immediate refinancing of current financial liabilities. With regard to the syndicated guaranteed credit line which was granted and used, see note 40. The Group has access to European credit lines totalling TEUR 2,336,869 (previous year: TEUR 1,621,100). Of these credit lines, TEUR 961,000 (previous year: TEUR 641,200) was concluded with a three-year term. The remainder of TEUR 1,375,869 (previous year: TEUR 979,900) generally run for a one-year term. Furthermore, there were credit lines in several Arabic countries of TEUR 583,647 (previous year: TEUR 539,400). As of 31 December 2016, around 49% (previous year: 59%) of the European credit lines had been drawn on and around 33% (previous year: 37%) of the lines in Arabic countries.

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's financial management. 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 67,000. 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 2016 the market value of the interest rate swaps had a fair value of TEUR -1,244.

Foreign currency risks

The management emphasis with regard to foreign currency risks relates to hedging exchange rate risks of future incoming or outgoing payments conducted in a foreign currency and which either relate to payments by clients or suppliers, or convert intragroup financing into the respective national currency of the borrower.

The PORR Group had concluded forward exchange contracts of TEUR 59,337 (previous year: TEUR 90,727) at 31 Decem-

ber 2016; of these, TEUR 49,112 were forward purchases and TEUR 10,224 were forward sales. Around TEUR 13,776 (previous year: TEUR 43,293) are used as hedges for project cash flows and the remainder of TEUR 45,561 (previous year: TEUR 47,434) for hedging intragroup financing.

At 31 December 2016 the market valuation of open forward exchange contracts resulted in a negative fair value of TEUR 440. In the fiscal year 2016 total expense of TEUR 1,106 which resulted from changes in the fair value of forward contracts was recognised in profit or loss.

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 operative risk concentrations 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 the year under review PORR succeeded in increasing equity by around TEUR 28,754. It was thereby possible to increase the equity ratio by 0.79% to 18.7% despite the growth in total assets. Non-current liabilities subject to interest of TEUR 379,125 remained at practically the same level as the previous year. As the result of the repayment of a bond in November 2016, the Group succeeded in reducing current financial liabilities by 54% from TEUR 94,899 to TEUR 43,993.

At 31 December 2016 the net cash position, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, totalled TEUR 53,312 (previous year: TEUR 186,526). This is primarily due to the increase in revenue as well as working off the high prepayments in the large-scale project business. The net gearing ratio, defined as net financial debt divided by equity, is applied for the control of capital management. The net gearing remained negative and declined due to the lower net cash position from -0.4 to -0.12.

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 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.

Branch offices and subsidiaries

PORR Bau GmbH has branch offices in the Austrian provinces of Vienna, Lower Austria, Burgenland, Salzburg, Styria, Tyrol, Carinthia and Upper Austria, as well as representations in Hungary, Croatia, Montenegro, Romania, Albania, Slovakia, Bulgaria, Serbia, Turkey, the United Arab Emirates, Qatar and Saudi Arabia. Please see the list of shareholdings with regard to the subsidiaries.

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

1. The share capital as at 31 December 2016 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 2016 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 statutes, 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 statutes 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 10% in the form of ordinary shares as at 31 December 2016:

	% of share capital	of which syndicated
IGO-Ortner Group	39.14%	39.03%
Strauss Group	16.73%	15.68%

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 statutes, 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 statutes, 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 2016, 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 2016, 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 the reporting year 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 2012 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 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. The 2014 hybrid bond contains 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* (SSD) 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 2023 in 2016 and 2017. The SSD contracts include the following agreement: where a change of control takes place (as defined in the SSD contracts), every creditor shall be entitled to call due an amount corresponding to his/her stake in the SSD 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 22 December 2018), 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.

There were no other significant agreements under the terms of Section 243a Paragraph 1 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

On 24 May 2016 the Annual General Meeting passed a resolution to pay out a special dividend to shareholders of EUR 0.50 per share in addition to the dividend of EUR 1.00 per share; this was to reflect the successful spin off of the real estate business and would be paid out in cash or in the form of PORR shares (scrip dividend). During the subscription period from 1 June 2016 to 15 June 2016, shareholders had the option of taking the special dividend of EUR 0.50 per dividend-bearing share in cash or as PORR shares in the course of reinvestment. On 16 June 2016 the Executive Board of PORR AG determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, in line with the AGM resolution of 24 May 2016. Rights were exercised for a total of around 20.5m shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe.

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 31.12.2015	572,864	1.00	572,864	1.969%
Special dividend	-378,917	1.00	-378,917	-1.302%
Interest held on 31.12.2016	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 31.12.2015	22,548	1.00	22,548	0.077%
Interest held on 31.12.2016	22,548	1.00	22,548	0.077%

**... means earnings
over output.**

Intelligent building means earnings over output.

Experience, knowhow and trust are the pillars of PORR's economic success and also influence our approach to the capital market. A clear capital market strategy, the ongoing evaluation of our own opportunities, and consistent risk management have increased the company's position and value yet again. With proactive capital market communication and targeted investor relations, PORR is committed to great transparency also on the prime market of the Vienna Stock Exchange.



Consolidated Segment Report

Business Unit 1 – Austria, Switzerland, Czech Republic

Key data

in EUR m

	2016	2015	Change
Production output	2,125	1,907	11.4%
Foreign share	19.0%	15.6%	3.4PP
EBT	69.4	61.7	12.6%
Order backlog at year-end	1,664	1,565	6.3%
Order intake	2,224	2,250	-1.1%
Average staffing levels	7,634	7,476	2.1%

The activities on the permanent markets of Austria, Switzerland and the Czech Republic are included in the segment Business Unit 1 – A/CH/CZ (BU 1). The segment covers building construction and civil engineering, structural engineering, foundation engineering, the raw materials business on these markets and various shareholdings (incl. IAT, BOMA and ÖBA). The focus is on the fields of residential construction, office building, industrial construction and road construction. This segment additionally covers large-scale building construction projects – also those on international markets. In Austria BU 1 has complete coverage across every federal province and has established itself as a market leader in recent years. PORR views Switzerland and the Czech Republic as growth markets.

At 31 December 2016 had generated production output of EUR 2,125m, an increase of EUR 218m or 11.4%. EBT grew to EUR 69.4m, a rise of EUR 7.7m or 12.6%. BU 1 thereby cemented its role as the foundation of PORR's corporate success. Every Austrian province surpassed the output of the comparable period, 2015, some of them by a significant margin. This was coupled with strong growth in output in Switzerland and stable growth in the Czech Republic. The large-scale building construction projects unit, which also supports other business units with its expertise, grew sharply – particularly in Germany.

The rise in production output was even more pleasing as the order backlog meant that the order pipeline has been increased for the following years. The order backlog reached EUR 1,664m and was thereby EUR 99m or 6.3% higher than the end of the previous reporting period. In contrast, the order intake was slightly below the comparable period and totalled EUR 2,224m, a decrease of EUR 26m or 1.1%. The main reason for this decline was the full utilisation of all capacity in Switzerland due to the successful orders acquired in the previous year, which meant that tenders were only acquired very selectively with a view to the margins.

The most important new orders in 2016 were the Al Wakrah football stadium in Qatar, being developed together with BU 3, the Swiss project Europaallee Zurich, lot F, and the Muçon Hotel in Munich, being executed with BU 2. The residential complexes Triester Straße 40, Am Rosenhügel and Erdberger Lände in Vienna meant that large-scale projects were once again acquired on the important Vienna housing construction market. In industrial construction PORR acquired the tender to build a new office for Haribo and is realising a clean room expansion in Regensburg for Osram. In Austrian civil engineering, PORR will realise the flood barriers at Sankt Georgener Bay, while in the Czech Republic it is overhauling the D7 motorway, Prague-Knovíz, section 3.

BU 1 has retained its optimistic outlook for the current business year, even though the backdrop remains challenging. The reason for this optimism is the good market position and the high cushion of orders, as well as the client structure. In building construction PORR has built up a very good relationship, primarily with private customers, over many years and they have come to appreciate the company's trustworthiness, proximity to customers and – in particular – its adherence to deadlines. The impact of the tight public budgets has been felt in civil engineering in particular – a situation that is expected to continue in the coming years. PORR, however, has established an excellent position on the market thanks to its complete coverage in every Austrian district.

In future Switzerland will continue to offer lucrative opportunities, especially in building construction. In the coming years the Czech Republic will provide a positive backdrop for expanding business activities – due to the planned comprehensive investments in infrastructure, as well as private investment in building construction.

Business Unit 2 – Germany

Key data

in EUR m

	2016	2015	Change
Production output	456	374	21.7%
EBT	3.7	2.4	55.0%
Order backlog at year-end	739	690	7.1%
Order intake	505	448	12.7%
Average staffing levels	1,050	933	12.5%

The segment Business Unit 2 – Germany (BU 2) encompasses all of PORR's activities on the home market of Germany, from building construction and civil engineering to foundation and structural engineering and does justice to the importance of PORR's second largest market. Particular focal points include private building construction, where PORR has established itself as a reliable partner to German industry. Foundation engineering, which will be further strengthened in the coming years, will also profit from the growth in building construction. The market position has been consistently consolidated in recent years, also beyond the established presence in the major urban areas of Munich, Berlin, Düsseldorf and Frankfurt. Further attractive areas such as the Greater Hamburg Region are currently being cultivated. BU 2 implements demanding large-scale projects in building construction together with BU 1 – A/CH/CZ and major infrastructure projects with BU 3 – International.

Highly satisfactory progress has been made on the expansion strategy of BU 2. Here PORR is playing to its strengths, such as direct contact with customers, trustworthiness and a strong focus on solutions. Numerous projects were realised in the core competencies of residential, office, hotel and industrial construction in the past year. At 31 December 2016 production output reached EUR 456m, a rise of EUR 82m or 21.7%. The good EBT performance underlined the fact that growth is being realised with a clear view to the margins. EBT amounted to EUR 3.7m, an increase of EUR 1.3m or 55.0%.

Despite the consistent expansion in production output, it was also possible to significantly improve the order situation. The order backlog climbed to EUR 739m, a rise of EUR 49m or 7.1%. The growth in the order intake was even more pronounced; it reached EUR 505m, an increase of EUR 57m or

12.7%. The largest new orders included the Zalando Campus in Berlin, the Muçon Hotel in Munich, together with BU 1, the La Tête office project in Düsseldorf and the Schlossquartier Kiel residential project. In industrial construction the tender to build an administrative headquarters for Haribo was acquired.

PORR has defined Germany as its most important foreign market. The entire portfolio of construction services is offered here and activities are being constantly expanded. The expansion is based on utilising competitive advantages and the withdrawal of competitors. The market itself is highly attractive thanks to the strong credit standing of its clients, even though a successful construction company does face challenges that vary from region to region. PORR consistently explores interesting corporate takeovers in order to do justice to the expansion and strengthen specific niches. A key component of expanding the business is always the acquisition of the best staff – this holds true for both salaried employees and waged workers.

PORR concentrates on the areas in which it has a clear competitive advantage. In Germany the company already has a strong presence in complex infrastructure and civil engineering projects. Medium-volume activities should be advanced in the building construction sector. PORR is increasingly positioning itself as a reliable partner to German industry. In the coming years PORR will continue along its growth path in Germany and continuously consolidate its position. Following the withdrawal of several major competitors, the prevailing conditions are good. The annual market growth may be lower today than in the pre-crisis years, nonetheless, it is starting out from a very high baseline and remains stable despite the difficult economic environment.

Business Unit 3 – International

Key data

in EUR m

	2016	2015	Change
Production output	1,082	1,077	0.5%
Foreign share	87.2%	87.2%	-
EBT	17.1	20.0	-14.5%
Order backlog at year-end	2,227	2,197	1.4%
Order intake	1,112	1,131	-1.6%
Average staffing levels	4,146	3,352	23.7%

The segment Business Unit 3 – International (BU 3) is home to the project-based business activities in Poland, the Nordic region, Qatar, Slovakia, Romania, Bulgaria, the UK and other future target countries. This business unit also includes the competencies in tunnelling, railway construction and bridge construction. In Poland and Romania BU 3 is also responsible for building construction and civil engineering, while PORR is additionally active in foundation engineering in Poland.

PORR is one of Europe's leading companies in many areas such as underground construction, conventional tunnelling with shotcrete right through to high-tech mechanical boring. In railway construction PORR developed the Slab Track system in cooperation with ÖBB, the Austrian Federal Railways. More and more clients rely on this system and it has led to numerous acquisitions in Austria, Germany and Qatar in recent years.

At 31 December 2016 the production output of BU 3 totalled EUR 1,082m, an increase of EUR 5m or 0.5%. This lower growth compared to the other business units was due to the postponements in output on individual infrastructure projects and is a common fluctuation for BU 3, a business driven by large-scale projects. In addition, the large-scale project Septemvri-Plovdiv in Bulgaria was completed as planned. These fluctuations are also reflected in earnings, which fell as planned to EUR 17.1m – a decrease of EUR 2.9m or 14.5%.

The situation with orders differed among markets, but was at a very high level overall. The order backlog reached EUR 2,227m, an increase of EUR 30m or 1.4%. The order backlog thereby stood at around two years of the annual construction output of BU 3 and the capacities for the coming years are also very well utilised. The order intake was slightly

below the level of the previous year and totalled EUR 1,112m, a small decline of EUR 19m or 1.6%. This performance reflects the high order backlog, which allows a focus on purely margin-driven acquisitions.

The most important new orders in the business year 2016 were the PPP project D4-R7 Bratislava Bypass, PORR's largest new order in the past year – the Al Wakrah football stadium in Qatar, being developed together with BU 1 – the S6 Koszalin-Sianów motorway, the expansion of the S8 Poreba-Ostrów motorway and the S8 Paszków expansion, all three in Poland. In building construction the projects Business Garden Bucharest and Orhideea Tower were acquired in Romania, with the Business Garden Poznan II in Poland. Another positive development was the acquisition of PORR's first project in Great Britain, the Humber Pipeline north of London, and the first tunnelling project in Norway, the project Fv. 17 Liafjellet-Olvikvannet.

BU 3 has a very strong order pipeline and is in the comfortable position of not having to get involved in every cut-throat competition. The business unit will concentrate on its core competencies from this position of strength. PORR has strong technological expertise in many sectors such as tunnelling and railway construction, as well as large-scale bridge construction through the Polish unit, which should also open up excellent market opportunities in the future and strengthen the positioning on the PORR markets. With the entry into Great Britain, PORR has taken its first step on a highly promising market, which will invest billions in infrastructure in the coming years regardless of any possible exit from the European Union. A significant expansion of business activities is expected in Polish civil engineering in particular in the coming years.

Business Unit 4 – Environmental Engineering, Healthcare & Services

Key data

in EUR m

	2016	2015	Change
Production output	219	153	42.7%
Foreign share	17.9%	20.2%	-2.3PP
EBT	0.7	-4.2	-
Order backlog at year-end	117	81	43.9%
Order intake	254	162	56.6%
Average staffing levels	1,424	1,201	18.6%

Business Unit 4 – Environmental Engineering, Healthcare & Services (BU 4) is home to PORR Umwelttechnik GmbH, the equity interests Prajo, TKDZ and PWW, hospitals, PORREAL and StraussPropertyManagement, Thorn, ALUSOMMER, as well as activities related to PPP.

PORR Umwelttechnik develops, builds and operates landfills, waste treatment and sorting facilities in Austria, Germany and Serbia. The centre of these activities is in Austria. In addition, PORR Umwelttechnik is responsible for the activities of Prajo & Co. GmbH, a Vienna-based firm specialised in recycling demolition and construction waste.

At 31 December 2016 the production output of BU 4 rose to EUR 219m, an increase of EUR 66m or 42.7%. In addition to environmental engineering, the most important output drivers were the acquisitions of ‘hospitals’ and Langes Feld, as well as the services of PORR Beteiligungs- und Management GmbH, including those on the PPP motorway project Bratislava Bypass. In addition, PORREAL achieved a significant increase in output. The successful business performance last year also had a very positive impact on EBT. It totalled EUR 0.7m, an increase against the comparable period of EUR 4.9m.

Parallel to the significant growth in production output, BU 4 also achieved strong improvements in its cushion of orders. The order backlog reached EUR 117m, a rise of EUR 36m or 43.9%. The order intake climbed to EUR 254m, an increase of EUR 92m or 56.6%. In addition to environmental engineering, the greatest contribution came from the facade builder ALUSOMMER and PORR Beteiligungen und Management GmbH, especially “hospitals”.

BU 4 is defined as the Group-wide specialist for expanding PORR’s internal value chain in niches such as environmental engineering, project development or add-on services such as facades or sewage technology; it also strengthens PORR beyond its core competencies. In the last year the individual companies in BU 4 managed to establish a very good market position through the high order intake. This cushion of orders combined with the recognised competency in niche sectors allows BU 4 an optimistic outlook for 2017. In addition to municipal orders, the main focus of risk management for BU 4 is on the recoverability of receivables, especially those beyond the home markets of Austria and Germany. These efforts have proven successful, particularly in Serbia last year.

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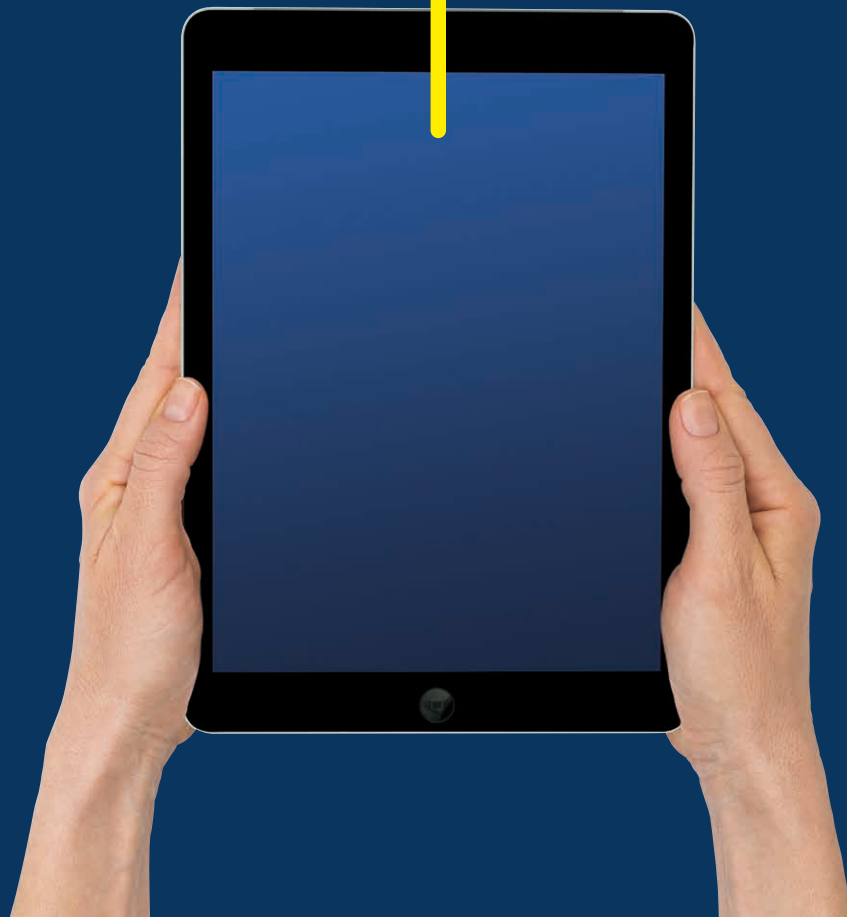
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**... is founded on
innovative solutions.**

Intelligent building is founded on innovative solutions.

Today's world is digital. This also holds true for the construction business. Analogue technologies are being replaced by tablet and cloud computing, while the entire value chain – from order intake to production and execution – is being digitalised with multifunctional, complete solutions. With Building Information Modeling (BiM), PORR has set the course for the future. Our specialists today are developing 5D solutions and have integrated the dimensions of time and construction site logistics. The result: a conclusive optimisation of all previously commonplace processes.



Consolidated Income Statement

in EUR thousand	Notes	2016	2015
Revenue	(7)	3,417,100	3,139,687
Own work capitalised in non-current assets		727	539
Share of profit/loss of companies accounted for under the equity method	(20)	46,252	46,233
Other operating income	(8)	105,548	101,818
Cost of materials and other related production services	(9)	-2,251,409	-2,060,827
Staff expense	(10)	-874,068	-807,638
Other operating expenses	(12)	-256,812	-253,870
EBITDA		187,338	165,942
Depreciation, amortisation and impairment expense	(11)	-87,283	-78,172
EBIT		100,055	87,770
Income from financial investments and other current financial assets	(13)	15,320	18,968
Finance costs	(14)	-24,307	-25,625
EBT		91,068	81,113
Income tax expense	(15)	-24,242	-20,069
Profit for the period, total		66,826	61,044
of which attributable to shareholders of the parent		63,880	57,711
of which attributable to holders of profit-participation rights		2,664	3,200
of which attributable to non-controlling interests		282	133
Basic (diluted) earnings per share, total (in EUR)	(16)	2.23	2.02

Statement of Comprehensive Income

in EUR thousand	Notes	2016	2015
Profit for the period		66,826	61,044
Other comprehensive income:			
Gains/losses from revaluation of property, plant and equipment	(18)	492	-
Remeasurement from benefit obligations	(34)	-6,987	-1,437
Income tax expense (income) on other comprehensive income		1,603	374
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)		-4,892	-1,063
Exchange differences		-832	-20
Losses/gains from fair value measurement of securities		497	-1,292
Losses/gains from cash flow hedges			
in the year under review		-169	-1,075
reclassified into profit or loss		371	-
Income tax expense (income) on other comprehensive income		-175	592
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)		-308	-1,795
Other comprehensive income		-5,200	-2,858
Total comprehensive income		61,626	58,186
of which: attributable to non-controlling interests		276	146
Share attributable to shareholders of the parent and holders of profit-participation rights		61,350	58,040
of which: attributable to holders of profit-participation rights		2,664	3,200
Share attributable to shareholders of the parent		58,686	54,840

Consolidated Cash Flow Statement

in EUR thousand	Notes (42)	2016	2015
Profit for the period		66,826	61,044
Depreciation, impairment and reversals of impairment on fixed assets and financial assets		88,485	82,149
Interest income/expense		11,718	9,347
Income from companies accounted for under the equity method		-12,735	-14,161
Dividends from companies accounted for under the equity method		6,483	7,661
Losses/profits from the disposal of fixed assets		-15,485	48
Decrease in long-term provisions		-2,951	-11,914
Deferred income tax		13,447	11,166
Operating cash flow		155,788	145,340
Decrease in short-term provisions		-2,444	-10,393
Increase in tax provisions		5,056	4,507
Increase/decrease in inventories		-206	3,254
Increase/decrease in receivables		-138,542	79,749
Increase/decrease in payables (excluding banks)		41,987	-15,920
Interest received		12,119	11,356
Interest paid		-20,810	-22,279
Other non-cash transactions		3,155	-2,123
Cash flow from operating activities		56,103	193,491
Proceeds from the disposal of intangible assets		76	61
Proceeds from sale of property, plant and equipment and disposal of investment property		29,541	23,875
Proceeds from financial investments		49,832	-
Proceeds from sale of financial assets		2,500	22,034
Proceeds from repayment of loans		155	109,701
Investments in intangible assets		-5,833	-5,942
Investments in property, plant and equipment and investment property		-100,775	-87,098
Investments in financial assets		-15,482	-3,201
Investments in loans		-22,251	-385
Payouts for financial investments		-24,832	-74,578
Proceeds from the sale of consolidated companies		181	9,464
Payouts for the purchase of subsidiaries less cash and cash equivalents		-21,753	-15,350
Cash flow from investing activities		-108,641	-21,419
Dividends		-47,637	-23,063
Payouts to non-controlling interests		-354	-5,359
Proceeds from scrip dividend		10,230	-
Proceeds from Schuldscheindarlehen		41,065	185,500
Repayment of Schuldscheindarlehen		-27,000	-
Repayment of loans		-50,767	-82,569
Payouts for the purchase of treasury shares		-	-12,010
Obtaining loans and other financing		15,630	17,390
Redeeming loans and other financing		-57,173	-79,681
Hybrid capital		-	8,298
Cash flow from financing activities		-116,006	8,506
Cash flow from operating activities		56,103	193,491
Cash flow from investing activities		-108,641	-21,419
Cash flow from financing activities		-116,006	8,506
Change to cash and cash equivalents		-168,544	180,578
Cash and cash equivalents at 1 Jan		647,243	465,617
Currency differences		-2,269	1,048
Changes to cash and cash equivalents resulting from changes to the consolidated group		-	-
Cash and cash equivalents at 31 Dec		476,430	647,243
Tax paid		4,958	4,385

Consolidated Statement of Financial Position

in EUR thousand	Notes	31.12.2016	31.12.2015
Assets			
Non-current assets			
Intangible assets	(17)	62,597	63,535
Property, plant and equipment	(18)	521,118	467,452
Investment property	(19)	43,453	33,574
Shareholdings in companies accounted for under the equity method	(20)	43,286	38,365
Loans	(21)	23,157	1,061
Other financial assets	(22)	89,912	89,617
Other non-current financial assets	(25)	7,638	13,308
Deferred tax assets	(29)	8,528	8,959
		799,689	715,871
Current assets			
Inventories	(23)	73,274	71,505
Trade receivables	(24)	930,029	751,855
Other financial assets	(25)	70,999	105,614
Other receivables and current assets	(26)	6,019	7,992
Cash and cash equivalents	(27)	476,430	647,243
Assets held for sale	(28)	4,024	3,917
		1,560,775	1,588,126
Total assets		2,360,464	2,303,997
Equity and liabilities			
Equity			
Share capital	(30)	29,095	29,095
Capital reserves	(31)	251,287	249,014
Hybrid capital	(32)	25,303	25,303
Other reserves	(31)	89,335	65,696
Equity attributable to shareholders of parent		395,020	369,108
Equity from profit-participation rights	(32)	42,624	43,160
Non-controlling interests	(33)	3,228	-150
		440,872	412,118
Non-current liabilities			
Bonds and Schuldscheindarlehen	(35)	300,662	290,848
Provisions	(34)	132,864	124,685
Non-current financial liabilities	(36)	78,463	101,923
Other non-current financial liabilities	(38)	3,176	1,890
Deferred tax liabilities	(29)	45,947	32,309
		561,112	551,655
Current liabilities			
Bonds	(35)	-	45,852
Provisions	(34)	120,058	121,646
Current financial liabilities	(36)	43,993	49,047
Trade payables	(37)	785,630	631,713
Other current financial liabilities	(38)	19,232	34,970
Other current liabilities	(39)	368,933	441,017
Tax payables		20,634	15,979
		1,358,480	1,340,224
Total equity and liabilities		2,360,464	2,303,997

Statement of Changes in Group Equity

in EUR thousand	Notes (30-33)	Share capital	Capital reserves	Revaluation reserve	Remeasurement from benefit obligations	Foreign currency translation reserves
Balance at 1 Jan 2015		29,095	249,014	14,425	-24,477	3,517
Total profit/loss for the period		-	-	-	-	-
Other comprehensive income		-	-	-1,008	-1,063	-327
Total comprehensive income		-	-	-1,008	-1,063	-327
Dividend payout		-	-	-	-	-
Hybrid capital		-	-	-	-	-
Income tax on interest for holders of mezzanine capital		-	-	-	-	-
Treasury shares purchased		-	-	-	-	-
Changes to the consolidated group/ acquisition of non-controlling interests		-	-	-	-	-
Balance at 31 Dec 2015		29,095	249,014	13,417	-25,540	3,190
Total profit/loss for the period		-	-	-	-	-
Other comprehensive income		-	-	-650	-5,227	-1,034
Total comprehensive income		-	-	-650	-5,227	-1,034
Dividend payout		-	-	-	-	-
Income tax on interest for holders of hybrid/mezzanine capital		-	-	-	-	-
Proceeds from treasury shares in the course of scrip dividend		-	2,273	-	-	-
Changes to the consolidated group/ acquisition of non-controlling interests		-	-	-	-	-
Balance at 31 Dec 2016		29,095	251,287	12,767	-30,767	2,156

Total debt securities available for sale - fair value reserve	Reserve for cash flow hedges	Hybrid capital	Retained earnings and non-retained profit	Equity attributable to equity holders of the parent	Profit-participation rights	Non-controlling interests	Total
324	-	17,150	51,092	340,140	44,160	871	385,171
-	-	1,543	56,168	57,711	3,200	133	61,044
-969	-806	-	1,302	-2,871	-	13	-2,858
-969	-806	1,543	57,470	54,840	3,200	146	58,186
-	-	-1,688	-21,375	-23,063	-4,200	-1,159	-28,422
-	-	8,298	-	8,298	-	-	8,298
-	-	-	875	875	-	-	875
-	-	-	-12,010	-12,010	-	-	-12,010
-	-	-	28	28	-	-8	20
-645	-806	25,303	76,080	369,108	43,160	-150	412,118
-	-	1,688	62,192	63,880	2,664	282	66,826
373	151	-	1,193	-5,194	-	-6	-5,200
373	151	1,688	63,385	58,686	2,664	276	61,626
-	-	-1,688	-42,749	-44,437	-3,200	-354	-47,991
-	-	-	1,088	1,088	-	-	1,088
-	-	-	7,957	10,230	-	-	10,230
-	-	-	345	345	-	3,456	3,801
-272	-655	25,303	106,106	395,020	42,624	3,228	440,872

Notes to the Consolidated Financial Statements

1. General information

The PORR Group consists of PORR AG and its subsidiaries, hereafter referred to as the “Group”. PORR AG is a public limited company according to Austrian law and has its registered head office at Absberggasse 47, 1100 Vienna. The company is registered with the commercial court of Vienna under reference number FN 34853f. The Group deals mainly with the planning and execution of a whole range of building construction activities.

The consolidated financial statements have been prepared pursuant to Section 245a of the Austrian Commercial Code in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in accordance with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The reporting currency is the Euro, which is also the functional currency of PORR AG and of the majority of the subsidiaries included in the consolidated financial statements. Results preceded by the abbreviation TEUR are in euro thousand.

The consolidated 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 (TEUR) and may result in rounding differences.

2. Consolidated group

In addition to PORR AG, 64 (previous year: 56) domestic subsidiaries and 57 (previous year: 55) foreign subsidiaries are included in the consolidated financial statements. For one company the Group only holds 49% of the shares, however, the remainder of the shares are held in trust for PORR and the company is therefore included in the consolidated group. Seven (previous year: two) companies are no longer included in the consolidated group, whereby two companies were eliminated through intragroup mergers.

Two companies were liquidated and three companies were sold. The purchase price of TEUR 500 was settled in cash.

The assets and liabilities where control was lost break down as follows:

in EUR thousand	2016
Non-current assets	
Intangible assets	4
Property, plant and equipment	2,864
Other financial assets	162
Deferred tax assets	222
Current assets	
Trade receivables	965
Other current financial assets	3
Other current receivables and assets	53
Cash and cash equivalents	319
Non-current liabilities	
Provisions	-48
Other financial liabilities	-2,156
Deferred tax payables	-62
Current liabilities	
Provisions	-794
Trade payables	-327
Other current financial liabilities	-1,756
Other current liabilities	-58

Gains on sale amounting to TEUR 617 were recognised in income/expenses from financial assets.

2.1. First-time consolidations

In these consolidated financial statements the following eight companies were consolidated for the first time:

Because of new foundations and first-time consolidation	Date of initial consolidation
PNC Sverige AB	4.4.2016
Loftesnesbrui PORR – AURSTAD ANS	1.1.2016
ÖBA Betondecken Ausbau Deutschland GmbH	11.8.2016
Porr Umwelttechnik Deutschland GmbH	5.8.2016
PORR SLOVAKIA LTD.	3.5.2016

No significant assets and liabilities were included as a result of these consolidations.

Because of acquisitions	Date of initial consolidation
PORREAL Polska Spolka z ograniczona odpowiedzialnoscia	31.3.2016
PORREAL Česko s.r.o. (formerly FMB Facility Management Bohemia, s.r.o.)	31.3.2016
PORR Bauindustrie GmbH (formerly Zenit Bauplanungs- und Errichtungsgesellschaft m.b.H.)	9.6.2016
BPP Beteiligungs GmbH	11.4.2016
bpp Bautechnik GmbH	11.4.2016
Altlastensanierung und Abraumdeponie Langes Feld Gesellschaft m.b.H.	21.11.2016
PKM – Muldenzentrale GmbH	22.11.2016
ABW Abbruch, Boden- und Wasserreinigungs-Gesellschaft m.b.H.	22.11.2016
KOLLER TRANSPORTE-KIES-ERDBAU GMBH	22.11.2016
Johann Koller Deponiebetriebsges.m.b.H.	22.11.2016
GETINA Versicherungsvermittlung GmbH	22.11.2016
GHS Umwelttechnik-GmbH	28.10.2016

A total of TEUR 985 was used to purchase a 100% stake in Spolka z ograniczona odpowiedzialnoscia. The purchase price was settled in cash. Furthermore, there is an earn-out clause that is dependent on adhering to the budget. In the course of determining the purchase price, this was valued at TUR 0, as the Group assumes that the budget will be adhered to. The earn-out has no maximum cap and has a floor of TEUR 0. The company operates in the business areas of Property Management, Facility Management and Real Estate Consulting. The purchase price was provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Intangible assets	41
Property, plant and equipment	23
Deferred tax assets	11
Current assets	
Inventories	2
Trade receivables	623
Other current financial assets	2
Cash and cash equivalents	627
Non-current liabilities	
Provisions	-5
Current liabilities	
Trade payables	-238
Other current financial liabilities	-66
Other current liabilities	-35
Purchase price	985

A total of TEUR 356 was used to purchase a 100% stake in PORREAL Česko s.r.o. The purchase price was settled in cash. The company operates in the business areas of Property Management, Facility Management and Real Estate Consulting. The purchase price was provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Intangible assets	191
Deferred tax assets	8
Current assets	
Trade receivables	135
Other current financial assets	5
Other receivables and current assets	46
Cash and cash equivalents	235
Current liabilities	
Provisions	-23
Trade payables	-143
Other current financial liabilities	-31
Other current liabilities	-49
Tax payables	-18
Purchase price	356

The purchase of PORREAL Polska Spolka z ograniczona odpowiedzialnoscia and PORREAL Česko s.r.o. represented related party transactions.

A total of TEUR 50 was used to purchase a 100% stake in PORR Bauindustrie GmbH. The purchase price was settled in cash and provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Intangible assets	22
Other non-current financial assets	3,384
Current assets	
Other receivables and current assets	2
Cash and cash equivalents	13
Current liabilities	
Trade payables	-2
Other current financial liabilities	-3,369
Purchase price	50

A total of TEUR 3,805 was used to purchase a 100% stake in BPP Beteiligungs GmbH and bpp Bautechnik GmbH. TEUR 2,205 of the purchase price was settled in cash. The company operates as a construction company, carrying out construction work of every kind in building construction and civil engineering in the fields of concrete repair and refurbishment, coating, injection, and insulation for heat, cold, sound and fire. The purchase price was provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Intangible assets	2,047
Property, plant and equipment	1,342
Deferred tax assets	105
Current assets	
Inventories	328
Trade receivables	1,662
Other current financial assets	160
Cash and cash equivalents	120
Non-current liabilities	
Provisions	-159
Other financial liabilities	-530
Deferred tax payables	-148
Current liabilities	
Financial liabilities	-92
Trade payables	-312
Other current financial liabilities	-352
Other current liabilities	-347
Tax payables	-19
Purchase price	3,805

A total of TEUR 8,224 was used to purchase a further 63.78% in ABW Abbruch, Boden- und Wasserreinigungs-Ges.m.b.H and its subsidiaries PKM Muldenzentrale GmbH, KOLLER TRANSPORT-KIES-ERDBAU GMBH, Johann Koller Deponiebetriebsges.m.b.H. and GETINA Versicherungsvermittlung GmbH. The purchase price was settled in cash. The corporate group operates on the one hand in the clean-up of contaminated demolition and soil materials through chemical-physical treatment, as well as in sorting waste and the fields of earthworks, gravel extraction, landfill and transport. The purchase price was provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Intangible assets	789
Property, plant and equipment	17,760
Other non-current financial assets	10
Deferred tax assets	2,096
Current assets	
Inventories	1,233
Trade receivables	7,939
Other current financial assets	6,386
Other receivables and current assets	177
Cash and cash equivalents	385
Non-current liabilities	
Provisions	-957
Deferred tax payables	-2,032
Current liabilities	
Trade payables	-8,295
Other current financial liabilities	-11,685
Other current liabilities	-793
Fair value of the equity interest already held	-4,669
Non-controlling interests	-120
Purchase price	8,224

The acquisitions led to the recognition of goodwill as the purchase prices include the benefits from synergic effects.

A total of TEUR 11,209 was used to purchase an additional 44.89% stake in Altlastensanierung und Abraumdeponie Langes Feld Gesellschaft m.b.H. The purchase price was settled in cash. The company operates in the design, construction, refurbishment, operation and recultivation of the Langes Feld landfill, as well as the development and recovery of landfill sites and waste recycling in Austria. The purchase price was provisionally allocated to the Group's liabilities and assets as follows in accordance with IFRS 3.45:

in EUR thousand	2016
Non-current assets	
Property, plant and equipment	19,752
Investment property	9,000
Deferred tax assets	786
Current assets	
Trade receivables	2,631
Other current financial assets	3,249
Cash and cash equivalents	187
Non-current liabilities	
Financial liabilities	-670
Deferred tax payables	-2,480
Current liabilities	
Provisions	-1,627
Trade payables	-2,132
Other current financial liabilities	-2,554
Other current liabilities	-595
Tax payables	-577
Fair value of the equity interest already held	-10,362
Non-controlling interests	-3,399
Purchase price	11,209

The initial consolidation of the companies contributed TEUR 2,881 to earnings before taxes for the period and TEUR 13,104 to revenue. The fair value measurement of the equity interest already held led to earnings of TEUR 3,245 and is recognised in earnings from companies accounted for under the equity method.

Assuming a notional date of first-time consolidation of 1 January 2016, Group revenue would increase by TEUR 65,704 and earnings before taxes by TEUR 11,942.

Furthermore, 43 (previous year: 41) domestic and 23 (previous year: 13) foreign associates and joint ventures were valued using the equity method. The consolidated subsidiaries and companies accounted for under the equity method are shown in the list of shareholdings (see appendix). Companies which are of minor significance for the consolidated financial statements are not included. 13 (previous year: 18) subsidiaries and 27 (previous year: 29) shareholdings in associates and joint ventures were therefore not included in the consolidation or accounted for under the equity method; this primarily relates to general partner companies.

3. New accounting standards

3.1. Standards adopted for the first time in the year under review

New standards

IFRS 14 – Regulatory Deferral Accounts

IFRS 14 “Regulatory Deferral Accounts” permits an entity which is a first-time adopter of IFRSs to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 was issued in January 2014 and applies to reporting periods beginning on or after 1 January 2016; however, the EU endorsement is still pending and therefore the standard is not yet applied in the EU.

Amendments to standards and interpretations

Amendment to IAS 19 Employee Benefits

The amendment clarifies how contributions from employees or third parties which are linked to service should be attributed to periods of service and also permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendment applies to fiscal years beginning on or after 1 February 2015.

Annual Improvements to IFRSs (2010–2012 Cycle)

The Annual Improvements to IFRSs 2010–2012 Cycle contains a number of minor amendments to different standards. The amendments apply to fiscal years beginning on or after 1 February 2015. The standards affected by these amendments include: IFRS 2 Share-based Payment; IFRS 3 Business Combinations; IFRS 8 Operating Segments; IFRS 13 Fair Value Measurement; IAS 16 Property, Plant and Equipment; IAS 24 Related Party Disclosures; and IAS 38 Intangible Assets.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments relate to accounting for interests in joint ventures and joint operations. This amendment will involve the inclusion of new guidance in IFRS 11 on accounting for acquisitions on interests in joint operations which constitute a business. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because such methods reflect factors other than the pattern of consumption of an asset’s expected future economic benefits. The amendments also specify that a revenue-based amortisation method for determining the future economic benefits of intangible assets is generally inappropriate, whereby this presumption can be overcome under specific limited circumstances. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41: Bearer Plants

The amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” relate to the financial reporting for bearer plants. Bearer plants, which are used solely to grow produce, have been brought into the scope of IAS 16. This means that they can be accounted for in the same way as property, plant and equipment. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The minor amendments to IAS 27 “Separate Financial Statements” allow entities to use the equity method as an accounting option for investments in subsidiaries, joint ventures and companies accounted for under the equity method in an entity’s separate financial statements. The amendments apply to fiscal years beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012–2014 Cycle involves a range of small amendments to various standards. Some of the amendments relate to:

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” – clarifies that no accounting change is required in cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa.
- IFRS 7 “Financial Instruments: Disclosures” – clarifies whether a servicing contract is continuing involvement in a transferred asset and clarifies offsetting disclosures to the condensed interim financial statements.
- IAS 19 “Employee Benefits” – the amendments clarify that the corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 “Interim Financial Reporting” – proposes the inclusion of a cross-reference to information disclosed in interim financial reports.

All of the amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 1: Disclosure Initiative

In December 2014 the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. The amendments primarily relate to the following points:

- Clarifying that disclosures in the financial statements are only necessary if their content is not immaterial.
- Guidance on aggregating and disaggregating items in the statement of financial position and statement of profit or loss and other comprehensive income.
- Clarifying how to account for an entity’s share of other comprehensive income of equity-accounted companies accounted for under the equity method in the statement of comprehensive income.
- Eliminating the model structure of the financial statements in order to take account of relevance to the specific company.

The amendments apply to reporting periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The IASB issued amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Companies accounted for under the equity method and Joint Ventures” with regard to applying the consolidation exception for investment entities. The amendments serve to clarify three issues related to the consolidation exception for investment entities whose subsidiaries are measured at fair value.

The amendments apply to reporting periods beginning on or after 1 January 2016.

The first-time application of the standards and interpretations and the amendments to the standards did not have any impact on the consolidated financial statements.

3.2. New accounting standards which have not yet been applied

The following standards and interpretations had already been published at the time that these consolidated financial statements were being prepared; they were not mandatory in the current fiscal year and the option to apply them early was not applied.

Standards and interpretations already adopted by the European Union

New standards

IFRS 9 – Financial Instruments

The IASB published the final version of the standard on 24 July 2014 in the course of completing the various phases of its comprehensive financial instruments project. This means that IAS 39 Financial Instruments and Recognition can now be fully replaced with the application of IFRS 9. The most recently published version of IFRS 9 replaces all earlier versions of the standard. The amendment applies to reporting periods beginning on or after 1 January 2018. In future the Group will probably use the simplified model pursuant to IFRS 9.5.5.15 et seq. to determine impairment of specific financial instruments. This model provides for the exclusive use of Levels 2 and 3. This means that a risk provision in the amount of the expected loss over the remaining term – lifetime expected loss – will be formed for the financial instrument upon inception. Loans to associates or joint ventures, issued in the course of project development, shall in future be valued pursuant to the 12-month Expected Loss Model or transferred to the Lifetime Expected Loss Model should there be a significant worsening in the credit risk. The Group is currently evaluating the impact of the amendment on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to reporting periods beginning on or after 1 January 2018.

The Group expects only limited impacts overall on revenue realisation and the statement of financial position from the first-time application of IFRS 15. Analyses carried out to date show that the majority of construction contracts can be recognised in line with period-based realisation of revenue and that this will therefore not lead to a discrepancy in revenue realisation. In individual cases an assessment will need to be made as to whether contracts contain separable performance obligations and/or whether multiple contracts need to be brought together. Changes in disclosures in the statement of financial position could result from the application of down-payment requirements and costs for acquiring the contract. No changes in relation to revenue realisation are expected from other services. Furthermore, additional disclosures in the notes will be required.

Standards and interpretations not yet adopted by the European Union

New standards

IFRS 16 – Leases

The standard specifies how to recognise, measure, present and disclose leases. IFRS 16 replaces the previous standard IAS 17 and three interpretations related to leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value (option to choose). The standard was published in January 2016 and its application will be obligatory for reporting periods beginning on or after 1 January 2019. The Group is currently evaluating the impact of the standard on the consolidated financial statements.

New interpretations

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The goal of this interpretation is to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to standards and interpretations

Amendments to IFRS 10 and IAS 28: Investments in Companies accounted for under the equity method and Joint Ventures

The amendments address an inconsistency between the requirements of IFRS 10 and IAS 28. They clarify how to deal with gains and losses resulting from a transaction between an investor and its associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business must be recognised in full by the investor. Transactions involving assets which do not constitute a business require only partial recognition of the gain or loss. The application of the amendments has been postponed for an indefinite period. The Group is currently evaluating the impact of the amendments on the consolidated financial statements.

Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

The amendments to IAS 12 aim in particular to clarify how to account for deferred tax assets for unrealised losses from assets measured at fair value in order to address diversity in practice. The amendments apply to reporting periods beginning on or after 1 January 2017. The application is not likely to have any impact on the consolidated financial statements.

Amendments to IAS 7: Disclosure Initiative

The amendments come with the objective that an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply to reporting periods beginning on or after 1 January 2017.

Annual Improvements to IFRSs 2014–2016 Cycle

The Annual Improvements to IFRSs 2014–2016 Cycle involves a range of small amendments to various standards. Some of the amendments relate to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IFRS 12 Disclosure of Interests in Other Entities: Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- IFRS 28 Investments in Associates and Joint Ventures: Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Amendments to IFRS 15: Clarification to IFRS 15

The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and aim to provide some transition relief for modified contracts and completed contracts.

The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments address individual questions related to accounting for cash-settled share-based payment transactions. The most important amendment or addition is that IFRS 2 now contains specifications relating to determining the fair value of liabilities resulting from share-based payment transactions. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments aim to limit the impacts from the different effective dates of IFRS 9 and the follow-up standard to IFRS 4, particularly for entities with comprehensive insurance activities. Two options were introduced that can be used by entities that issue insurance contracts as long as specific conditions are fulfilled: the overlay approach and the deferral approach. The amendments apply to reporting periods beginning on or after 1 January 2018.

Amendments to IAS 40: Transfers of Investment Property

The amendments serve to clarify the guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The amendments apply to reporting periods beginning on or after 1 January 2018.

4. Consolidation principles

Business combinations are accounted for in accordance with the acquisition method. According to this method, the assets acquired and liabilities assumed as well as contingent liabilities are measured on the acquisition date at their fair values attributable at this date. Where the difference between the acquisition costs and the attributable proportion of net assets valued at fair value shows an excess, this item is shown as goodwill, which is not written off or amortised in regular amounts but is subjected to an annual test for impairment. Where any difference relates to a bargain purchase, its effect on net income is recognised immediately and shown in other operating income.

All accounts receivable and payable between consolidated companies are eliminated during debt consolidation. Intragroup income and expense is offset within the framework of consolidation of income and expense. Intragroup profits or losses from intragroup deliveries are eliminated if these relate to significant amounts and the relevant assets are still recognised in the consolidated financial statements.

Shares in net assets of subsidiaries not attributable to PORR AG are shown separately as part of equity capital under the item "non-controlling interests".

5. Accounting and measurement methods

The annual financial statements of all companies included in the consolidated financial statements are prepared according to standard accounting and measurement methods.

Measurement principles

Historic acquisition costs form the basis for the measurement of intangible assets and property, plant and equipment (except for real estate) and for loans, inventories, accounts receivable from billed orders and liabilities.

The fair value at the end of the reporting period is the basis for the measurement in respect of securities available for sale, derivative financial instruments and investment property; the fair value at the date of revaluation is the basis for measurement for real estate used by the Group.

Accounts receivable for construction contracts which have not been completed, which are included under trade receivables, reflect the respective proportion of revenue corresponding to the percentage of completion at the end of the reporting period less any payments already made by the customer.

Currency translation: The companies included in the consolidated financial statements prepare their annual financial statements in their respective functional currencies, whereby the functional currency is the relevant currency for the commercial activities of the company concerned. The functional currency for all of the companies included is the currency of the country in which the company concerned is domiciled.

Items in the consolidated statement of financial position are translated at the mean rate of exchange at the end of the reporting period and income statement items are translated at the annual mean rate of exchange for the fiscal year (as an arithmetic mean of all end-of-month quotations). Differences resulting from the currency translation are reported in other comprehensive income. These translation differences are recognised in the income statement at the date of disposal of the business activities.

In the event of company acquisitions, adjustments of the carrying amounts of the acquired assets and assumed liabilities to the fair value at the date of acquisition or, if applicable, goodwill, are treated as assets or liabilities of the acquired subsidiary and are, accordingly, subject to currency translation.

Exchange gains or losses on transactions undertaken by companies included in the consolidation in a currency other than the functional currency are recognised in profit or loss for the period. Monetary items not denominated in the functional currency held by companies included in the consolidation are translated at the mean rate ruling at the end of the reporting period. Exchange gains or losses resulting from this translation are also recognised in profit or loss.

Intangible assets are capitalised at acquisition cost and amortisation is recognised on a straight-line basis over the probable useful life.

in %	Rates of amortisation 2016/2015
Rental rights	2.0 to 50.0
Licences, software	1.0 to 50.0
Concessions	5.0 to 50.0
Mining rights	Depends on assets
Customer relations	14.3

The amortisation apportionable to the fiscal year is shown in the income statement under the item “Depreciation, amortisation and impairment expense”.

If impairment is established, the relevant intangible assets are recognised at the recoverable amount, which is the fair value less costs of sale or the value in use, if higher. If the impairment ceases to apply, a reversal of the impairment is performed equivalent to the carrying amount, which would have been determined had the impairment loss not been accrued.

Goodwill is recorded as an asset. In order to assess any impairment demand, goodwill of the cash-generating unit or groups of cash-generating units will be assigned, which benefit from the synergies of the Group amalgamation. This cash-generating unit or groups of cash-generating units are tested once a year for impairment, as well as at any other time where circumstances exist that indicate there may be possible impairment.

Property, plant and equipment, with the exception of real estate, is valued at 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:

in %	Rates of depreciation 2016/2015
Technical plants and machinery	10.0 to 50.0
Other plants, factory and business equipment	10.0 to 50.0

The depreciation rates are based on the probable useful life of the facilities. If impairment is established, the relevant tangible assets are impaired to the recoverable amount, which is the fair value less costs of sale or the value in use, if higher. If the impairment ceases to apply, an impairment reversal is recognised equivalent to the carrying amount, which would have been determined had the impairment expense not been accrued. Fundamental rebuilding work is recognised in the statement of financial position, while ongoing maintenance work, repairs and minor rebuilding work are recognised in profit or loss at the time they arose.

Real estate used for operational purposes is valued according to the revaluation method pursuant to IAS 16.31. External opinions or assessments from internal experts are used as the basis for determining fair values. The external assessments are held at periodic intervals of maximum five years; in the interim period assessments from internal experts are used to update the expert opinions. Revaluations are performed so regularly that the carrying amounts do not deviate significantly from the fair values attributable at the end of the reporting period. The date for the revaluation for the end of the reporting period generally falls in the fourth quarter of the reporting year. The carrying amount is adjusted to the respective fair value by using a revaluation reserve in other comprehensive income. The revaluation reserve is reduced by the applicable deferred tax liability. Regular depreciation of revalued buildings is carried out according to the straight-line method, where the depreciation rates lie essentially between 1.0% and 4.0% (previous year: between 1.0% and 4.0%), and is recognised in the income statement. On a subsequent sale or decommissioning of revalued land or buildings, the amount recorded in the revaluation reserve in respect of the relevant plot of land or building is transferred to retained earnings.

Plants under construction, including buildings under construction, which are to be used for operational purposes or whose type of use has not yet been established, are accounted for at acquisition cost or manufacturing cost less impairment. Depreciation or impairment of these assets commences upon their completion or attainment of operational status.

Investment property is real estate that is held for the purpose of obtaining rental income and/or for the purpose of its rise in value. This includes office and commercial premises, residential buildings and unimproved land. These are recognised at their fair values. Gains or losses from changes in value are reflected in profit or loss for the period in which the change in value occurred.

Fair value is determined using recognised valuation methods, namely as derived from the current market price, as derived from a price recently paid in a transaction with similar property, or – usually in cases where there is a lack of suitable market data – as derived from discounting estimated future cash flows, which are commonly generated on the market by this type of property under a rental agreement.

Leases are classified as finance leases when, according to the lease contract, essentially all the risks and rewards relating to the ownership are transferred to the lessee. All other leases are classified as operating leases.

The Group as lessor

Where the Group is the lessor, the only lease contracts applicable are operating leases. The rental income from these contracts is recognised in net income on a straight-line basis over the term of the corresponding lease.

The Group as lessee

Assets held under finance leases are recorded as Group assets at their fair values or at the present value of the minimum lease payments if this is lower, at the beginning of the lease. The minimum lease payments are those amounts payable during the non-terminable term of the lease, including a guaranteed residual value. The corresponding liability owed to the lessor is recorded in the statement of financial position as obligations under finance leases. The lease payments are apportioned between interest paid and the reduction of the lease obligation in such a way as to achieve a constant rate of interest on the remaining liability. Interest expense is recognised in the income statement.

Rental payments on operating leases are recognised in profit or loss for the period on a straight-line basis over the term of the corresponding lease.

Shares in associates and in joint companies are accounted for at acquisition cost, which is apportioned between the pro rata net assets acquired at fair value and, if applicable, goodwill. The carrying amount is increased or decreased annually by the proportionate annual profit or loss, dividends received and other changes to equity capital. Goodwill is not subject to planned amortisation, rather it is assessed for impairment as a part of the relevant shareholding when circumstances exist that indicate there may be possible impairment.

Shares in consortiums (joint ventures): Group shares in profits and losses from consortiums classified as joint ventures are shown in the consolidated income statement under as profit/loss from companies accounted for under the equity method. Group revenues from goods and services to consortiums are shown in the consolidated income statement under revenue. Capital paid into a consortium is entered under trade receivables (see note 24), together with profit shares and trade receivables for the relevant consortium and after deductions for withdrawals and general losses. If there is on balance a passive entry, this is included under trade payables (see note 37).

Shares in joint operations: The consolidated financial statements recognise the proportionate assets and liabilities and the proportionate expenses and income attributable to the PORR Group.

Loans are measured at amortised cost according to the effective interest method, less general allowances (value adjustments) due to impairment.

Shares in non-consolidated companies and other shareholdings shown under **other financial assets** are valued at acquisition cost, as with regard to these stakes and shareholdings, in the absence of listings, there is no stock exchange rate available and reliable fair values cannot be determined for these. If impairment is established, they are written down to the recoverable amount.

Securities available for sale are measured at fair value. Gains or losses from changes to the fair value, with the exception of revaluations due to impairment and gains and losses arising from securities denominated in foreign currencies, are entered into other comprehensive income. In the case of derecognition of these kinds of securities, or if impairment is indicated, the cumulative gain or loss in equity capital will be entered into profit or loss for the period. Interest is calculated by the effective interest method and is recognised in consolidated profit or loss.

The securities classified as held for trading are measured at their fair value. Gains or losses from changes in fair value are recognised in profit or loss.

Impairment of financial assets: At the end of each reporting period an assessment is carried out as to whether there are any indicators that a financial asset has been impaired. An impairment loss is recognised if there is evidence that the expected future cash flows from the asset in question will be reduced because of an event occurring after the initial recognition of that asset. If the impairment loss has decreased in a subsequent period because of an event occurring following its recognition, the impairment loss is reversed by increasing the carrying amount of the asset. In the case of financial assets measured at amortised cost, the maximum amount of any reversal is the amount that would have been recognised as the amortised cost of the financial asset in question if no impairment loss had been recognised.

Raw materials and supplies are valued at the lower of acquisition cost and net realisable value.

Recorded under inventories, **land intended for sale** is valued at the lower of acquisition cost, manufacturing cost and net realisable value.

Construction contracts are recognised according to the percentage of completion of the contract (POC method). The anticipated revenues from the contracts are shown under revenue according to the respective percentage of completion. The percentage of completion, which is the basis for the amount of the contract revenues shown, is, as a rule, determined according to the ratio of the services supplied compared to the estimated total services at the end of the reporting period. Claims are only recognised when it is likely that the customer will accept them and when they can be reliably measured. Where the result of a construction contract cannot be reliably estimated, the amount of the accumulated contract costs alone shall represent the amount recorded for contract revenues. If it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognised immediately and in full.

The revenues attributable to the services supplied so far according to the percentage of completion method are, to the extent that they exceed the payments on account made by the customer, shown in the statement of financial position under trade receivables. Amounts by which the payments on account received exceed the revenues attributable to the services supplied so far are shown under other liabilities.

Where construction contracts are executed in consortiums, profits are also recognised using the percentage of completion method.

Receivables are fundamentally recognised using the effective interest method, whereby the carrying amount generally corresponds to the nominal value. Should there be substantial evidence of risks regarding recovery, allowances are set up. Objective indicators suggesting the need for impairment include, for example, a decline in the creditworthiness of the debtor and related payment delays or impending insolvency. The necessary allowances are based on the actual risk of default.

Acquisitions and sales of financial assets common to the market (spot transactions) are shown in the statement of financial position on the settlement date.

Deferred tax items are recognised where there are temporary differences between the values of assets and liabilities in the consolidated financial statements on the one hand and the values for tax purposes on the other hand in the amount of the anticipated future tax expense or tax relief. In addition, a deferred tax asset for future asset advantage resulting from tax loss carryforwards is recognised if there is sufficient certainty of realisation. Temporary differences arising from the first recognition of goodwill constitute exceptions to this comprehensive tax deferral.

The calculation of the deferred tax amount is based on the rate of income tax valid in the country concerned; for Austrian companies this is a tax rate of 25%.

If a Group company purchases **treasury shares** in PORR AG, the value of the consideration paid, including directly attributable additional costs (net of income tax), will be deducted from the equity of PORR AG until the shares are retired or re-issued. If these shares are subsequently re-issued, the consideration paid (net of deductions for directly attributable additional costs and related income taxes) will be recognised in the equity of PORR AG.

The **provisions for severance payments, pensions and anniversary bonuses** are determined by the projected unit credit method in accordance with IAS 19, which involves an actuarial assessment being performed by a recognised actuary on each reference date. In the valuation of these provisions for Austria and Germany, an interest rate for accounting purposes of 1.65% p.a. (previous year: 2.25%) was applied with salary increases of 2.5% (previous year: 2.5%). When determining provisions for severance payments and anniversary bonuses for Austria, deductions are made for fluctuations based on statistical data within a range of 0.04% to 10.5% (previous year: 1.1% to 14.2%) and for anniversary bonuses in Germany a range of 0.0% to 10.6% (previous year: 0.0% to 25.0%) was applied. When determining provisions for pensions, a pension increase of 2.0% p.a. (previous year: 2.0% p.a.) was applied in Austria and Germany. For Austrian companies the assumed retirement age is the earliest possible retirement age permitted by law following the 2004 pension reform (corridor pension), taking into account all transitional arrangements; for German companies the legal retirement age is used. The life table AVÖ 2008-P – Pagler & Pagler is used for calculating provisions in Austria, while for Germany the life table Richttafeln 2005 G by Klaus Heubeck is applied.

Actuarial gains and losses for severance payments and pensions are recognised in full in other comprehensive income, while anniversary bonuses are under profit or loss for the period. Service costs are under staff expense. Interest paid is recorded under finance costs.

Other provisions take account of all currently discernible risks and contingent liabilities from past events whereby an outflow of resources is judged to be probable. They are recognised with the best estimate of the expenditure required to settle the present obligation if a reliable estimate exists. Provisions related to impending losses and damages and penalties from contracts are recorded in other provisions, in as far as the respective proportional contract values according to the percentage of completion are exceeded.

Financial liabilities are measured at fair value less direct transaction costs when they are initially recognised. If the amount of the repayment is lower or higher, this is written down or up in accordance with the effective interest method.

Derivative financial instruments are recognised at fair value. Gains and losses from changes in market value of forward contracts designated as hedging instruments which should hedge the risk in variability of the cash flow in the functional currency from planned transactions in the foreign currency (“cash flow hedges”), along with other derivative financial instruments which are designated as cash flow hedges, are entered into other comprehensive income, as long as they are allotted to the effective part of the hedge transaction.

Revenue is measured at the fair value of the consideration. Discounts and other subsequent reductions in revenue are deducted from this amount. Sales taxes and other taxes related to the sale are not part of the consideration or revenue. Revenue from the sale of assets is recognised on delivery and transfer of ownership. Revenue from construction contracts is recognised according to the percentage of completion allocated over the period of the contract.

Interest income is defined in accordance with the effective interest method. The effective interest rate is any interest rate where the present value of future cash flow from the financial asset value corresponds to the carrying amount of the asset. **Dividend income** from financial investments is recognised when legal title arises.

Borrowing costs resulting directly from acquisition or production of qualifying assets, even those whose acquisition or manufacture takes up a considerable time period until the intended use or sale, form part of the cost of the asset and are therefore capitalised. Other borrowing costs are recorded as an expense in the period in which they were incurred.

6. Key assumptions and key sources of estimation uncertainty

6.1. Key sources of estimation uncertainty

The following presents significant assumptions related to the future and other key sources of estimation uncertainty which could lead to significant adjustments in the consolidated financial statements for the following fiscal year of results reported:

Provisions for severance and pensions: the valuation of existing pension and severance obligations relies on assumptions and estimates which could have a significant impact on the amounts recognised.

For pension provisions, the following actuarial assumptions were deemed relevant and the following margins were applied: Discount rate +/-0.25%, Pension trend +/-0.25%, Life expectancy +/-1 year.

The sensitivity analysis of life expectancy was carried out on the basis of a shift in life expectancy for the total candidates of the respective plan.

The differences to the values disclosed in the statement of financial position are shown in the tables below as relative deviations:

	Interest +0.25%				Interest -0.25%			
	active	vested	liquid	total	active	vested	liquid	total
Pension DBO	-4.20%	-3.70%	-2.20%	-2.50%	4.50%	3.90%	2.30%	2.60%
	Pension trend +0.25%				Pension trend -0.25%			
	active	vested	liquid	total	active	vested	liquid	total
Pension DBO	4.50%	3.90%	2.30%	2.60%	-4.20%	-3.70%	-2.20%	-2.50%
	Life expectancy +1 year				Life expectancy -1 year			
	active	vested	liquid	total	active	vested	liquid	total
Pension DBO	3.50%	3.90%	6.20%	5.80%	-3.10%	-3.50%	-5.30%	-5.00%

For provisions for severance payments, the following actuarial assumptions were deemed relevant and the following margins were applied:

Discount rate +/-0.25%, Salary trend +/-0.25%, Fluctuation +/-0.5% up to 25th year of work, Life expectancy +/-1 year.

The sensitivity analysis of life expectancy was carried out on the basis of a shift in average life expectancy for the total candidates of the respective plan.

The difference to the values disclosed in the statement of financial position is shown in the tables below as relative deviations:

	Interest +0.25%	Interest -0.25%	Salary trend +0.25%	Salary trend -0.25%
Severance DBO	-2.08%	2.16%	2.10%	-2.03%
	Fluctuation +0.5% up to 25th year of work	Fluctuation -0.5% up to 25th year of work	Life expectancy + 1 year	Life expectancy - 1 year
Severance DBO	-0.24%	0.24%	0.16%	-0.16%

Construction contracts: Evaluation of construction contracts until project completion, in particular with a view to the accounting of claims, the contract revenue using the percentage of completion method, and the estimate of the probable operating profit from the contract, based on expectations of the future development of the relevant construction contracts. A change in these estimates, particularly as regards contract costs to complete the contract, percentage of completion, the estimated operating profit and the finally accepted claims accepted can have a significant effect on the Group's financial position and financial performance (see note 24). The following sensitivity analysis shows the impact of changes to the key parameters on the carrying amounts:

in EUR thousand	Carrying amount 31.12.2016	Significant valuation assumptions	Change	Effect on carrying amounts
Contract values as per POC method	2,935,012	EBT margin	+/-0.5%	+/-28,030
Provision for onerous contracts	11,434	Provision/order value	+/-0.5%	+/-277
Provision for damages and penalties	41,751	Provision/order value	+/-0.5%	+/-10,747
Provision for guarantees	56,181	Provision/order value	+/-0.5%	+/-22,752

in EUR thousand	Carrying amount 31.12.2015	Significant valuation assumptions	Change	Effect on carrying amounts
Contract values as per POC method	2,251,078	EBT margin	+/-0.5%	+/-20,476
Provision for onerous contracts	15,746	Provision/order value	+/-0.5%	+/-1,234
Provision for damages and penalties	44,215	Provision/order value	+/-0.5%	+/-12,417
Provision for guarantees	53,151	Provision/order value	+/-0.5%	+/-17,565

Impairment: Impairment tests on goodwill, other intangible assets, property, plant and equipment are primarily based on estimated future cash flows which are expected from the continuous use of an asset and its disposal at the end of its useful life. Factors such as lower revenues or rising expenditure and the resulting lower cash flows as well as changes to the discount factors used can lead to impairment due to a reduction in value or, as far as allowed, to a reversal of impairment due to an increase in value. The carrying amounts and the valuation assumptions applied to key impairment tests on goodwill are as follows:

2016	Goodwill in EUR thousand	Fair value hierarchy	Method used	Business plan assumptions	Growth rate %	Discount rate after taxes %	Effective date
Road construction	7,704	-	Value in use	Revenue p.a. 1.5-21.1%	1	6.35	31.12.
Building management	1,471	Level 3	Fair value less cost to sell	Revenue p.a. -5.9-5.0%	1	5.18	31.12.
PPI	11,049	-	Value in use	Revenue p.a. -8.8-135.2%	1	6.65	31.12.

2015	Goodwill in EUR thousand	Fair value hierarchy	Method used	Business plan assumptions	Growth rate %	Discount rate after taxes %	Effective date
Road construction	7,704	-	Value in use	Revenue p.a. -1.6-4.1%	1	7.04	31.12.
Building management	2,971	Level 3	Fair value less cost to sell	Revenue p.a. -2.8-10.2%	1	6.89	31.12.
PPI	11,049	-	Value in use	Revenue p.a. 20-100%	-	10.93	31.12.

The following shows the changes to the key parameters which can lead to impairment in the cash-generating unit of building management:

2016		Discount rate +0.5%	EBITDA margin -10%
in EUR thousand			
Building management		-491	-519

2015		Discount rate +0.5%	EBITDA margin -10%
in EUR thousand			
Building management		-853	-1,225

Management assumes that there will not be any significant changes which could lead to impairment for the cash-generating unit of road construction and Porr Polska Infrastruktura.

7. Revenues

The gross revenues of TEUR 3,417,100 (previous year: TEUR 3,139,687) include the invoiced construction work of own construction sites, goods and services to consortiums, and other revenues from ordinary activities.

The following table shows total Group output by business area, in which the output from contracts carried out by consortiums is also recognised together with the proportion attributable to a company included in the consolidated financial statements, and then transferred to revenue.

in EUR thousand	2016	2015
Business areas		
BU 1 - Austria, Switzerland, Czech Republic	2,124,767	1,906,639
BU 2 - Germany	455,813	374,435
BU 3 - International	1,082,407	1,076,796
BU 4 - Environmental Engineering, Healthcare & Services	218,540	153,118
Holding	43,812	12,764
Total Group output	3,925,339	3,523,752
of which proportional output from companies accounted for under the equity method and subsidiaries and shareholdings of minor significance	-508,239	-384,065
Revenue	3,417,100	3,139,687

Revenue can be subdivided as follows:

in EUR thousand	2016	2015
Revenues from construction contracts	3,180,295	2,954,206
Revenues from sales of raw materials and other services	236,805	185,481
Total	3,417,100	3,139,687

8. Other operating income

in EUR thousand	2016	2015
Income from the release of provisions	20,336	26,503
Income from the sale of property, plant and equipment	14,004	8,631
Revenue from the provision of staff	11,816	6,339
Insurance payments	3,199	5,682
Exchange gains	10,025	10,935
Revenue from charging materials	3,782	2,811
Rent from space and land	3,784	3,358
Valuation of real estate	6,250	5,746
Other	32,352	31,813
Total	105,548	101,818

Other operating income largely comprises amounts invoiced to shareholdings and income from the sale of materials.

9. Cost of materials and other related production services

in EUR thousand	2016	2015
Expenditure on raw materials and supplies and for purchased goods	-643,878	-651,443
Expenditure on purchased services	-1,607,531	-1,409,384
Total	-2,251,409	-2,060,827

10. Staff expense

in EUR thousand	2016	2015
Wages and salaries	-706,613	-654,424
Social welfare expenses	-158,414	-142,252
Expenditure on severance payments and pensions	-9,041	-10,962
Total	-874,068	-807,638

Expenditure on severance payments and pensions includes the prior service costs and contributions to the staff provision fund for employees who commenced employment with an Austrian group company after 31 December 2002 and voluntary severance payments. The interest expense arising from severance payments and pension obligations is shown under the item finance costs.

11. Depreciation, amortisation and impairment expense

Amortisation of TEUR 10,121 (previous year: TEUR 10,384) was applied to intangible assets and depreciation of TEUR 77,161 (previous year: TEUR 67,788) to property, plant and equipment, of which TEUR 1,500 (previous year: TEUR 3,303) relates to impairment. For more detailed information please refer to notes 17 and 18.

12. Other operating expenses

in EUR thousand	2016	2015
Legal and consultancy services, insurance	-42,438	-41,406
Buildings and land	-48,756	-42,025
Exchange losses	-10,564	-12,477
Fleet	-21,961	-19,150
Advertising	-9,944	-10,459
Office operations	-23,755	-25,380
Commission on bank guarantees (Avalprovisionen)	-12,771	-13,621
Other taxes	-6,380	-4,788
Contributions and fees	-6,883	-8,084
Training	-2,634	-2,238
Travel expenses	-28,742	-26,898
Other	-41,984	-47,344
Total	-256,812	-253,870

Other operating expenses essentially comprise taxes and duties, third party services and general administrative costs. This item also includes rental payments from rental and leasing contracts of TEUR 16,305 (previous year: TEUR 9,858).

13. Income from financial investments and current financial assets

in EUR thousand	2016	2015
Income from shareholdings	2,373	2,828
of which from affiliated companies	(-)	(-)
Expenditure from shareholdings	-2,561	-2,284
of which from affiliated companies	(-1,591)	(-1,037)
Income/expenditure from current financial assets	2,919	2,046
Interest	12,589	16,378
of which from affiliated companies	(141)	(144)
Total	15,320	18,968

Under the item Interest, interest of TEUR 4,770 (previous year: 8,002) (see note 45) to the UBM Group is included. Interest does not relate to financial assets measured at fair value in profit or loss.

14. Finance costs

in EUR thousand	2016	2015
Interest and similar expenditure relating to bonds	-13,316	-13,074
Other interest and similar expenses	-10,991	-12,551
of which from affiliated companies	(-7)	(-16)
of which interest expenditure from social overhead capital provisions	(-2,691)	(-2,712)
Total	-24,307	-25,625

As in the previous year, no borrowing costs were capitalised in the year under review. The capitalisation rate was between 0.25% and 6.25% (previous year: 0.75% and 6.25%).

15. Income tax

Income tax is the taxes on income and earnings and deferred taxes paid or owed in the individual countries for the year under review.

The calculation is based on tax rates that will be applicable pursuant to the prevailing tax laws or according to tax laws whose entry into force is essentially finalised, at the probable date of realisation.

in EUR thousand	2016	2015
Actual tax expense	10,795	8,903
Deferred tax expense (+)/income (-)	13,447	11,166
Tax expense (+)/income (-)	24,242	20,069

The tax expense resulting from the application of the Austrian Corporation Tax rate of 25% can be reconciled to the actual expense as follows:

in EUR thousand	2016	2015
Profit before income tax	91,068	81,113
Theoretical tax expense (+)/income (-)	22,767	20,278
Differences in rates of taxation	383	-389
Tax effect of non-deductible expenditure and tax-exempt income	6,406	284
Income/expenditure from companies accounted for under the equity method	-1,563	3,183
Changes in deferred tax assets not applied in relation to loss carryforwards	-2,341	-3,845
Effect from taxation changes	56	-
Tax expense (+)/income (-) related to other periods	-916	1,509
Other	-550	-951
Taxes on income and earnings	24,242	20,069

In addition to the tax expense recognised in the consolidated income statement, the tax effect of expenses and income set off to other comprehensive income was also recognised in other comprehensive income. The income recognised in other comprehensive income amounted to TEUR 1,428 (previous year: TEUR 966). Payouts from capital from hybrid capital, profit-participation rights and the costs of the capital increase classified as equity capital are tax deductible. The resulting tax of TEUR 1,088 (previous year: TEUR 877) was recognised directly in equity.

Summary of tax effects in other comprehensive income:

Income tax on items in other comprehensive income

in EUR thousand	2016	2015
Revaluation reserve	-152	-
Remeasurement from benefit obligations	1,754	374
Total debt securities available for sale – fair value reserve	-124	323
Reserve for cash flow hedges	-50	269
Equity attributable to shareholders of the parent	1,428	966
Equity attributable to non-controlling interests	1	-
Total	1,429	966

16. Earnings per share

Earnings per share and per capital share certificate are calculated by dividing the proportion of the annual profit relating to the shareholders of the parent company by the weighted average number of shares in issue.

in EUR thousand	2016	2015
Proportion of annual deficit/surplus relating to shareholders of parent	63,880	57,711
Weighted average number of issued shares and capital share certificates	28,699,399	28,532,547
Basic earnings per share = diluted earnings per share, in EUR	2.23	2.02

As there were no potential diluted transactions for the fiscal years 2015 and 2016, the diluted earnings per share correspond to the basic earnings per share.

Reconciliation statement for the weighted number of shares:

	2016	2015
Shares in issue at 1 Jan	29,095,000	29,095,000
less treasury shares	-595,412	-22,548
Shares in issue less treasury shares at 1 Jan	28,499,588	29,072,452
Impact of purchase/dividend-in-kind of treasury shares	199,811	-539,905
Weighted average of ordinary shares at 31 Dec	28,699,399	28,532,547

17. Intangible assets

in EUR thousand	Concessions, licences and similar rights	Software	Goodwill	Other intangible assets	Total
Acquisition and manufacturing costs					
Balance at 1 Jan 2015	54,587	33,906	39,612	12,928	141,033
Additions/disposals due to changes in the consolidated group	-	1,597	11,048	-	12,645
Additions	1,051	4,891	-	-	5,942
Disposals	-9,597	-2,928	-594	-1,113	-14,232
Currency adjustments	9	3	-	-	12
Balance at 31 Dec 2015	46,050	37,469	50,066	11,815	145,400
Additions/disposals due to changes in the consolidated group	524	404	3,725	-	4,653
Additions	1,117	4,716	-	-	5,833
Disposals	-1,324	-72	-16,830	-	-18,226
Reclassifications	-	1,809	-2,501	1,113	421
Currency adjustments	-51	-56	-	-	-107
Balance at 31 Dec 2016	46,316	44,270	34,460	12,928	137,974
Accumulated amortisation and impairment					
Balance at 1 January 2015	34,955	22,676	21,018	6,074	84,723
Additions/disposals due to changes in the consolidated group	-	870	-	-	870
Additions (planned amortisation)	1,978	3,460	-	1,643	7,081
Additions (impairment)	-	-	3,303	-	3,303
Disposals	-9,596	-2,868	-594	-1,113	-14,171
Reclassifications	-	52	-	-	52
Currency adjustments	4	4	-1	-	7
Balance at 31 Dec 2015	27,341	24,194	23,726	6,604	81,865
Additions/disposals due to changes in the consolidated group	237	398	931	-	1,566
Additions (planned amortisation)	2,238	4,741	-	1,642	8,621
Additions (impairment)	-	-	1,500	-	1,500
Disposals	-1,266	-53	-16,830	-	-18,149
Reclassifications	-	1,388	-2,501	1,113	-
Currency adjustments	7	-33	-	-	-26
Balance at 31 Dec 2016	28,557	30,635	6,826	9,359	75,377
Carrying amounts – balance at 31 Dec 2015	18,709	13,275	26,340	5,211	63,535
Carrying amounts – balance at 31 Dec 2016	17,759	13,635	27,634	3,569	62,597

Goodwill resulting from the acquisition of companies is tested for impairment at the level of the cash-generating unit or groups of cash-generating units to which it belongs in each particular case.

This applies to the segments as shown below:

In EUR thousand	Balance at 1 Jan 2016	Currency adjustments	Newly acquired goodwill	Disposal of goodwill	Impairment	Balance at 31 Dec 2016
BU 1 – Austria, Switzerland, Czech Republic	10,515	-	-	-	-	10,515
BU 2 – Germany	-	-	-	-	-	-
BU 3 – International	11,787	-	-	-	-	11,787
BU 4 – Environmental Engineering, Healthcare & Services	3,729	-	2,772	-	-1,500	5,001
Holding	309	-	22	-	-	331
Total	26,340	-	2,794	-	-1,500	27,634

In EUR thousand	Balance at 1 Jan 2015	Currency adjustments	Newly acquired goodwill	Disposal of goodwill	Impairment	Balance at 31 Dec 2015
BU 1 – Austria, Switzerland, Czech Republic	10,515	-	-	-	-	10,515
BU 2 – Germany	-	-	-	-	-	-
BU 3 – International	738	1	11,048	-	-	11,787
BU 4 – Environmental Engineering, Healthcare & Services	7,032	-	-	-	-3,303	3,729
Holding	309	-	-	-	-	309
Total	18,594	1	11,048	-	-3,303	26,340

In Segment Business Unit 1 – Austria, Switzerland, Czech Republic, goodwill of TEUR 7,704 is allocated to the cash-generating unit of road construction. In the BU 4 – Environmental Engineering, Healthcare & Services segment goodwill of TEUR 2,971 is allocated to the cash-generating unit of building management. Impairment totalling TEUR 1,500 was applied to this goodwill. In the segment Business Unit 3 – International goodwill of TEUR 11,048 is allocated to the cash-generating unit Porr Polska Infrastructure.

The impairment test involves comparing the total of the carrying amounts of the assets of the cash-generating unit to which goodwill was allocated, in addition to the carrying amount of the goodwill allocated to this cash-generating unit, with the recoverable amount of the same assets. The recoverable amount of the cash-generating unit corresponds to the fair value less sale costs or the value in use, if this is higher. The fair value is determined on the basis of a DCF calculation. In cases where no fair value can be determined, the value in use, i.e. the present value of probable future cash flows generated by the segment, is laid down as the recoverable amount. The cash flows were derived from budgets for three to five years approved by the Executive Board and current as at the time of the implementation of the impairment tests. More details on the parameters and sensitivity analyses used in impairment tests are given in note 6.1.

The comments shown under accounting and measurement methods explain the useful lives and methods of amortisation, depreciation and impairment.

The consolidated income statement contains impairment related to goodwill of TEUR 1,500 (previous year: TEUR 3,303), shown under the item “Depreciation, amortisation and impairment expense”, as well as amortisation on other intangible assets.

18. Property, plant and equipment

in EUR thousand	Land, land rights and buildings including buildings on land owned by others	Technical equipment and machinery	Other plant, factory and business equipment	Payments on account and assets under construction	Total
Acquisition costs, manufacturing costs and revaluations					
Balance at 1 Jan 2015	335,746	364,492	101,695	7,509	809,442
Additions/disposals due to changes in the consolidated group	7,107	19,437	3,792	15	30,351
Additions	21,737	75,743	33,098	443	131,021
Disposals	-8,003	-25,496	-25,346	-6,768	-65,613
Reclassifications	-929	18	302	-310	-919
Currency adjustments	1,120	1,069	653	1	2,843
Balance at 31 Dec 2015	356,778	435,263	114,194	890	907,125
Additions/disposals due to changes in the consolidated group	127,792	1,143	6,136	-	135,071
Additions	13,636	55,660	39,136	4,401	112,833
Disposals	-14,235	-28,670	-25,227	-7	-68,139
Reclassifications	-1,270	-1,597	3,447	-2,125	-1,545
Currency adjustments	-719	-996	-310	15	-2,010
Revision arising from revaluation	492	-	-	-	492
Balance at 31 Dec 2016	482,474	460,803	137,376	3,174	1,083,827
Accumulated depreciation and impairment					
Balance at 1 January 2015	118,344	218,082	59,984	177	396,587
Additions/disposals due to changes in the consolidated group	1,412	12,220	3,084	-	16,716
Additions (planned depreciation)	10,087	37,027	20,674	-	67,788
Disposals	-2,949	-19,791	-20,172	-	-42,912
Reclassifications	-152	-89	-70	-	-311
Currency adjustments	440	895	470	-	1,805
Balance at 31 Dec 2015	127,182	248,344	63,970	177	439,673
Additions/disposals due to changes in the consolidated group	94,075	525	4,458	-	99,058
Additions (planned depreciation)	10,343	43,293	23,526	-	77,162
Disposals	-5,567	-24,606	-21,684	-	-51,857
Reclassifications	310	-1,630	1,010	-	-310
Currency adjustments	-130	-702	-185	-	-1,017
Balance at 31 Dec 2016	226,213	265,224	71,095	177	562,709
Carrying amounts – balance at 31 Dec 2015	229,596	186,919	50,224	713	467,452
Carrying amounts – balance at 31 Dec 2016	256,261	195,579	66,281	2,997	521,118

Land, land rights and buildings, including buildings on land owned by others includes reserves for raw materials amounting to TEUR 57,406 (previous year: TEUR 58,774), which is written off based on performance.

Scheduled depreciation is shown under “Depreciation, amortisation and impairment expense”.

The value of property under property, plant and equipment which was valued by an external expert at the end of the reporting period amounts to TEUR 6,600 (previous year: TEUR 51,365).

The carrying amount for property, plant and equipment pledged for security at the end of the reporting period is TEUR 36,683 (previous year: TEUR 50,618).

The carrying amount for land, land rights and buildings, including buildings on land owned by others would have amounted to TEUR 238,907 (previous year: TEUR 208,236) on application of the cost model as at 31 December 2016.

Fair value of land and buildings

Determining the fair value of properties is carried out by way of a revolving cycle. Fair value is determined using recognised valuation methods, namely as derived from the current market price, as derived from a price recently paid in a transaction with similar property, or – usually in cases where there is a lack of suitable market data – as derived from discounting estimated future cash flows, which are commonly generated on the market by this type of property under a rental agreement. An internal valuation team determines the market value of any property which has not undergone an external valuation. Discussions related to the parameters which need to be applied to determine fair value (Level 3) are led by operational project developers, the Executive Board and the valuation team.

The various levels are defined as follows:

- Quoted (non-adjusted prices) in active markets for identical assets or liabilities (Level 1)
- Inputs which differ from the quoted market prices in Level 1, which are either indirectly observable (i.e. as a price) or directly observable (i.e. derived from the price) (Level 2)
- Inputs which are based on unobservable market data for the assets or liabilities (Level 3)

in EUR thousand		Fair value as at 31 Dec 2016		
Type of property	Prices quoted in active markets for identical assets Level 1	Other key observable inputs Level 2	Other key unobservable inputs Level 3	
Operating premises/storage	-	-	135,417	
Gravel pit/stone quarry	-	-	65,742	
Mix plant	-	-	10,605	
Landfill	-	-	44,497	

in EUR thousand		Fair value as at 31 Dec 2015		
Type of property	Prices quoted in active markets for identical assets Level 1	Other key observable inputs Level 2	Other key unobservable inputs Level 3	
Operating premises/storage	-	-	135,126	
Gravel pit/stone quarry	-	-	67,441	
Mix plant	-	-	11,756	
Landfill	-	-	15,272	

Range of non-observable inputs 2016

	Type of Property			
	Operating premises/ storage	Gravel pit/ stone quarry	Landfills	Mix plants
Valuation method	CE, CV	CE, CV	CE	CV
Capitalisation rate in %	6.00-7.50	4.00-7.00	10.93	
Rent per m ²	2.50-12.50			
Maintenance in %	6.00-18.00			
Vacancy rate in %	2.00-6.00			
Income in EUR/t		8.02-10.12	17.98-40.44	
Expenses in EUR/t		6.07-6.58		
Basic value per m ²				25.00-35.00
Fair value of construction in EUR/m ²				1,400.00-1,600.00

Range of non-observable inputs 2015

	Type of Property			
	Operating premises/ storage	Gravel pit/ stone quarry	Landfills	Mix plants
Valuation method	CE, CV	CE, CV	CE	CV
Capitalisation rate in %	5.50-7.50	4.00-7.00	10.93	
Rent per m ²	4.32-8.63			
Maintenance in %	5.00-18.00			
Vacancy rate in %	1.00-6.00			
Income in EUR/t		8.02-10.12	17.98-40.44	
Expenses in EUR/t		6.07-6.58		
Basic value per m ²				25.00-35.00
Fair value of construction in EUR/m ²				1,400.00-1,600.00

CE = capitalised earnings, CV = comparative value

The impact of unobservable inputs on fair value

- Capitalisation rate: the lower the capitalisation rate, the higher the fair value
- Rent: the higher the price per m², the higher the fair value
- Maintenance: the higher the anticipated cost of maintenance, the lower the fair value
- Vacancy rates: the higher the anticipated vacancy rates, the lower the fair value

Fair value is determined using internationally recognised valuation methods, namely as derived from the current market price, as derived from a price recently paid in a transaction with similar property, or - in cases where there is a lack of suitable market data - as derived from discounting estimated future cash flows, which are commonly generated on the market by this type of property under a rental agreement.

Reconciliation of Level 3 valuations:

in EUR thousand	Type of Property			
	Operating premises/ storage	Gravel pit/ stone quarry	Mix plants	Landfill
Balance at 1 Jan 2016	135,127	67,441	11,756	15,272
Additions/disposals due to changes in the consolidated group	6,221	-1,254	-6	28,756
Additions	8,302	3,689	8	1,635
Disposals	-6,682	-988	-994	-4
Reclassifications	-882	-771	76	-
Currency adjustments	-449	5	1	-147
Revision arising from revaluation	-	492	-	-
Planned amortisation	-6,220	-2,872	-236	-1,015
Balance at 31 Dec 2016	135,417	65,742	10,605	44,497

in EUR thousand	Type of Property			
	Operating premises/ storage	Gravel pit/ stone quarry	Mix plants	Landfill
Balance at 1 Jan 2015	123,844	67,082	11,027	15,449
Additions/disposals due to changes in the consolidated group	5,570	-	125	-
Additions	15,381	5,080	680	596
Disposals	-4,252	-802	-	-
Reclassifications	-806	-8	37	-
Currency adjustments	594	7	134	-55
Planned amortisation	-5,204	-3,918	-247	-718
Balance at 31 Dec 2015	135,127	67,441	11,756	15,272

Finance leases

The carrying amounts of property, plant and equipment and investment property held under finance leasing agreements amounted to:

in EUR thousand	2016	2015
Real estate leasing	18,366	19,838
Equipment leasing	85,759	94,285
Total	104,125	114,123

These carrying amounts are balanced by corresponding liabilities represented by the present value of the minimum lease payments, i.e. of TEUR 81,851 (previous year: TEUR 95,304).

The terms of the finance leases for real estate are between 18 and 25 years, leasing fees are generally tied to the 6-month EURIBOR from the Austrian National Bank and adjusted every six months. The terms of the finance leases for equipment are between three and 15 years, leasing fees are generally tied to the 3-month EURIBOR from the Austrian National Bank and adjusted every quarter. The equipment leasing contracts include extension options, but they do not contain sales option or clauses for adjusting the price.

Operating leases

The Group essentially leases cars and individual items of real estate under operating leases, in most cases pre-agreed extension options are not exercised. The average term of car leasing agreements is five years and the term of real estate leasing agreements is 15 to 20 years.

The following summary shows the future minimum lease payments during the non-terminable period of the operating leases:

in EUR thousand	2016	2015
Due within 1 year	18,041	10,953
Due between 1 and 5 years	53,697	31,064
Due after 5 years	51,748	13,097

19. Investment property

Fair value

in EUR thousand	
Balance at 1 Jan 2015	46,767
Additions/disposals due to changes in the consolidated group	-
Additions for manufacturing costs	185
Disposals	-886
Reclassifications	-9,537
Currency adjustments	-11
Adjustments to fair value	-2,944
Balance at 31 Dec 2015	33,574
Additions/disposals due to changes in the consolidated group	9,000
Additions for manufacturing costs	180
Disposals	-27
Reclassifications	862
Currency adjustments	-15
Adjustment to fair value	-121
Balance at 31 Dec 2016	43,453

The value of investment property, which was assessed by an external expert as of the reporting date, amounted to TEUR 9,000 (previous year: TEUR 10,219).

The rental income from investment property amounted to TEUR 1,172 in the year under review (previous year: TEUR 1,928). Operating expenses related to investment property for which there was no rental income in the year under review amounted to TEUR 34 (previous year: TEUR 79).

Investment property with a carrying amount of TEUR 2,863 (previous year: TEUR 2,882) is pledged as collateral for liabilities.

Reclassifications of TEUR 582 (previous year: TEUR 10,145) relate to the reclassification of properties to non-current assets held for sale; in addition a property worth TEUR 1,444 (previous year: TEUR 608) was reclassified from property, plant and equipment.

Fair value of land and buildings

The fair value is determined according to recognised measurement methods, namely by being inferred from a current market price, by being inferred from a price attained in a transaction with similar items of real estate in the recent past – in the absence of suitable market data – by discounting estimated future cash flows that are usually generated in the market by this type of real estate in the course of letting.

in EUR thousand		Fair value as at 31 Dec 2016		
Type of Property	Prices quoted in active markets for identical assets Level 1	Other key observable inputs Level 2	Other key unobservable inputs Level 3	
Office/commercial	-	-	9,048	
Undeveloped properties	-	32,113	-	
Other	-	-	2,292	

in EUR thousand		Fair value as at 31 Dec 2015		
Type of Property	Prices quoted in active markets for identical assets Level 1	Other key observable inputs Level 2	Other key unobservable inputs Level 3	
Office/commercial	-	-	9,645	
Undeveloped properties	-	22,454	-	
Other	-	-	1,475	

Range of observable inputs 2016

Type of Property	Valuation method	Basic value ¹ EUR/m ²
Undeveloped properties	CV	10.00-123.00

Range of observable inputs 2015

Type of Property	Valuation method	Basic value ¹ EUR/m ²
Undeveloped properties	CV	10.00-120.00

Range of non-observable inputs 2016

Type of Property	Valuation method	Capitalisation rate %	Rent EUR/m ²	Maintenance %	Vacancy rate %
Office/commercial	CE, CV	5.50-8.00	5.05-20.89	7.00-40.00	2.00-10.00

Range of non-observable inputs 2015

Type of Property	Valuation method	Capitalisation rate %	Rent EUR/m ²	Maintenance %	Vacancy rate %
Office/commercial	CE, CV	5.50-8.00	5.05-20.89	7.00-40.00	2.00-10.00

RV = residual value, CV = comparative value, CE = capitalised earnings

¹ without construction preparation

The impact of non-observable inputs on fair value

- Rent: the higher the price per m², the higher the fair value
- Maintenance: the higher the anticipated cost of maintenance, the lower the fair value
- Vacancy rates: the higher the anticipated vacancy rates, the lower the fair value

Reconciliation of Level 3 valuations:

in EUR thousand	Type of Property	
	Office/commercial	Other
Balance at Jan 1 2016	9,645	1,475
Disposals	-	-
Reclassifications	-582	841
Currency adjustments	-15	-
Adjustment to fair value	-	-24
Balance at 31 Dec 2016	9,048	2,292

in EUR thousand	Type of Property	
	Office/commercial	Other
Balance at Jan 1 2015	22,579	1,576
Disposals	-810	-76
Reclassifications	-9,537	-
Currency adjustments	-11	-
Adjustment to fair value	-2,576	-25
Balance at 31 Dec 2015	9,645	1,475

20. Shares in companies accounted for under the equity method

The requisite disclosures pursuant to IFRS 12 have been made for associates and joint ventures which are classed as significant by the UBM Group for reasons of quality or quantity. For five companies the Group holds the majority of shares, however owing to shareholder agreements there is no control and so the companies are recognised under the equity method.

Associates

The following associate is ALU-SOMMER GmbH, in which the PORR Group holds 49.54% (previous year: 49.54%). The company's business purpose is designing, manufacturing and installing aluminium-glass facades.

in EUR thousand	2016	2015
Revenue	34,479	26,791
Profit for the year	516	626
Other comprehensive income	-	-
Total comprehensive income	516	626
Non-current assets	8,991	8,313
Current assets	12,624	11,566
Non-current liabilities	-4,822	-3,477
Current liabilities	-7,165	-6,990
Net assets	9,628	9,412
Group share of net assets at 1 Jan	4,659	4,449
Group share of total comprehensive income	255	310
Dividends received	-149	-100
Group share of net assets at 31 Dec	4,765	4,659
Non-transferred losses	-	-
Carrying amount of companies accounted for under the equity method at 31 Dec	4,765	4,659

Disclosures on companies of minor significance:

in EUR thousand	2016	2015
Carrying amount of companies accounted for under the equity method at 31 Dec	13,686	22,556
Group share of		
Profit for the year	4,153	1,567
Other comprehensive income	14	24
Total comprehensive income	4,167	1,591

The accumulated amount of non-recognised shares of losses of associates as of 31 December 2016 is TEUR 407 (previous year: TEUR 407).

Joint ventures

The following joint venture is “hospitals” Projektentwicklungsges.m.b.H., in which the PORR Group holds 62.9% (previous year: 0%), however, owing to shareholder agreement there is no control. The company operates in the field of developing and preparing healthcare projects.

in EUR thousand	2016	2015
Revenue	1,003	856
Depreciation, amortisation and impairment expense	-4	-4
Interest expense	-136	-96
Tax payables	-	-30
Profit for the year	2,189	5,071
Other comprehensive income	-	-
Total comprehensive income	2,189	5,071
Non-current assets	15,763	14,882
Current assets	1,520	684
of which cash and cash equivalents	(621)	(78)
Non-current liabilities	-3,425	-3,352
of which non-current financial liabilities	(-3,425)	(-3,352)
Current liabilities	-835	-1,380
of which current financial liabilities	(-)	(-)
Net assets	13,023	10,834
Group share of net assets at 1 Jan	-	-
Net assets acquired	6,814	-
Goodwill from the acquisition	4,701	-
Group share of total comprehensive income	1,377	-
Dividends received	-	-
Group share of net assets at 31 Dec	12,892	-
Non-transferred losses	-	-
Carrying amount of companies accounted for under the equity method at 31 Dec	12,892	-

Disclosures on joint ventures of minor significance:

in EUR thousand	2016	2015
Carrying amount of companies accounted for under the equity method at 31 Dec	11,941	11,150
Group share of		
Profit for the year	24,699	30,069
Other comprehensive income	-138	8
Total comprehensive income	24,561	30,077

The share of the Group in the annual profit from the previous year also includes the pro-rata profit from non-significant consortiums amounting to TEUR 20,546 (previous year: TEUR 24,508), which is recognised under trade receivables.

The accumulated amount of non-recognised shares of losses of joint ventures as of 31 December 2016 is TEUR 1,633 (previous year: TEUR 407).

The joint ventures listed below represent the ten largest consortiums measured by proportionate annual revenue; the disclosures on financial information represent 100%:

CONSORTIUM	Share of consortium in %		Activity	Location
	2016	2015		
Upgrading Prater hub	50	50	Upgrading Prater hub	Austria
Albaufstieg Tunnel	37	37	Tunnelling lots 1, 2 and 3	Germany
ATCOST21	37	37	Building Filder Tunnel, Ober- und Untertürkheim Tunnel	Germany
PTS Boßler Tunnel	50	50	Lining segments for the Albaufstieg project – Boßler Tunnel lots 1 and 2	Germany
BAU OVW II	30	30	Building Obervermuntwerk II pumped power storage plant	Austria
New construction Albula Tunnel II	40	40	Building a 6 km-long replacement tunnel from Albulatal to Engadin	Switzerland
Südgürtel Graz	60	60	Gap closure between Puntigamer Bridge and Liebenauer Gürtel	Austria
U4 West	50	-	Modernising the western stretch of the metro line U4 Vienna	Austria
Consorzio Mosconi-Gunimperm	50	50	Sealing NEAT base tunnel Ceneri, lot 852	Switzerland
EBG 71	50	50	Building an apartment block/student halls of residence in Graz	Austria

2016	Upgrading Prater hub	Albaufstieg Tunnel	ATCOST21	PTS Boßler Tunnel	BAU OVW II	New construction Albula Tunnel II	Südgürtel Graz	U4 West	Consorzio Mosconi-Gunimperm	EBG 71
in EUR thousand										
Revenue	12,982	145,066	127,218	24,437	55,548	35,882	18,763	24,090	16,463	12,634
Depreciation, amortisation and impairment	-29	-2,389	-4,838	-2,661	-826	-1,025	-168	-	-101	-1
Interest expense	-	-	-232	-	-18	-60	-	-	-30	-
Non-current assets	-	2,467	12,525	2,539	897	2,961	579	-	37	5
Current assets	5,977	29,413	36,565	8,728	25,881	16,049	9,653	6,351	9,399	2,847
of which cash and cash equivalents	(3,025)	(12,111)	(23,094)	(795)	(2,407)	(2,288)	(478)	(3,204)	(2,513)	(2,172)
Non-current liabilities										
of which non-current financial liabilities										
Current liabilities	-5,977	-31,880	-49,090	-11,267	-26,778	-19,010	-10,232	-6,351	-9,436	-2,852
of which current financial liabilities										
Net assets	-	-	-	-	-	-	-	-	-	-

2015	Upgrading Prater hub	Albaufstieg Tunnel	ATCOST21	PTS Boßler Tunnel	BAU OVW II	New construction Albula Tunnel II	Südgürtel Graz	U4 West	Consorzio Mosconi-Gunimperm	EBG 71
in EUR thousand										
Revenue	17,369	107,198	113,167	28,612	58,520	18,947	18,919	-	12,336	-
Depreciation, amortisation and impairment	-16	-3,367	-2,426	-2,770	-1,340	-224	-190	-	-92	-
Interest expense	-7	-180	-230	-2	-45	-	-13	-	-31	-
Non-current assets	65	4,484	6,852	4,897	1,504	2,215	564	-	138	6
Current assets	5,160	31,915	162,579	1,387	19,716	17,134	11,527	-	6,658	5,115
of which cash and cash equivalents	(2,037)	(4,863)	(13,220)	(272)	(5,608)	(3,258)	(378)	(-)	(1,385)	(2,672)
Non-current liabilities										
of which non-current financial liabilities										
Current liabilities	-5,225	-36,399	-169,431	-6,284	-21,220	-19,349	-12,091	-	-6,796	-5,121
of which current financial liabilities										
Net assets	-	-	-	-	-	-	-	-	-	-

The share of the Group in the profit for the period of the most important consortiums amounts to TEUR 12,971 (previous year: TEUR 7,564) and is shown under trade receivables.

21. Loans

in EUR thousand	2016	2015
Loans to companies accounted for under the equity method	13,294	351
Loans to companies in which an equity interest is held	8,685	-
Other loans	1,178	710
Total	23,157	1,061

22. Other financial assets

in EUR thousand	2016	2015
Shareholdings in non-consolidated subsidiaries	327	384
Other shareholdings	4,168	4,310
Financial assets available for sale	85,417	84,923
Total	89,912	89,617

As regards the other shareholdings and shareholdings in non-consolidated subsidiaries, the fair value cannot be determined reliably, meaning that they are recognised at their acquisition costs less any impairment.

The total debt securities available for sale relate on the one hand to granting a perpetual mezzanine loan of TEUR 50,000 (previous year: TEUR 50,000) with an interest rate of 6.5% and perpetual hybrid capital of TEUR 25,330 with an interest rate of 6% to UBM Development AG. Ordinary termination by PORR AG is excluded for both instruments. Interest payments are dependent on whether UBM Development AG resolves to pay out a dividend from the annual surplus. If there is a year in which no payout of dividends from the annual surplus is resolved by UBM Development AG, then UBM Development AG is not obliged to pay any interest in the same year, whereby in this instance the interest is not cancelled but remains due. The carrying amount stood at TEUR 74,727 at the reporting date (previous year: TEUR 74,142).

The remaining financial assets available for sale of TEUR 10,690 (previous year: TEUR 10,781) mainly comprise fixed-interest instruments. They are not subject to any restrictions on disposal.

23. Inventories

Inventories comprise the following:

in EUR thousand	2016	2015
Land intended for sale	-	1,318
Finished and unfinished products and merchandise	6,632	5,268
Raw materials and supplies	46,266	42,677
Payments on account	20,376	22,242
Total	73,274	71,505

Allowances of TEUR -608 (previous year: TEUR -248) were recognised on products and merchandise in the year under review. Inventories with a carrying amount of TEUR 0 (previous year: TEUR 0) were pledged as collateral for liabilities.

24. Trade receivables

Construction contracts

The construction contracts valued by the POC method at the end of the reporting period but not yet finally settled, are stated as follows:

in EUR thousand	2016	recorded as a receivable	recorded as a liability
Contract values defined according to POC method	2,935,012	2,395,649	539,363
of which unrealised partial gains	(148,650)	(137,709)	(10,941)
Less attributable payments on account	-2,684,071	-1,951,634	-732,437
Net	250,941	444,015	-193,074

in EUR thousand	2015	recorded as a receivable	recorded as a liability
Contract values defined according to POC method	2,251,078	1,706,630	544,449
of which unrealised partial gains	(98,192)	(87,908)	(10,284)
Less attributable payments on account	-2,231,586	-1,435,143	-796,443
Net	19,492	271,487	-251,994

Proportional contract values capitalised according to the percentage of completion of the contract as at 31 December 2016 are balanced by contract costs valued at TEUR 2,786,362 (previous year: TEUR 2,152,886), so that the recognised profit for these contracts amounts to TEUR 148,650 (previous year: TEUR 98,192).

Shares of the profits from consortiums are shown under receivables from consortiums. Advances received, including preliminary payments on invoices for partial delivery, are shown under liabilities, where these exceed proportional contract values capitalised according to the percentage of completion of the contract. Impending losses and damages and penalties from contracts are recorded in provisions, in as far as the respective proportional contract values according to the percentage of completion are exceeded.

Composition and maturity terms of trade receivables:

in EUR thousand	31.12.2016	Remaining term > 1 year	31.12.2015	Remaining term > 1 year
Trade receivables	392,704	30,600	385,806	26,091
Receivables from construction contracts	444,015	-	271,487	-
Receivables from consortiums	93,310	10,947	94,562	9,172
Total	930,029	41,547	751,855	35,263

Trade receivables are classified as current in accordance with IAS 1 as they are to be settled within the entity's normal operating cycle.

Trade receivables include contractual retentions of TEUR 40,036 (previous year: TEUR 34,596).

in EUR thousand	2016	2015
Trade receivables before allowances	467,947	467,905
Impairment allowances at 1 Jan	82,099	52,363
Additions	24,407	50,145
Appropriation	-26,669	-17,411
Liquidation	-4,594	-2,998
Balance at 31 Dec	75,243	82,099
Carrying amount of trade receivables	392,704	385,806

Ageing structure of receivables:

Trade receivables

in EUR thousand	2016	2015
Carrying amount at 31 Dec	392,704	385,806
of which not overdue at closing date	266,421	277,908
of which overdue at closing date in the following time periods		
less than 30 days	28,261	20,155
between 30 and 60 days	11,906	10,177
between 60 and 180 days	10,763	7,582
between 180 and 360 days	18,072	12,207
more than 360 days	57,281	57,777

In the above-mentioned overdues, amounts of ongoing invoice checks are also included, which could take up to 120 days to settle. Allowances for impairment were included at reasonable amounts.

25. Other non-current financial assets

in EUR thousand	31.12.2016	Remaining term > 1 year	31.12.2015	Remaining term > 1 year
Loans	97	-	97	-
Securities	-	-	26,953	-
Receivables from non-consolidated subsidiaries	2,136	-	3,203	-
Receivables from companies accounted for under the equity method	17,336	174	17,249	-
Receivables from other shareholdings	7,460	-	2,216	-
Receivables from insurance	1,088	-	636	-
Other	50,520	7,464	68,568	13,308
Total	78,637	7,638	118,922	13,308

Securities of TEUR 0 (previous year: TEUR 25,000) relate to bonds and TEUR 0 (previous year: TEUR 1,953) relate to shares in the UBM Group. Forward contracts at fair value amounting to TEUR 23 (previous year: TEUR 668) are included under other financial assets (see note 43). In addition this item contains TEUR 5,448 (previous year: TEUR 5,385) of receivables from deposits, TEUR 4,219 (previous year: TEUR 3,306) of receivables from down payments relating to rent and leases, as well as receivables to the UBM Group totalling TEUR 21,173 (previous year: TEUR 22,826) (see note 45).

Receivables from non-consolidated subsidiaries, companies accounted for under the equity method and other shareholdings include contractual retentions amounting to TEUR 686 (previous year: TEUR 783).

26. Other receivables and assets

in EUR thousand	31.12.2016	Remaining term > 1 year	31.12.2015	Remaining term > 1 year
Tax assets	5,561	-	7,157	-
Other	458	-	835	-
Total	6,019	-	7,992	-

27. Cash and cash equivalents

The cash and cash equivalents include cash at banks amounting to TEUR 476,067 (previous year: TEUR 646,514) and cash in hand of TEUR 363 (previous year: TEUR 729).

28. Non-current assets held for sale

The non-current assets held for sale related to one property in the segment Business Unit 3 – International and a property in the segment Business Unit 4 – Environmental Engineering, Healthcare & Services for which the Group has received Supervisory Board approval to sell and is actively looking for a buyer. The Group assumes that the sale will be concluded in the 2017 business year. For the property in the segment Business Unit 4 – Environmental Engineering, Healthcare & Services a notarial deed has already been concluded, although closing is still subject to a condition precedent.

29. Deferred tax assets

The following tax deferrals stated on the statement of financial position arise from temporary differences between the valuations in the IFRS consolidated financial statements and the respective valuations for tax purposes as well as from realisable loss carryforwards:

in EUR thousand	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Non-current assets, liabilities from finance leasing	48,801	53,661	50,334	54,480
POC method	-	70,411	-	54,109
Untaxed reserves	-	3,341	-	2,598
Provisions	22,894	7,195	17,950	1,313
Tax loss carryforwards	25,494	-	20,866	-
Off-setting	-88,661	-88,661	-80,191	-80,191
Deferred taxes	8,528	45,947	8,959	32,309
Net deferred taxes		37,419		23,350

in EUR thousand	2016	2015
Net deferred taxes (liabilities)	37,419	23,350
Change	-14,069	-6,063
of which related to exchange differences	-183	-8
of which related to expense (-)/income (+) as per income statement	-13,447	-11,166
of which related to regrouping from current tax liabilities	-	-
of which related to changes to the consolidated group	-1,868	4,145
of which related to expense (-)/income (+) entered into other comprehensive income	1,429	966

Deferred tax assets based on loss carryforwards are recognised to the extent that these can probably be offset against future taxable profits.

The loss carryforwards for which no deferred tax assets were recognised amount to TEUR 129,336 (previous year: TEUR 180,584) and TEUR 113,389 of this can be carried forward essentially without restriction, while TEUR 15,947 of this can be carried forward for the next five years.

30. Share capital

Share capital	No. 2016	EUR 2016	No. 2015	EUR 2015
Ordinary bearer shares	29,095,000	29,095,000	29,095,000	29,095,000
Total share capital	29,095,000	29,095,000	29,095,000	29,095,000

The shares are ordinary bearer shares. Each ordinary share has a pro-rata interest of EUR 1.00 in the share capital of EUR 29,095,000 and participates in profits to the same extent and each share entitles the bearer to one vote at the Annual General Meeting. The shares are no-par value bearer shares.

In the reporting year 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. At 31 December 2016 the company directly and indirectly held a total of 216,495 treasury shares, respectively 0.74% of the share capital. In accordance with Section 65 Paragraph 5 of the Stock Exchange Act, the company does not have any rights, particularly voting rights, from the treasury shares.

Authorised capital

Within five years following the entry into the Commercial Register of the resolution by the extraordinary general meeting on 11 July 2013, the Executive Board is authorised 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 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 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 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.

31. Reserves

The capital reserves result largely from the capital increases, adjustments and statute-barred dividend claims arising from previous years and the current year, less the costs for the capital increase. The capital reserves include an amount of TEUR 192,764 (previous year: TEUR 190,491) which is restricted. It may only be released to compensate for an accumulated loss which would otherwise be shown in the annual financial statements of PORR AG, to the extent that free reserves are not available to cover this.

The other reserves comprise the revaluation reserves in accordance with IAS 16, the reserves from revaluation of the annual financial statements of subsidiaries in foreign currencies, the reserves for cash flow hedges, reserves for remeasurement from benefit obligations and debt securities held for sale, retained earnings of PORR AG including the statutory reserve and the untaxed reserves after deducting deferred tax items, retained profits from subsidiaries since their acquisition and the effects of adjusting the annual financial statements of companies included in the consolidated financial statements to the accounting and measurement methods used in the consolidated financial statements. Treasury shares as at 31 December 2016 were deducted from reserves and decreased through the scrip dividend issued in the business year 2016 (issuing dividend shares in the course of reinvestment) by 378,917 shares to 216,495 shares as of the reporting date.

In the reporting year a dividend of EUR 1.00 per dividend-bearing share was paid out to the shareholders of PORR AG along with an additional special dividend of EUR 0.50 per dividend-bearing share, thereby totalling EUR 42,783,204 for the business year 2015. The remainder was carried forward to new account. On 24 May 2016 the Annual General Meeting of PORR AG passed a resolution to pay out a special dividend in the form of a scrip dividend. The shareholders were thereby given the option of receiving the special dividend of EUR 0.50 per dividend-bearing share either in cash or in the form of dividend shares in the course of reinvestment. In accordance with the Annual General Meeting resolution, after the end of the subscription period on 15 June 2016, the Executive Board determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, thereby at a 1.2% discount to the weighted average share price of PORR AG as of 15 June 2016. Rights were exercised for a total of 20,461,518 shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe. The special dividend of EUR 0.50 per dividend-bearing share was thereby exercised for a total of 378,917 PORR shares. The settlement of the dividend shares was concluded on 21 June 2016.

Net earnings amounting to TEUR 32,154 are available for distribution to shareholders in PORR AG. The unrestricted retained earnings of PORR AG, which come to TEUR 108,426 as of 31 December 2016 may be released and distributed to the shareholders of PORR AG. The statutory reserve of PORR AG of TEUR 458 (previous year: TEUR 458) may only be released to compensate for an accumulated loss which would otherwise be shown, whereby the release to cover the loss is not impeded by free reserves being available to compensate for the loss. From the net retained profits recognised in the statement of financial position of EUR 32,153,802.42, the Executive Board proposes to pay a dividend of EUR 1.10 per share entitled to dividends, with the remaining balance to be carried forward to new account.

Hybrid capital

As part of a PORR AG bond emission programme, a bond exchange was carried out in October 2014, in which holders of bonds issued by PORR AG in the years 2009 and 2010 were publicly invited to exchange these bonds in bonds about to be newly issued. Included here was the issue of a subordinated hybrid bond with a total nominal value of EUR 17,054,500. The hybrid bond was increased in the business year 2015 to EUR 25,000,000 in the course of a private placement. The partial debentures of this hybrid bond were issued with 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.). 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 categorised as equity instruments. Interest of TEUR 1,688, which is paid, less any tax effect such as profit payouts, is recorded directly in equity as a deduction.

32. Equity from profit-participation rights from subsidiaries

The profit-participation rights were issued by PORR Construction Holding GmbH (formerly ABAP Beteiligungs Holding GmbH), a subsidiary 100% of whose nominal capital is held by PORR AG. The outstanding profit-participation rights with a total nominal value of TEUR 40,000, whose issuance conditions are in accordance with debentures, are issued for an unspecified length of time.

The interest amounts to 8.0% p.a. of the nominal capital of the profit-participation rights at 31 December 2015. From 1 January 2016 up to and including 31 December 2020 the interest amounts to 6.66% of the nominal capital of the profit-participation rights. From 1 January 2021 the annual interest will be 13.0% of the nominal capital of the profit-participation rights.

The issuer is only obliged to pay interest if they or PORR AG decide to pay holdings or shareholders a dividend from the annual surplus. The issuer is not obliged to pay the due interest for one year in the absence of a profit payout, and if the issuer utilises their right not to pay, then this unpaid interest is kept in arrears which must be paid as soon as the issuer or PORR AG decides that a dividend from the annual surplus is payable to their holdings or shareholders. In the case of dismissal by the issuer or the extraordinary notice of dismissal by the bearers of profit-participation rights, the capital from profit-participation rights becomes due to the bearers, in addition to the valid interest accrued by this date and outstanding interest.

As payments on the profit-participation rights – interest as well as 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 this part of the profit participation rights permanently, these profit-participation rights are categorised as equity instruments. Interest in the amount of TEUR 3,200, which is paid on these profit-participation rights, less any tax, is recorded directly in equity as a deduction.

33. Non-controlling interests

The shares in equity of subsidiaries which are not owned by PORR AG or a shareholder of the Group are entered in equity under non-controlling interests. The share of non-controlling interests in subsidiaries is of minor significance.

34. Provisions

in EUR thousand	Severance	Pensions	Anniversary bonuses	Indemnities	Constructions	Recultivation	Other	Total
Balance at 1 Jan 2016	65,674	31,791	14,067	3,859	113,112	9,294	8,534	246,331
Additions/disposals from changes to the consolidated group	920	5	103	-	1,075	917	23	3,043
Transfer	3,854	747	3,617	365	50,350	796	4,959	64,688
OCI changes								
from changes to demographic assumptions	102	-	-	-	-	-	-	102
from changes to financial assumptions	3,331	2,538	-	-	-	-	-	5,869
from changes to experience-based adjustments	303	713	-	-	-	-	-	1,016
Appropriation	-4,103	-2,414	-1,160	-724	-36,382	-1,122	-1,850	-47,755
Liquidation	-	-36	-	-	-18,789	-573	-974	-20,372
Balance at 31 Dec 2016	70,081	33,344	16,627	3,500	109,366	9,312	10,692	252,922
of which non-current	70,081	33,344	16,627	3,500	-	9,312	-	132,864
of which current	-	-	-	-	109,366	-	10,692	120,058

PORR AG and its subsidiaries must pay their employees in Austria and Germany anniversary bonuses on certain anniversaries in accordance with collective agreements. The provision for anniversary bonuses was determined in accordance with the provisions of IAS 19 on other long-term benefits. Please refer to the notes under the accounting and measurement methods with regard to the actuarial assumptions underlying the calculation.

At TEUR 11,434 (previous year: TEUR 15,746), provisions for constructions represent provisions for impending losses arising from the order backlog and, at TEUR 56,181 (previous year: TEUR 53,151), provisions for guarantees and TEUR 41,751 (previous year: TEUR 44,216) for provisions for damages and penalties. Provisions for impending losses are based on current contract calculations. Provisions for guarantees and other contract risks are determined on the basis of an individual assessment of the risks. Claims arising against the Group from these risks are deemed to be probable; the recognised amount corresponds to the best possible estimate of the amount of the claim. As construction contracts can take several years to be carried out, and any claim possibly precedes a long ongoing legal dispute, the time of the claim is uncertain but will as a rule lie within the relevant operating cycle. Provisions for rehabilitation that also contain aftercare obligations are mainly formed for the landfill business of BU 4 – Environmental Engineering, Healthcare & Services. The provisions are formed on the basis of the amounts of landfill over the operating life in instalments and are used across the term of the rehabilitation and/or the aftercare on the basis of the area rehabilitated.

Pension plans

Defined benefit plans

Provisions for severance pay were created for employees (on wages and salaries) who have claims to severance payments pursuant to the Employee Act, the Wage Earners' Severance Pay Act or works agreements. Employees whose employment is subject to Austrian law, if the relevant employment began prior to 1 January 2003 and has been ongoing for at least ten years without interruption, have a claim to severance pay where the employment is terminated upon the employee's reaching the statutory age of retirement, even if the employment is terminated by the employee. The amount of the severance pay depends on the amount of the pay at the time of termination and of the length of employment. These employee claims should therefore be treated as claims under defined benefit pension plans, in which case plan assets do not exist to cover these claims. Similar considerations apply to employees to whom severance pay is due pursuant to the Wage Earners' Severance Pay Act and for severance pay payable pursuant to works agreements.

The Construction Workers' Leave and Severance Pay Act 1987 applies to the majority of waged workers, according to which their claims are directed towards the holiday pay and severance pay fund to be financed by employer's contributions. This is a state plan, for which a severance pay provision does not need to be created.

Pension commitments are as a rule defined individual benefit commitments for senior staff which are not covered by plan assets. The amount of the pension claim depends on the number of years' service in each case.

Changes within provisions for severance pay were as follows:

in EUR thousand	2016	2015
Present value of severance obligations (DBO) at 1 Jan	65,674	63,170
Changes to the consolidated group	920	-
Prior service cost	2,496	3,685
Interest paid	1,358	1,329
Severance payments	-4,103	-2,980
Actuarial profits (-)/losses (+)	3,736	470
Present value of severance obligations (DBO) at 31 Dec	70,081	65,674

in EUR thousand	2016	2015
Prior service cost (entitlements)	2,496	3,685
Net interest expense	1,358	1,329
Severance costs (recognised in profit and loss for the period)	3,854	5,014

For the year 2017, an interest expense of TEUR 1,089 and a current service cost of TEUR 3,873 are planned. Please refer to the notes on the accounting and measurement methods with regard to the actuarial assumptions underlying the calculation.

Pension provisions:

Pension obligations transferred to provisions

in EUR thousand	2016	2015
Present value of obligations covered by plan assets	21,038	20,438
Fair value of the plan assets	-12,460	-12,909
Net value of the obligations covered by plan assets	8,578	7,529
Present value of the obligations not covered by plan assets	24,766	24,262
Carrying amount of provisions at 31 Dec	33,344	31,791

Pension costs

in EUR thousand	2016	2015
Service cost (entitlement)	91	109
Settlement	-36	-512
Interest expense	956	1,033
Interest income	-300	-152
Pension costs (recognised in profit and loss for the period)	711	478

Description of pension plans:

Claims – Austria: as part of the defined benefit plans relating to pensions, the company is obliged to grant the promised benefits both to current and former employees.

The employee claims to defined benefit pension plans are defined as follows:

Group A (service contract dated 1 July 1991):

The pension allowance involves an agreed percentage of the basis of assessment (salary and overtime rate) for cases of retirement after reaching the age of 63 and is reduced by a defined percentage for every full year of retirement before reaching the age of 63.

Group B (service contract dated 5 August 1991) and Group C/D (service contract dated 6 August 1991):

The pension allowance is determined as an agreed amount due upon retirement after reaching the age of 63 and is reduced by a defined amount for every full year of retirement before reaching the age of 63.

Group E/F (service contract dated 29 August 1991):

The pension allowance involves an agreed amount for retirement upon reaching the age of 60; this amount increases by a fixed annual amount for every year up to 63, whereby the maximum contribution is reached after reaching the age of 63.

Claims – Germany: there are multiple pension plans with defined benefits for current and former employees.

Employee claims to these defined benefit pension plans are tied to the number of eligible calendar years and the class of pension which were determined for the pension candidate when the claim was agreed.

In addition, there are individual commitments involving defined benefit obligations.

Pension obligations

in EUR thousand	2016	2015
Present value of pension obligations (DBO) at 1 Jan	44,700	47,496
Changes to the consolidated group	5	418
Prior service cost	91	109
Interest paid	956	1,033
Pension payments	-3,277	-4,298
Settlement	-36	-512
Actuarial profits (-)/losses (+)	3,364	454
Present value of pension obligations (DBO) at 31 Dec	45,803	44,700

The obligations from the direct pension benefits in Austria are covered by insurance contracts concluded with WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group. In Germany the obligations from direct pension benefits are covered by insurance contracts concluded with Nürnberger Lebensversicherung AG, Condor Lebensversicherung AG, Generali Lebensversicherung AG and Essener Verband. In order to secure the pension rights of the employees insured from the corporate pension benefits, the rights from the insurance agreements are pledged in favour of the employees insured. The insurance of the old-age pension is entitled to share in profits in line with Section 16 of the General Terms and Conditions Governing Endowment and Pension Insurance. The insurance for the disability pension and widows pension is also entitled to share in profits. To this end, a cash accounting statement is produced at the end of every insurance year. In the case of a profit, 50% of the balance of income and expenditure is refunded to the insurance policyholder. In the case of a loss, this is carried forward to the next insurance year. Profits can only be paid out again once the loss carryforward has been settled. The amount of the annual insurance premiums is determined by the insurance company's rates and is stated in the registry of members. The premiums must be paid annually in advance. The final annual premium must be paid in the year in which the policyholder reaches retirement age. The pension plan reinsurance is held in an independent department of the cover pool for life insurance as laid down in Section 20 Paragraph 2 Line 1 in connection with Section 2 of the Insurance Supervision Law.

Endowment life insurance policies have been concluded, e.g. with Nürnberger Lebensversicherung AG, for the pension benefits of the German companies. The insurance involves individual endowment policies which are ring-fenced. The policyholder is the employer, while the insured party/beneficiary is the employee who can choose between a lump sum or an annuity of equal value. The amount of the annuity is determined by the rates valid at the time of choosing and the corresponding insurance conditions. The contributions must be paid until the end of the insurance year in which the claim becomes valid (death or retirement). At the end of every insurance year the current profit participation (risk and interest surplus) is credited and converted into a bonus.

Plan assets

in EUR thousand	2016	2015
Fair value of the plan assets at 1 Jan	12,909	6,762
Contribution payments	78	6,537
Interest income	300	152
Payouts (benefit payments)	-941	-29
Actuarial gains (-)/losses (+)	114	-513
Fair value of the plan assets at 31 Dec	12,460	12,909

For the year 2017, an interest payment of TEUR 718 and a current service cost of TEUR 97 are planned. Please refer to the notes on the accounting and measurement methods with regard to the actuarial assumptions underlying the calculation.

A part of the plan assets amounting to TEUR 11,487 has been assessed as follows by WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group according to information from WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group:

Structure of investments in classic cover pool

in %	2016	2015
Fixed-income securities	38.42	39.10
Shares, supplementary capital, profit-participation rights, non-ownership capital	4.48	4.85
Investment funds	34.64	32.30
Affiliates and shareholdings	6.18	6.22
Loans	10.80	10.88
Property	3.96	3.20
Cash in bank	1.52	3.45
Total	100.00	100.00

The following table shows the average duration of the respective obligations:

	Maturity profile - DBO			DBO Duration	Maturity profile - Cash			Cash Duration
	1-5 years	6-10 years	10+ years		1-5 years	6-10 years	10+ years	
Pensions	14,641	11,185	19,355	10,58	15,273	12,679	27,387	12,25
Severance	26,663	17,462	25,637	8,61	29,948	26,575	92,705	14,36

Defined contribution plans

Employees whose employment is subject to Austrian law and who commenced employment after 31 December 2002, and workers to whose employment the Construction Workers' Leave and Severance Pay Act is applicable, do not acquire any severance pay claims in respect of their respective employer. For these employees, except for those to whose employment the Construction Workers' Leave and Severance Pay Act is applicable, contributions of 1.53% of the wage or salary must be paid to an employee welfare fund; this amounted to TEUR 2,090 (previous year: TEUR 1,812) in 2016, of which TEUR 53 (previous year: TEUR 46) related to managers in key positions.

Contributions are payable by the employer to the holiday pay and severance pay fund in respect of those employees whose employment is covered by the Construction Workers' Leave and Severance Pay Act. At the present time, around 37% of the wage of relevant employees is payable to the holiday pay fund for 2016, amounting to TEUR 44,926 (previous year: TEUR 43,434) and 4.6% of the wage of relevant employees is payable to the severance pay fund, amounting to TEUR 6,500 in 2016 (previous year: TEUR 6,350). This contribution covers employee severance pay claims and other benefits, in particular the holiday pay and holiday allowance payable by the holiday pay and severance pay fund to the relevant employees. This state plan covers all the companies in the building sector. The benefits are financed on a pay-as-you-earn basis, i.e. the benefits falling due in a particular period are to be financed by the contributions of this same period, while the future benefits earned in the period under review will be funded by future contributions. The companies are not legally or actually obliged to pay these future benefits. The companies are only obliged to pay the prescribed contributions as long as they employ workers whose employment is covered by the Construction Workers' Leave and Severance Pay Act.

Payments to external employee provision funds are recognised under the item staff expense.

The employees of the PORR Group also belong to their country-specific, state pension plans, which are usually funded on a pay-as-you-earn basis. The Group is only obliged to pay the contributions when they become due. There is no legal or actual obligation to provide future benefits.

35. Bonds and Schuldscheindarlehen

As of the value date 28 October 2014, PORR AG made an exchange offer to the bondholders of the bonds issued in 2009 and 2010. The bondholders could choose between the instrument recognised as equity (hybrid bond 6.75% 2014–2021, see note 31) and a senior bond. The senior bond was issued under the following conditions:

Nominal amount	EUR 56,262,000.00
Tenor	2014–2019
Denomination	EUR 500.00
Nominal interest rate	3.875% p.a.
Coupon	28 October annually
Redemption	28 October 2019 at 100%
Closing rate 31 Dec 2016	106.28
ISIN	AT0000A19Y28
Book value (less treasury shares)	EUR 55,108,509.03

As of the value date 26 November 2013, one bond with the following conditions was issued by PORR AG:

Nominal amount	EUR 50,000,000.00
Tenor	2013–2018
Denomination	EUR 1,000.00
Nominal interest rate	6.25% p.a.
Coupon	26 November annually
Redemption	26 November 2018 at 100%
Closing rate 31 Dec 2016	108.25
ISIN/WKN	DE000A1HSNV2/A1HSNV
Book value (less treasury shares)	EUR 46,352,071.23

The bond was issued for subscription on the Austrian and German capital markets.

Schuldscheindarlehen (SSD):

On 12 August 2015 PORR AG placed a Schuldscheindarlehen (SSD) 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 investors were offered the option of a premature extension of the terms for three, five and seven years. In addition, the volume was increased from TEUR 185,500 to a total of TEUR 200,000.

in EUR	Nominal amount	Tenor	Interest	Interest rate
Tranche 1	21,000,000.00	13.8.2018	fixed	1.764%
Tranche 2	38,000,000.00	13.8.2018	variable	6-month EURIBOR + 1.6%
Tranche 3	1,000,000.00	12.8.2019	fixed	1.15%
Tranche 4	30,000,000.00	12.8.2019	variable	6-month EURIBOR + 1.15%
Tranche 5	11,000,000.00	12.8.2020	fixed	2.249%
Tranche 6	20,000,000.00	12.8.2020	variable	6-month EURIBOR + 1.85%
Tranche 7	37,000,000.00	12.8.2021	fixed	1.55%
Tranche 8	27,000,000.00	12.8.2021	variable	6-month EURIBOR + 1.55%
Tranche 9	5,000,000.00	12.8.2023	fixed	1.917%
Tranche 10	10,000,000.00	12.8.2023	variable	6-month EURIBOR + 1.9%
Carrying amount at 31 Dec 2016	199,200,670.50			

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

36. Financial liabilities

in EUR thousand	2016	2015
Deposits from banks		
subject to interest at variable rates	21,648	34,802
subject to interest at fixed rates	17,250	19,787
Lease obligations		
subject to interest at variable rates	81,851	95,304
Derivative financial instruments	1,707	1,077
Total	122,456	150,970

Deposits from banks subject to variable rates of interest are mainly charged interest at the 3-month EURIBOR rate or the 6-month EURIBOR rate plus differing margins. During the year under review the 3-month EURIBOR rate averaged out at 0.26% and the 6-month EURIBOR rate at an average -0.17%. The margins for newly acquired funds with a maximum 3-month term averaged 1.71PP in 2016.

Some items of real estate and equipment used by the Group itself are held under finance leases (see note 18). The interest rates for the lease obligations are between 1.28% and 2.9%. The interest component of the lease payments is usually continuously adjusted to the market interest rate. With the exception of these leasing rate adjustments to reference interest rates, no agreements on conditional rental payments are included.

Derivative financial instruments include forward contracts and interest rate hedges, which are measured at fair value at the end of the reporting period (see note 43).

in EUR thousand	31.12.2016	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Deposits from banks	38,898	14,537	20,482	3,879	597
Lease obligations	81,851	27,749	47,453	6,649	81,851
Derivative financial instruments	1,707	1,707	-	-	-
Total	122,456	43,993	67,935	10,528	82,448

in EUR thousand	31.12.2015	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Deposits from banks	54,589	25,035	18,978	10,576	22,842
Lease obligations	95,304	22,935	63,041	9,328	95,304
Derivative financial instruments	1,077	1,077	-	-	-
Total	150,970	49,047	82,019	19,904	118,146

Deposits from banks which are secured by collateral relate to real estate. Group obligations under finance leases are secured by the leased assets totalling a carrying amount of TEUR 104,125 (previous year: TEUR 114,123) which are the property of the lessor under civil law.

Minimum leasing payments

in EUR thousand	31.12.2016	31.12.2015
With a remaining period up to one year	29,317	24,925
With a remaining period of more than one year and less than five years	49,535	66,238
With a remaining period of more than five years	6,990	9,892
Total	85,842	101,055
Future financing costs	-3,991	-5,751
Present value of minimum leasing payments	81,851	95,304

37. Trade payables

in EUR thousand	31.12.2016	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Trade payables	754,282	719,301	28,365	6,616	-
Payables to consortiums	31,348	31,348	-	-	-
Total	785,630	750,649	28,365	6,616	-

In EUR thousand	31.12.2015	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Trade payables	597,440	541,226	50,897	5,317	-
Payables to consortiums	34,273	34,273	-	-	-
Total	631,713	575,499	50,897	5,317	-

Trade payables are classified as current as they are to be settled within the entity's normal operating cycle.

38. Other financial liabilities

in EUR thousand	31.12.2016	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Payables to non-consolidated subsidiaries	243	243	-	-	-
Payables to companies accounted for under the equity method	7,769	7,766	3	-	-
Payables to other shareholdings	455	455	-	-	-
Other	13,941	10,768	3,132	41	-
Total	22,408	19,232	3,135	41	-

in EUR thousand	31.12.2015	Remaining term < 1 year	Remaining term 1-5 years	Remaining term > 5 years	of which secured by collateral
Payables to non-consolidated subsidiaries	391	391	-	-	-
Payables to companies accounted for under the equity method	4,917	4,711	138	68	-
Payables to other shareholdings	1,162	1,162	-	-	-
Other	30,390	28,706	855	829	-
Total	36,860	34,970	993	897	-

39. Other liabilities

in EUR thousand	31.12.2016	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	of which secured by collateral
Tax liabilities	55,016	55,016	-	-	-
Social security liabilities	16,408	16,408	-	-	-
Advances received POC	193,074	193,074	-	-	-
Payables to staff	102,280	102,280	-	-	-
Other	2,155	2,155	-	-	-
Total	368,933	368,933	-	-	-

in EUR thousand	31.12.2015	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	of which secured by collateral
Tax liabilities	76,467	76,467	-	-	-
Social security liabilities	15,425	15,425	-	-	-
Advances received POC	251,995	251,995	-	-	-
Payables to staff	93,680	93,680	-	-	-
Other	3,450	3,450	-	-	-
Total	441,017	441,017	-	-	-

40. Contingent liabilities and guarantees

in EUR thousand	2016	2015
Guarantees, guarantee bonds and other contingent liabilities	4,584	5,085
of which for companies accounted for under the equity method	(119)	(988)

The guarantees primarily relate to securing bank loans of non-consolidated subsidiaries, companies accounted for under the equity method and other companies in which the Group holds a stake, as well as other liabilities from the operational business whose availment is theoretically possible, but considered highly improbable.

Other financial liabilities

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 that 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 2,336,869 (previous year: TEUR 1,621,100). Of these credit lines, TEUR 961,000 (previous year: TEUR 641,200) was concluded with a three-year term. The remainder of TEUR 1,375,869 (previous year: TEUR 979,900) generally run for a one-year term. Furthermore, there were credit lines in several Arabic countries of TEUR 583,647 (previous year: TEUR 539,400). As at 31 December 2016, around 49% (previous year: 59%) of the European credit lines had been drawn on and around 33% (previous year: 37%) of the lines in Arabic countries.

The three-year credit lines of TEUR 961,000 (previous year: TEUR 641,200) 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 2016. On the basis of the planned development, it is assumed that they will be met again on the next effective date, 31 December 2017.

41. Notes on segment reporting

Segment reporting has been adapted in line with the new internal reporting and controlling structure of the PORR Group. The comparative figures have been retrospectively adjusted to the new structure; a comparison with the segment information as of 31 December 2015 is only possible to a limited extent. IFRS are the standards used for all business transactions between segments. The following segments are presented:

Segment Business Unit 1 – Austria, Switzerland, Czech Republic: This segment covers the PORR Group’s operating business on the home markets of Austria, Switzerland and the Czech Republic. A full range of products and services is offered.

Segment Business Unit 2 – Germany: This segment covers the PORR Group’s operating business on the home market of Germany. A full range of products and services is offered.

Segment Business Unit 3 – International: This segment contains the project-driven business activities in Poland, the Nordic region, Qatar, Slovakia, Romania, Bulgaria, UK and other future target countries. It also includes the competencies in tunnelling, railway construction and bridge building.

Segment Business Unit 4 – Environmental Engineering, Healthcare & Services: This segment contains PORR Umwelttechnik GmbH as well as the equity interests PRAJO, TKDZ und PWW, hospitals, PORREAL and STRAUSS Property Management, Thorn, ALU-SOMMER and the activities in PPP.

Holding: This segment consists of Group services, PORR Design & Engineering GmbH and PORR Design & Engineering Deutschland GmbH.

Segment report 2016

in EUR thousand	BU 1 – Austria, Switzerland, Czech Republic	BU 2 – Germany	BU 3 – Inter- national	BU 4 – Environ- mental Enginee- ring, Healthcare & Services	Holding	Group
Production output (Group)	2,124,767	455,813	1,082,407	218,540	43,812	3,925,339
Segment revenue (revenue, own work capitalised and other operating income)	1,900,192	543,588	938,421	109,849	31,325	3,523,375
Intersegment revenue	25,943	14,391	10,037	16,893	124,185	
EBT (Earnings before tax = segment earnings)	69,432	3,719	17,084	673	160	91,068
Share of profit/loss of companies accounted for under the equity method	25,881	14,965	323	5,054	29	46,252
Depreciation, amortisation and impairment expense	-53,320	-11,480	-5,326	-8,447	-8,710	-87,283
of which impairment	-	-	-	-1,500	-	-1,500
Interest income	2,414	206	1,022	1,245	7,702	12,589
Interest expense	-5,001	-629	-1,026	-580	-17,071	-24,307

Segment report 2015

in EUR thousand	BU 1 – Austria, Switzerland, Czech Republic	BU 2 – Germany	BU 3 – Inter- national	BU 4 – Environ- mental Enginee- ring, Healthcare & Services	Holding	Group
Production output (Group)	1,906,639	374,435	1,076,796	153,118	12,764	3,523,752
Segment revenue (revenue, own work capitalised and other operating income)	1,744,322	456,158	925,841	99,078	16,645	3,242,044
Intersegment revenue	23,492	12,897	5,487	21,238	130,577	
EBT (Earnings before tax = segment earnings)	61,653	2,400	19,975	-4,180	1,265	81,113
Share of profit/loss of companies accounted for under the equity method	22,163	6,323	11,916	7,906	-2,075	46,233
Depreciation, amortisation and impairment expense	-42,621	-10,714	-5,827	-12,810	-6,200	-78,172
of which impairment	-	-	-	-3,303	-	-3,303
Interest income	2,074	155	1,147	454	12,548	16,378
Interest expense	-5,080	-1,062	-1,106	-573	-17,804	-25,625

The following information relates to geographic business areas in which the Group is active.

in EUR thousand	Production output by customer base 2016	Non-current assets by company base 2016	Production output by customer base 2015	Non-current assets by company base 2015
Domestic	2,055,235	445,915	1,870,600	398,839
Germany	801,646	88,827	634,201	79,008
Poland	253,969	36,289	251,397	37,767
Czech Republic	164,137	10,354	156,727	13,564
Qatar	317,492	10,495	278,175	194
Hungary	4,945	84	4,077	1,731
Romania	88,170	4,094	96,217	3,098
Bulgaria	7,171	1,601	51,734	2,136
Switzerland	155,708	7,100	125,238	6,427
Serbia	10,223	16,760	11,685	16,599
Albania	1,300	-	2,263	-
Slovakia	17,994	1,659	10,012	1,689
Norway	33,279	1,477	8,969	-
Croatia	1,890	2,385	3,212	3,256
Other foreign	12,180	129	19,245	253
Total foreign	1,870,104	181,254	1,653,152	165,722
Segment total	3,925,339	627,169	3,523,752	564,561

42. Notes on the cash flow statement

The cash flow statement is broken down into separate cash flows from operating, investing and financing activities, in which the cash flow from operating activities is derived according to the indirect method. The financial fund exclusively comprises cash on hand/at bank and corresponds to the value shown in the statement of financial position for cash and cash equivalents.

43. Notes on financial instruments

43.1. Capital risk management

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

In the year under review PORR succeeded in increasing equity by around TEUR 28,754. It was thereby possible to increase the equity ratio by 0.79PP to 18.7% despite the growth in total assets. Non-current liabilities subject to interest of TEUR 379,125 remained at practically the same level as the previous year. As the result of the repayment of a bond in November 2016, the Group succeeded in reducing current liabilities from TEUR 94,899 to TEUR 43,993, a decrease of 54%.

At 31 December 2016 the net cash position, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, totalled TEUR 53,312 (previous year: TEUR 186,526).

The net gearing ratio, defined as net financial debt divided by equity, is applied for the control of capital management. The net gearing remained negative and fell due to the lower net cash position from -0.5 to -0.12.

43.2. Categories of financial instruments

43.2.1. Carrying amounts, measurement rates and fair values

in EUR thousand	Measurement category	Carrying amount at 31 Dec 2016	(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 31 Dec 2016
Assets							
Loans	LaR	23,254	23,254				
Other financial assets ¹	AfS (at cost)	4,495	4,495				
Other financial assets	AfS	10,690		10,690		Level 1	10,690
Other financial assets	AfS	74,727		74,727		Level 3	74,727
Trade receivables	LaR	930,029	930,029				
Other financial assets	LaR	78,517	78,517				
Derivatives (without hedges)	FAHFT	23			23	Level 2	23
Cash and cash equivalents		476,430	476,430				
Liabilities							
Bonds							
at fixed interest rates	FLAC	101,461	101,461			Level 1	109,648
Schuldscheindarlehen							
at fixed interest rates	FLAC	74,697	74,697			Level 3	75,915
at variable interest rates	FLAC	124,504	124,504				
Deposits from banks							
at fixed interest rates	FLAC	17,250	17,250			Level 3	17,611
at variable interest rates	FLAC	21,648	21,648				
Lease obligations ²		81,851	81,851				
Trade payables	FLAC	785,630	785,630				
Other financial liabilities	FLAC	22,408	22,408				
Derivatives (without hedges)	FLHFT	463			463	Level 2	463
Derivatives (with hedges)		1,244		1,244		Level 2	1,244
by category:							
Loans and receivables	LaR	1,031,800	1,031,800				
Cash and cash equivalents		476,430	476,430				
Available-for-sale financial assets ¹	AfS (at cost)	4,495	4,495				
Available-for-sale financial assets	AfS	85,417		85,417			
Financial assets held for trading	FAHFT	23			23		
Financial liabilities held for trading	FLHFT	463			463		
Derivative liabilities (with hedges)		1,244		1,244			
Financial liabilities measured at amortised cost	FLAC	1,147,598	1,147,598				

The carrying amount of the financial instruments not measured at fair value corresponds to an appropriate approximation of the fair value in accordance with IFRS 7.29. The exception is bonds subject to fixed interest rates (fair value hierarchy level 1), deposits from banks subject to fixed interest rates (fair value hierarchy level 3), and other financial liabilities subject to fixed interest rates (fair value hierarchy level 3).

The fair value valuation for derivatives is determined in accordance with market data from information service provider REUTERS. Liabilities from bank loans and overdrafts are valued under the discounted cash flow valuation method, whereby the zero coupon yield curve published by REUTERS as of 31 December 2016 was used for the discounting of the cash flow.

in EUR thousand	Measurement category	Carrying amount at 31 Dec 2015	(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 31 Dec 2015
Assets							
Loans	LaR	1,158	1,158				
Other financial assets ¹	AfS (at cost)	4,694	4,694				
Other financial assets	AfS	10,781		10,781		Level 1	10,781
Other financial assets	AfS	74,142		74,142		Level 3	74,142
Trade receivables	LaR	751,855	751,855				
Other financial assets	LaR	91,204	91,204				
Other financial assets	FAHfT	1,953			1,953	Level 1	1,953
Other financial assets	AfS	25,000		25,000		Level 1	25,000
Derivatives (without hedges)	FAHfT	668			668	Level 2	668
Cash and cash equivalents		647,243	647,243				
Liabilities							
Bonds							
at fixed interest rates	FLAC	151,743	151,743			Level 1	166,244
Schuldscheindarlehen							
at fixed interest rates	FLAC	32,000	32,000			Level 3	32,290
at variable interest rates	FLAC	152,957	152,957				
Deposits from banks							
at fixed interest rates	FLAC	19,787	19,787			Level 3	19,701
at variable interest rates	FLAC	34,802	34,802				
Lease obligations ²		95,304	95,304				
Trade payables	FLAC	631,713	631,713				
Other financial liabilities	FLAC	36,860	36,860				
Derivatives (without hedges)	FLHfT	2			2	Level 2	2
Derivatives (with hedges)		1,075		1,075		Level 2	1,075
by category:							
Loans and receivables	LaR	844,217	844,217				
Cash and cash equivalents		647,243	647,243				
Available-for-sale financial assets ¹	AfS (at cost)	4,694	4,694				
Available-for-sale financial assets	AfS	109,923		109,923			
Financial assets held for trading	FAHfT	2,621			2,621		
Financial liabilities held for trading	FLHfT	2			2		
Derivative liabilities (with hedges)		1,075		1,075			
Financial liabilities measured at amortised cost	FLAC	1,059,862	1,059,862				

¹ These are related to Group shareholdings, predominantly shares in GmbHs, whose fair value cannot be reliably measured and for which there is no active market so that it is measured at acquisition cost less possible impairment. There are currently no concrete plans to sell.

² Lease obligations fall under the application of IAS 17 and IFRS 7.

Details on fair value financial instruments Level 3:

For the valuation of the mezzanine capital of TEUR 50,000 and the hybrid capital of TEUR 25,330 for UBM Development AG, the following input factors (pricing criteria) were applied:

- Mid swap
- Credit spread UBM bond (Z-spread)
- Hybrid spread

The sum of these factors corresponds to the current pricing of the hybrid bond.

As a second step, the current pricing and contractually agreed coupon were compared, thereby determining the necessary surcharges/discounts.

- If the current market pricing is higher than the contractually agreed coupon, then a discount is applied to the nominal amount.
- If the current market pricing is lower than the contractually agreed coupon, then a surcharge is applied to the nominal amount.

This resulted in the following valuation as at 31 December 2016:

Balance at 31 December 2016				
	Mid swap	Credit spread	Hybrid spread	Hybrid coupon in %
	8.2	375	330	7.132
in EUR thousand	Hybrid coupon in %	Nominal amount	Change in value	Faiv value
Mezzanine capital	6.5	50,000	-316	49,684
Hybrid capital	6.0	25,330	-287	25,043

Sensitivities and interrelationships

The valuation methods applied are subject to fluctuation of the three input factors. Any change in a single factor results in a respective change in value (e.g. if the mid swap increases by 1 BP, the receivable decreases in value by 1 BP).

Possible interdependencies have not been considered, as it is not possible to assume either a significant negative or a significant positive correlation; therefore any individual change would increase the overall valuation in the respective amount.

43.2.2. Net income by measurement category

		from subsequent measurement				
in EUR thousand		from interest/ income	at fair value	Allowances	from disposal	Net income 2016
Loans and receivables	LaR	7,486	-	-	-	7,486
Available-for-sale financial assets	AfS (at cost)	2,324	-	-318	987	2,993
Available-for-sale financial assets	AfS	5,103	497	-	-261	5,339
Derivatives (without hedges)	FAHfT/ FLHfT	-	-1,275	-	-	-1,275
Financial liabilities measured at amortised cost	FLAC	-19,031	-	-	-	-19,031

		from subsequent measurement				
in EUR thousand		from interest/ income	at fair value	Allowances	from disposal	Net income 2015
Loans and receivables	LaR	8,276	-	-	-	8,276
Available-for-sale financial assets	AfS (at cost)	2,779	-	-2,043	1,237	1,973
Available-for-sale financial assets	AfS	8,103	-1,292	749	-	7,560
Derivatives (without hedges)	FAHfT/ FLHfT	-	-415	-	-	-415
Financial liabilities measured at amortised cost	FLAC	-20,987	-	-	-	-20,987

43.3. Aims of financial risk management

Managing financial risks, in particular liquidity risks and interest rate/currency risks are governed by standard Group guidelines. The management's aim is to minimise the risks as far as possible. Hence, derivative and non-derivative hedging instruments are used in line with evaluations. Nevertheless, in general the only risks which are anticipated are those which have consequences on the Group's cash flow. Derivative financial instruments are used exclusively as hedging instruments, i.e. they are not used for trade or other speculative purposes.

All hedge transactions are performed centrally by the Group treasury, unless in specific cases other Group companies are authorised to conclude transactions outside the Group treasury. An internal control system designed around current requirements has been implemented to monitor and control risks linked to money market and foreign exchange trading. All Group treasury activities are subject to strict risk/processing control, the cornerstone of which is the functional separation of commerce, processing and accounting.

43.4. Liquidity risks

The liquidity risk is defined as the risk that liabilities cannot be paid upon maturity.

Managing the liquidity risk is based on a financial plan updated once a quarter, which originates at operational level. For all projects a designated commercial employee conducts individual and monthly planning for the current year and for the subsequent years. The operational component involves planning all cash-related financial issues such as due dates for financing, M&A and capital market transactions, interest and dividends; this is performed centrally at holding level with the person holding Group responsibility.

At year-end 2016 the Group had a high liquidity level of TEUR 476,430; this liquidity is used on the one hand for the seasonal peak liquidity demand from April to November (typical to the construction industry), as well as for settling loans due and loans which could be paid back earlier in order to optimise interest rate payments, and for corporate acquisitions. Should additional liquidity demand arise, this could provisionally be covered by drawing on existing lines of credit.

At 31 December 2016 the net cash position, defined as the balance from cash and cash equivalents, debt securities in current assets, bonds and current and non-current financial liabilities, amounted to TEUR 53,312 (previous year: TEUR 186,526).

Current financial liabilities, defined as the current portion of bonds and de facto current financial liabilities, amount to TEUR 43,993 (previous year: TEUR 94,899) and are covered by cash and cash equivalents and assets held for sale of TEUR 480,454 (previous year: TEUR 651,160).

Bonds and Schuldscheindarlehen worth TEUR 300,666 were part of non-current financial liabilities of TEUR 379,125.

At 31 December 2016 there was TEUR 204,734 (previous year: TEUR 211,947), available in bank lines for cash loans, which could be drawn on for immediate refinancing of current financial liabilities. With regard to the syndicated guaranteed credit line which was granted and used, see note 40.

43.4.1. Table of liquidity and interest rate risks

in EUR thousand	Average interest rate	Non-discounted payment flow			
		until March 2017	April to Dec 2017	2018 to 2021	from 2022
Bonds					
at fixed interest rates	4.99%	-	5,305	113,747	-
Schuldscheindarlehen					
at fixed interest rates	1.73%	-	1,300	73,810	5,191
at variable interest rates	1.55%	991	973	119,904	10,385
Deposits from banks					
at fixed interest rates	2.05%	88	285	15,567	2,701
at variable interest rates	1.24%	13,825	828	6,183	1,251
Lease obligations	2.59%	7,499	21,818	49,535	6,990
Trade payables	interest-free	699,834	19,467	34,981	-

in EUR thousand	Average interest rate	Non-discounted payment flow			
		until March 2016	April to Dec 2016	2017 to 2020	from 2021
Bonds					
at fixed interest rates	5.39%	-	58,430	119,052	-
Schuldscheindarlehen					
at fixed interest rates	1.93%	-	620	33,730	-
at variable interest rates	1.72%	1,392	1,333	166,119	-
Deposits from banks					
at fixed interest rates	2.12%	991	352	11,204	9,523
at variable interest rates	2.25%	22,564	1,768	9,523	1,661
Lease obligations	2.87%	7,517	17,408	66,238	9,892
Trade payables	interest-free	526,999	14,227	56,214	-

Payables to consortiums and other financial liabilities largely lead to cash outflows at the carrying amounts upon maturity.

43.5. Interest rate risk management

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's financial management. 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 67,000. 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 2016 the market value of the interest rate swaps had a fair value of TEUR -1,244.

An analysis of the floating interest rate position at 31 December 2016 amounting to around TEUR 71,889 showed the following sensitivities which would occur under the scenarios of an interest rate decrease of 0.01 PP and 0.02 PP. The extent of the interest rate decrease is based on the average volatility of the 3-month and 6-month EURIBOR in 2016. An interest rate bandwidth of 1 BPS therefore falls statistically within a probability band of 67% and the probability of an interest rate bandwidth of 2 BPS is respectively 99%. The simulated impact on interest rates is as follows:

in EUR thousand	lower payable interest for the year 2017	lower payable interest (p.a.) with straight-line extrapolation from 2018
at interest rate rise of 0.01PP	9	7
at interest rate rise of 0.02PP	18	15

43.6. Foreign currency risks

The foreign currency risk is treated within the PORR Group as transaction-oriented and results either from construction contracts or from financing in connection with such contracts. Group policy is to hedge the operational foreign currency risks completely. In accordance with the respective functional currency of the Group unit which is processing the order, we aim to conduct local orders in the corresponding national currencies. This happens in every instance in which the services to be rendered are locally generated. If this does not succeed, or if services must be provided in other currencies, the resulting risk is secured by hedging. With regard to derivative financial instruments, the Group financial management exclusively use forward contracts and first generation currency options (see note 43.8.).

As of 31 December 2016, currency risks, which primarily result from intragroup financing transactions, were subject to a simulation, in order to be able to estimate possible risks from changes to foreign exchange rates:

FX position in EUR thousand	Local currency	FX position in local currency in thousand	VAR ¹ in EUR thousand
-20,760	QAR	79,614	802
23,397	CZK	-632,216	501
6,581	CHF	-7,068	236
-13,037	RON	59,176	155
4,194	HUF	-1,299,330	129
-3,598	various	various currencies	239

¹ VAR = Value At Risk at a one-sided 99% confidence interval, this corresponds to a standard deviation of 2.33 over a time period of ten days. Correlations between currency pairs remain unconsidered.

The simulated maximum loss at a probability of 99% and over a time period of ten days is currently around TEUR 2,061.

43.7. Hedging currency risks

The PORR Group had concluded forward exchange contracts of TEUR 59,337 (previous year: TEUR 90,727) at 31 December 2016; of these, TEUR 49,112 were forward purchases and TEUR 10,224 were forward sales. Around TEUR 13,776 (previous year: TEUR 43,293) are used as hedges for project cash flows and the remainder of TEUR 45,561 (previous year: TEUR 47,434) for hedging intragroup financing.

At 31 December 2016 the market valuation of open forward exchange contracts resulted in a negative fair value of TEUR -440. In the fiscal year 2016 total expense of TEUR 1,106 which resulted from changes in the fair value of forward contracts was recognised in profit or loss.

The following table shows the predicted contractual due dates for payments from forward contracts as estimated on 31 December 2016, i.e. when payments from the underlying transactions are expected:

EUR forward purchases Due date	Cash flows in EUR thousand					Total
	GBP	CHF	NOK	RON	QAR	
Jan 2017		1,769	2,052	4,432		8,253
Feb 2017		23,832				23,832
Mar 2017						
Apr 2017			1,500	3,342		4,842
May 2017						
Jun 2017	615				11,216	11,831
Jul 2017						
Aug 2017						
Sept 2017						
Oct 2017						
Nov 2017						
Dec 2017	354					354

EUR forward purchases Due date	Cash flows in EUR thousand			Total
	CZK	PLN	NOK	
Jan 2017	124	1,660		1,784
Feb 2017	177	1,933		2,110
Mar 2017		1,153		1,153
Apr 2017	92	1,419	1,470	2,981
May 2017		568		568
Jun 2017		789		789
Jul 2017		74		74
Aug 2017		765		765

43.8. Derivative financial instruments

The following table shows the fair values of the different derivative instruments:

in EUR thousand	2016	2015
Assets		
Derivatives		
without hedges	23	668
Liabilities		
Derivatives		
without hedges	463	2
with hedges	1,244	1,075

43.9. Credit risks

The risk related to receivables from customers can be classified as marginal, owing to the broad dispersion and ongoing creditworthiness checks. 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 risk of default in the case of other original financial instruments stated under assets in the statement of financial position is also regarded as low because all contracting parties are financial institutions and other debtors with prime credit standing. The carrying amount of the financial assets represents the maximum risk of default. Where risks of default are recognised in relation to financial assets, account is taken of these risks by performing allowances for impairment. There are high levels of outstanding receivables which relate to infrastructure projects for state-affiliated companies in Austria and Germany. Except for these, there are no occurrences of concentration of risk arising from significant outstanding amounts from individual debtors.

At 31 December 2016 the maximum credit risk amounted to TEUR 1,597,801 (previous year: TEUR 1,607,969) and relates mainly to loans, other financial investments and securities, other financial assets, trade receivables and cash and cash equivalents.

44. Average staffing levels

	2016	2015
Salaried employees		
Domestic	3,023	2,827
Foreign	3,702	2,970
Waged workers		
Domestic	5,701	5,649
Foreign	2,902	2,432
Total staff	15,328	13,878
of which fully consolidated		
Salaried employees	6,392	5,716
Waged workers	8,228	7,870
Total fully consolidated	14,620	13,586

45. Related party disclosures

In addition to subsidiaries and companies accounted for under the equity method, related parties include the UBM Group, the companies of the IGO-Ortner Group, as they or their controlling entity hold shares together with the Strauss Group, over which one member of the PORR AG Executive Board has significant control, as well as the Kapsch Group, as one of the members of the PORR AG Executive Board holds a key position there while at the same time exercising joint influence over PORR AG. In addition to people and related companies who have control over PORR AG, related parties also include the members of the Executive and Supervisory Boards of PORR AG as well as their close family members.

Transactions between Group companies included in the consolidated financial statements were eliminated on consolidation and are not examined any further.

Receivables and liabilities to consortiums only show direct services charged.

Transactions between Group companies and companies accounted for under the equity method are disclosed in the following analysis.

in EUR thousand	Sales of goods and services		Purchases of goods and services		Receivables		Liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
Associates	12,500	8,607	25,910	31,282	8,553	7,899	1,677	4,651
Joint ventures	25,764	29,452	36,143	30,063	22,077	9,350	6,092	266
Consortiums	219,210	241,886	43,445	27,246	58,761	47,896	10,447	7,331

Transactions with members of the management in key positions and companies over which they have control were as follows:

in EUR thousand	Income		Expenses		Receivables		Liabilities	
	2016	2015	2016	2015	2016	2015	2016	2015
from trade payables and receivables								
UBM Group	111,154	86,672	7,870	2,767	5,425	3,916	189	1,578
IGO-Ortner Group	2,522	902	21,904	17,081	917	72	4,774	937
Strauss Group	13,693	513	629	593	1,282	15	15	5
Kapsch Group	123	212	14	2,347	1	15	-	461
Other	2	7	290	294	1,724	1,686	79	13
from financing								
UBM Group	4,770	8,002	-	-	95,900	121,968	60	90

For two companies, the UBM Group purchased 62.9% and 74.0% stakes respectively; owing to a shareholder agreement, the Group does not have control and so these companies have been recognised as joint ventures under the equity method. The purchase price of TEUR 12,268 was settled in cash. For four companies, 26% of the shares were purchased by the UBM Group, these companies have been recognised as joint ventures under the equity method. The purchase price of TEUR 340 was settled in cash.

Outstanding accounts receivable are not secured and are settled in cash. With the exception of guarantees taken on for companies accounted for under the equity method which totalled TEUR 119 (previous year: TEUR 988), and for which no fees are generally charged, no guarantees were given nor were any enforced. No allowances were made in respect of amounts owed by related companies or persons, nor were any bad debt losses booked during the year under review.

46. Events after the end of the reporting period and other information

As of the start of February 2017, a hybrid bond of TEUR 125,000 was issued with a coupon of 5.50%. The bond has an unlimited term, whereby PORR has the right to redeem the bond in full after a five-year period. Should the option for premature redemption not be exercised, the coupon will increase to the five-year swap rate plus 10.312%. The bond meets all of the stipulations pursuant to IFRS in order to be recognised in equity.

As of 13 February 2017 two tranches of TEUR 20,000 each and a tranche of TEUR 18,000, thereby totalling TEUR 58,000, which were part of the Schuldscheindarlehen issued in 2015 at variable interest rates, were prematurely recalled and then extended with longer terms. TEUR 18,000 was prematurely extended to February 2020, TEUR 30,000 to February 2022 and TEUR 10,000 to February 2024.

In relation to a real estate development for which PORR is the main tenant, the developer STRAUSS & PARTNER Development GmbH was granted advance financing of TEUR 45,000 with a term until the end of 2019. This represents a related party transaction.

With the purchase agreement dated 13 December 2016 and closing as of 17 January 2017, Franki Grundbau GmbH & Co. KG and its subsidiaries were acquired for a purchase price of TEUR 7,400.

With the purchase agreement dated 13 March 2017 and probable closing in the second quarter of 2017, Heijmans Oevermann GmbH and its subsidiaries were acquired.

The Executive Board of PORR AG approved the consolidated financial statements and handed them over to the Supervisory Board on 19 April 2017.

47. Fees paid to the Group's auditors

The following table shows the fees paid to the Group's auditors in the year under review:

in EUR thousand	BDO Austria GmbH	
	2016	2015
Auditing the financial statements	250	250
Other audit services	319	189
Other advisory services	78	67

48. Executive bodies

Members of the Executive Board:

Karl-Heinz Strauss, CEO
Christian B. Maier
J. Johannes Wenkenbach

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

Members delegated by the Works Council:

Peter Grandits

Walter Huber (until 5 December 2016)

Walter Jenny

Michael Kaincz

Michael Tomitz

The table below shows the remuneration paid to the managers in key positions, i.e. the members of the Executive Board and of the Supervisory Board of PORR AG broken down according to payment categories:

in EUR thousand	2016	2015
Executive Board remuneration		
Karl-Heinz Strauss	1,450	1,450
Christian B. Maier	1,040	1,032
J. Johannes Wenkenbach	1,040	1,035
Total	3,530	3,517
of which current benefits due	3,450	3,439
of which remuneration due on or after completion of the management contract	80	78
Supervisory Board remuneration		
Current benefits due	200	217

The remuneration of the Executive Board includes defined contribution plans amounting to TEUR 80 (previous year: TEUR 78).

19 April 2017, Vienna

The Executive Board

Karl-Heinz Strauss

Christian B. Maier

J. Johannes Wenkenbach

Shareholdings 2016

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
Subsidiaries									
"EAVG Enzersdorfer Abfallverwertungsgesellschaft m.b.H."	AT	Vienna	0.00000	100.00000	F	37.50000	100.00000	F	EUR
"PET" Deponieerrichtungs- und Betriebsgesellschaft m.b.H.	AT	Vienna				0.00000	100.00000	M	EUR
ABW Abbruch, Boden- und Wasserreinigungsgesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	36.21667	E	EUR
ACSA Advanced Contracting Solutions Austria GmbH	AT	Vienna				0.00000	100.00000	F	EUR
AG für Bauwesen Nfg. KG	AT	Vienna	0.00000	0.00000		0.00000	100.00000	F	EUR
Allgemeine Straßenbau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Altlastensanierung und Abraumdeponie Langes Feld Gesellschaft m.b.H.	AT	Vienna	0.00000	86.38750	F	0.00000	41.50000	E	EUR
AMF - Asphaltmischanlage Feistritz GmbH	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	M	0.00000	100.00000	M	EUR
AMF - Asphaltmischanlage Feistritz GmbH & Co KG	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	F	0.00000	100.00000	F	EUR
AMO Asphaltmischwerk Oberland GmbH	AT	Linz	0.00000	90.00000	M	0.00000	90.00000	M	EUR
AMO Asphaltmischwerk Oberland GmbH & Co KG	AT	Linz	0.00000	90.00000	F	0.00000	90.00000	F	EUR
Asphalt-Unternehmung Carl Günther Gesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Asphaltmischwerk Greinsfurth GmbH	AT	Amstetten	0.00000	66.66750	M	0.00000	66.66750	M	EUR
Asphaltmischwerk Greinsfurth GmbH & Co OG	AT	Amstetten	0.00000	66.66750	F	0.00000	66.66750	F	EUR
Bautech Labor GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Bosch Baugesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
bpp Bautechnik GmbH	AT	Pichl bei Wels	0.00000	100.00000	F				EUR
BPP Beteiligungs GmbH	AT	Holzhausen	0.00000	100.00000	F				EUR
Edos Beteiligungsverwaltungs GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Eisenschutzgesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
EPS Absberggasse 47 Projektmanagement GmbH	AT	Vienna	100.00000	100.00000	F	97.50000	100.00000	F	EUR
EPS LAA 43 GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	99.00000	F	EUR
Esikas Beteiligungsverwaltungs GmbH	AT	Vienna	100.00000	100.00000	M	100.00000	100.00000	M	EUR
Franz Böck's Nachf. Ing. Eva & Karl Schindler Gesellschaft m.b.H. & Co.Nfg.KG	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Gesellschaft für Bauwesen GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
GETINA Versicherungsvermittlung GmbH	AT	Vienna	0.00000	90.00000	F	0.00000	0.00000	M	EUR
GHS Umwelttechnik-GmbH	AT	Salzburg	0.00000	100.00000	F				EUR
Goidinger Bau GmbH	AT	Zams	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Grund- Pfahl- und Sonderbau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
IAT GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Ing. Otto Richter & Co Straßenmarkierungen GmbH	AT	Wienersdorf, pol. mun. Traiskirchen	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Ing. RADL-BAU GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Johann Koller Deponiebetriebsges.m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	0.00000	M	EUR
Joiser Hoch- und Tiefbau GmbH	AT	Vienna				100.00000	100.00000	M	EUR
KOLLER TRANSPORTE - KIES - ERDBAU GMBH	AT	Vienna	0.00000	100.00000	F	0.00000	0.00000	M	EUR
Kraft & Wärme Rohr- und Anlagentechnik GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
Kratochwill Schotter & Beton GmbH	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	F	0.00000	100.00000	F	EUR
LD Recycling GmbH	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Lieferasphaltgesellschaft JAUNTAL GmbH	AT	Klagenfurt	0.00000	71.99671	F	0.00000	71.99671	F	EUR
M.E.G. Mikrobiologische Erddekontamination GmbH	AT	Linz	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Nägele Hoch- und Tiefbau GmbH	AT	Röthis	0.00000	100.00000	F	0.00000	100.00000	F	EUR
O.M. Meissl & Co. Bau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
ÖBA - Österreichische Betondecken Ausbau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Panitzky Gesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PKM - Muldenzentrale GmbH	AT	Vienna	0.00000	96.45152	F	0.00000	0.00000	M	EUR
PORR AUSTRIARAIL GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORR Bau GmbH	AT	Vienna	0.00000	100.00000	F	100.00000	100.00000	F	EUR
PORR Bauindustrie GmbH	AT	Vienna	100.00000	100.00000	F			M	EUR
PORR Beteiligungen und Management GmbH	AT	Vienna	100.00000	100.00000	F	100.00000	100.00000	F	EUR
PORR Construction Holding GmbH	AT	Vienna	100.00000	100.00000	F	100.00000	100.00000	F	EUR
PORR Design & Engineering GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORR Equipment Services GmbH	AT	Vienna	100.00000	100.00000	F	100.00000	100.00000	F	EUR
PORR Financial Services GmbH	AT	Vienna	100.00000	100.00000	F	100.00000	100.00000	F	EUR
PORR Umwelttechnik GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORREAL GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Prajo & Co GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PRAJO HOLDING Beteiligungs- & Verwaltungsgesellschaft mbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PRAJO Transportunternehmer GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PRAJO-BÖHM Recycling GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	99.00000	F	EUR
PRONAT Steinbruch Preg GmbH	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	F	0.00000	99.99000	F	EUR
PWW Holding GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Sabelo Beteiligungsverwaltungs GmbH	AT	Vienna	100.00000	100.00000	M	100.00000	100.00000	M	EUR
Schatzl & Jungmayr Garten- und Landschaftsbau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Schotter- und Betonwerk Karl Schwarzl Betriebsgesellschaft m.b.H.	AT	Unterpremstätten, pol. mun. Premstätten	100.00000	100.00000	F	100.00000	100.00000	F	EUR
Schotterwerk GRADENBERG Gesellschaft m.b.H.	AT	Köflach	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Schwarzl Transport GmbH	AT	Unterpremstätten, pol. mun. Premstätten	0.00000	100.00000	F	0.00000	100.00000	F	EUR
STRAUSS Property Management GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Tancsos und Binder Gesellschaft m.b.H.	AT	Wolfsberg	0.00000	100.00000	F	0.00000	100.00000	F	EUR
TEERAG-ASDAG Aktiengesellschaft	AT	Vienna	0.00000	100.00000	F	47.51074	100.00000	F	EUR
TEERAG-ASDAG Bau GmbH	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
TEERAG-ASDAG Hochbau Burgenland GmbH	AT	Stegersbach	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Wibeba Hochbau GmbH & Co. Nfg. KG	AT	Vienna	100.00000	100.00000	F	100.00000	100.00000	F	EUR
Wiener Betriebs- und Baugesellschaft m.b.H.	AT	Vienna	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORR Bulgaria EOOD	BG	Sofia	0.00000	100.00000	F	0.00000	100.00000	F	BGN
Gunimperm-Bauveg SA	CH	Bellinzona	0.00000	100.00000	F	0.00000	100.00000	F	CHF

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
PORR Financial Services AG	CH	Altdorf	0.00000	100.00000	F	0.00000	100.00000	F	CHF
PORR SUISSE AG	CH	Altdorf	0.00000	100.00000	F	0.00000	100.00000	F	CHF
OBALOVNA PRÍBRAM, s.r.o.	CZ	Prague	0.00000	75.00000	F	0.00000	75.00000	F	CZK
PORR a.s.	CZ	Prague	0.00000	100.00000	F	0.00000	100.00000	F	CZK
Porr Equipment Services Česko s.r.o	CZ	Prague	0.00000	100.00000	F	0.00000	100.00000	F	CZK
PORREAL Česko, s.r.o.	CZ	Prague	0.00000	100.00000	F				CZK
Emil Mayr Hoch- und Tiefbau GmbH	DE	Ettringen/Wertach	0.00000	100.00000	F	0.00000	100.00000	F	EUR
FAB Beteiligungsgesellschaft mbH	DE	Berlin				0.00000	100.00000	M	EUR
IAT Deutschland GmbH	DE	Munich	0.00000	100.00000	F	0.00000	100.00000	F	EUR
ÖBA Betondecken Ausbau Deutschland GmbH	DE	Munich	0.00000	100.00000	F				EUR
Porr Beteiligungs-Aktiengesellschaft in Liqu.	DE	Munich				100.00000	100.00000	M	EUR
Porr Design & Engineering Deutschland GmbH	DE	Berlin	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Porr Deutschland GmbH	DE	Munich	0.00000	94.29860	F	0.00000	94.29860	F	EUR
Porr Equipment Services Deutschland GmbH	DE	Munich	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Porr Industriebau GmbH	DE	Passau	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORR MURNAU GmbH & Co. KG	DE	Munich	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Porr Umwelttechnik Deutschland GmbH	DE	Garching bei Munich	0.00000	100.00000	F				EUR
PORR Vermögensverwaltung MURNAU GmbH	DE	Munich	0.00000	100.00000	M	0.00000	100.00000	M	EUR
PORREAL Deutschland GmbH in Liqu.	DE	Berlin	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Radmer Kies GmbH & Co. KG	DE	Aschheim, Munich	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Radmer Kiesvertrieb Verwaltungs GmbH	DE	Aschheim, Munich	0.00000	100.00000	M	0.00000	100.00000	M	EUR
S & P Immobilien Deutschland GmbH	DE	Munich				0.00000	100.00000	F	EUR
STRAUSS & CO. Development GmbH	DE	Berlin	0.00000	94.00000	F	0.00000	94.00000	F	EUR
Stump Spezialtiefbau GmbH	DE	Berlin	0.00000	100.00000	F	0.00000	100.00000	F	EUR
TEERAG-ASDAG Deutschland GmbH	DE	Saaldorf-Surheim	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Thorn Abwassertechnik GmbH	DE	Munich	0.00000	100.00000	F	0.00000	100.00000	F	EUR
TKDZ GmbH	DE	Wellen	0.00000	100.00000	F	0.00000	100.00000	F	EUR
Wellener Immobiliengesellschaft mbH	DE	Wellen	0.00000	100.00000	F	0.00000	100.00000	F	EUR
IAT UK Waterproofing Systems limited	GB	London	0.00000	100.00000	F	0.00000	100.00000	F	GBP
PORR SLOVAKIA LTD.	GB	London	0.00000	100.00000	F				GBP
PORR UK Ltd.	GB	London	0.00000	100.00000	F	0.00000	100.00000	F	GBP
BAUVEG-WINKLER društvo s ograničenom odgovornošću za projektiranje, izgradnju i nadzor	HR	Zagreb	0.00000	100.00000	M	0.00000	100.00000	M	HRK
FMA Gebäudemanagement društvo s ograničenom odgovornošću za upravljanje zgradama u likvidaciji	HR	Samobor				0.00000	100.00000	M	HRK
GRUNDBAU d.o.o.	HR	Zagreb	0.00000	100.00000	F	0.00000	100.00000	F	HRK
Schwarzl društvo s ograničenom odgovornošću za obradu betona i sljunksa	HR	Glina	0.00000	100.00000	F	0.00000	100.00000	F	HRK
Vile Jordanovac društvo s ograničenom odgovornošću za usluge i graditeljstvo	HR	Zagreb				0.00000	100.00000	F	HRK
DBK-Földgép Építési Korlátolt Felelősségű Társaság	HU	Budapest				0.00000	100.00000	F	HUF
PORR Építési Kft.	HU	Budapest	0.00000	100.00000	F	0.00000	100.00000	F	HUF
PORREAL Ingatlankezelési Korlátolt Felelősségű Társaság	HU	Budapest	0.00000	100.00000	F	0.00000	100.00000	F	HUF
Teerag-Aszfalt Építőipari és Kereskedelmi Korlátolt Felelősségű Társaság v.a.	HU	Budapest	0.00000	100.00000	F	0.00000	100.00000	F	HUF
IAT Impermeabilizzazioni Srl	IT	Bolzano	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORR GRADEZNISTVO DOOEL Skopje	MK	Skopje	0.00000	100.00000	F	0.00000	100.00000	F	MKD
PORR Construction B.V.	NL	Amsterdam				0.00000	100.00000	F	EUR

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
Loftesnesbrui PORR-AURSTAD ANS	NO	Oslo	0.00000	64.95000	F			F	NOK
PNC Norge AS	NO	Oslo	0.00000	100.00000	F	0.00000	100.00000	F	NOK
Porr Construction LLC	OM	Muscat	0.00000	100.00000	F	0.00000	100.00000	F	OMR
"Stal-Service" Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	80.00000	F	0.00000	80.00000	F	PLN
PORR Polska Construction Spółka Akcyjna	PL	Warsaw	0.00000	100.00000	F	0.00000	100.00000	F	PLN
PORR Polska Infrastructure Spółka Akcyjna	PL	Warsaw	0.00000	100.00000	F	0.00000	100.00000	F	PLN
PORREAL Polska Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	100.00000	F				PLN
Stump-Hydrobudowa Spółka z ograniczona odpowiedzialnoscia	PL	Nowy Dwór Mazowiecki	0.00000	100.00000	F	0.00000	100.00000	F	PLN
RADMER BAU PORTUGAL - CONSTRUCOES, LIMITADA	PT	Lisbon	0.00000	99.00000	M	0.00000	99.00000	M	EUR
PORR Qatar Construction WLL	QA	Doha	0.00000	49.00000	F	0.00000	49.00000	F	QAR
Porr Construct S.R.L.	RO	Bucharest	0.00000	100.00000	F	0.00000	100.00000	F	RON
PORREAL Imobile S.R.L.	RO	Bucharest				0.00000	100.00000	F	RON
SC Schwarzl Beton SRL	RO	Bucharest	0.00000	92.00000	M	0.00000	92.00000	M	RON
"PORR - WERNER & WEBER - PROKUPLJE" doo, Prokuplje	RS	Prokuplje	0.00000	80.00000	F	0.00000	80.00000	F	RSD
DRUSTVO SA OGRANICENOM ODGOVORNOSCU "PORR-WERNER & WEBER-LESKOVAC", Leskovac	RS	Leskovac	0.00000	70.00000	F	0.00000	70.00000	F	RSD
Društvo sa ograničenom odgovornošću PORR WERNER&WEBER-JAGODINA, Jagodina	RS	Jagodina	0.00000	80.00000	F	0.00000	80.00000	F	RSD
Gradevinsko preduzece Porr d.o.o.	RS	Belgrade	0.00000	100.00000	F	0.00000	100.00000	F	RSD
PWW d.o.o. Nis	RS	Nis	0.00000	100.00000	F	0.00000	100.00000	F	RSD
PWW Deponija d.o.o. Jagodina	RS	Jagodina	0.00000	100.00000	F	0.00000	100.00000	F	RSD
PWW Deponija Dva d.o.o. Leskovac	RS	Leskovac	0.00000	100.00000	F	0.00000	100.00000	F	RSD
TRACK EXPERTS D.O.O. BEOGRAD, MILUTINA MILANKOVICA 11A	RS	Belgrade	0.00000	74.00000	F	0.00000	74.00000	F	RSD
PNC Sverige AB	SE	Stockholm	0.00000	100.00000	F				SEK
PORR gradbenistvo, trgovina in druge storitve d.o.o. v likvidaciji	SI	Ljubljana	100.00000	100.00000	M	100.00000	100.00000	M	EUR
PORR s.r.o.	SK	Bratislava	0.00000	100.00000	F	0.00000	100.00000	F	EUR
PORREAL Slovakia s.r.o. "v likvidácii"	SK	Bratislava	0.00000	88.70482	M	0.00000	100.00000	M	EUR
PORR INSAAT SANAYI VE TICARET LIMITED SIRKETI	TR	Ankara	0.00000	100.00000	F	0.00000	100.00000	F	TRY
Tovarystvo z obmezenoyu vidpovidalnistyu "Porr Ukraina"	UA	Kiev	0.00000	100.00000	F	0.00000	99.97778	F	UAH
Associated companies									
ABO Asphalt-Bau Oeynhausen GmbH.	AT	Oeynhausen, pol. mun. Traiskirchen	0.00000	22.50000	E	0.00000	22.50000	E	EUR
ALU-SOMMER GmbH	AT	Stoob	0.00000	49.49857	E	0.00000	49.49857	E	EUR
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H & Co KG	AT	Zistersdorf	0.00000	20.00000	M	0.00000	20.00000	M	EUR
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H.	AT	Zistersdorf-Mautstrenk, pol. mun. Zistersdorf	0.00000	20.00000	M	0.00000	20.00000	M	EUR
AMG - Asphaltmischwerk Gunskirchen Gesellschaft m.b.H.	AT	Linz	0.00000	33.33333	M	0.00000	33.33333	M	EUR
ASA - Projektentwicklung - GmbH	AT	Vienna	0.00000	47.44822	E				EUR
ASF Frästechnik GmbH & Co KG	AT	Kematen	0.00000	40.00000	E	0.00000	40.00000	E	EUR
Asphaltmischwerk Betriebsgesellschaft m.b.H. & Co KG	AT	Rauchenwarth	0.00000	40.00000	E	0.00000	40.00000	E	EUR
AWB Asphaltmischwerk Weißbach Betriebs-GmbH	AT	Vienna	0.00000	45.00000	M	0.00000	45.00000	M	EUR

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
CCG Immobilien GmbH	AT	Werndorf	0.00000	25.00000	E	0.00000	25.00000	E	EUR
FMA Asphaltwerk GmbH & Co KG	AT	Feldbach	0.00000	35.00000	E	0.00000	35.00000	E	EUR
Hotel Bad Mitterndorf Errichtungs- und Verwertungs GmbH & Co KG	AT	Bad Mitterndorf	0.00000	24.00000	E	0.00000	24.00000	E	EUR
Hotel Bad Mitterndorf Errichtungs- und Verwertungs GmbH in Liqu.	AT	Bad Mitterndorf	0.00000	24.00000	M	0.00000	24.00000	M	EUR
KAB Straßensanierung GmbH & Co KG	AT	Spittal an der Drau	0.00000	19.98800	M	0.00000	19.98800	M	EUR
Lavanttaler Bauschutt - Recycling GmbH	AT	Wolfsberg	0.00000	49.99999	E	0.00000	49.99999	E	EUR
MSO Mischanlagen GmbH Ilz & Co KG	AT	Ilz	0.00000	47.19200	E	0.00000	47.19200	E	EUR
MSO Mischanlagen GmbH Pinkafeld & Co KG	AT	Pinkafeld	0.00000	47.33333	E	0.00000	47.33333	E	EUR
PM2 Bauräger GesmbH	AT	Klagenfurt	0.00000	24.75000	M	0.00000	24.75000	M	EUR
RFM Asphaltmischwerk GmbH & Co KG	AT	Wienersdorf-Oeynhausen, pol. mun. Traiskirchen	0.00000	46.00000	E	0.00000	46.00000	E	EUR
RFM Asphaltmischwerk GmbH.	AT	Wienersdorf-Oeynhausen, pol. mun. Traiskirchen	0.00000	46.00000	M	0.00000	46.00000	M	EUR
Sava Most Gradevinsko Preduzece OG	AT	Vienna	0.00000	27.93000	M	0.00000	27.93000	M	EUR
TB Betonwerk Zams GmbH	AT	Zams	0.00000	24.00000	E	0.00000	24.00000	E	EUR
Obalovna Boskovice, s.r.o.	CZ	Boskovice	0.00000	45.00000	E	0.00000	45.00000	E	CZK
Alexander Parkside GmbH & Co. KG	DE	Berlin	0.00000	50.00000	E	0.00000	50.00000	E	EUR
TMG Tiefbaumaterial GmbH	DE	Emmering, Fürstenfeldbruck				0.00000	33.33333	M	EUR
ASDAG Kavicsbánya és Építő Korlátolt Felelősségű Társaság	HU	Janossomorja	0.00000	34.88000	E	0.00000	34.88000	E	HUF
BPV-Metro 4 Építési Közkereseti Társaság	HU	Budapest	49.95000	49.95000	M	49.95000	49.95000	M	HUF
BPV-METRO 4 NeKe Építési Közkereseti Társaság	HU	Budapest	49.95000	49.95000	M	49.95000	49.95000	M	HUF
Advanced Utility Construction and Contracting LLC	QA	Doha	0.00000	40.00000	E	0.00000	40.00000	E	QAR
Joint Venture Al Wakrah Stadium & Precinct Main Works and Masterplan (SC-14-G-171)	QA	Doha	0.00000	33.33333	E				QAR
Joint ventures									
"hospitals" Projektentwicklungsges.m.b.H.	AT	Vienna	0.00000	62.90000	E				EUR
AMG - Asphaltmischwerk Gunskirchen Gesellschaft m.b.H. & Co. KG	AT	Linz	0.00000	33.33333	E	0.00000	33.33333	E	EUR
AMW Asphalt-Mischwerk GmbH	AT	Sulz	0.00000	50.00000	M	0.00000	50.00000	M	EUR
AMW Asphalt-Mischwerk GmbH & Co KG	AT	Sulz	0.00000	50.00000	E	0.00000	50.00000	E	EUR
AMW Leopoldau GmbH & Co OG	AT	Vienna	0.00000	33.34000	E	0.00000	50.00000	E	EUR
ARIWA Abwasserreinigung im Waldviertel GmbH	AT	Vienna	0.00000	50.00000	E	0.00000	50.00000	E	EUR
ASB Nörsach GmbH	AT	Linz	0.00000	50.00000	E	0.00000	50.00000	E	EUR
ASF Frästechnik GmbH	AT	Kematen	0.00000	40.00000	M	0.00000	40.00000	M	EUR
Asphaltmischwerk Betriebsgesellschaft m.b.H.	AT	Rauchenwarth	0.00000	40.00000	M	0.00000	40.00000	M	EUR
Asphaltmischwerk Roppen GmbH	AT	Roppen	0.00000	30.00000	M	0.00000	30.00000	M	EUR
Asphaltmischwerk Roppen GmbH & Co KG	AT	Roppen	0.00000	30.00000	E	0.00000	30.00000	E	EUR
Asphaltmischwerk Weißbach GmbH & Co. Nfg.KG	AT	Weißbach bei Lofer	0.00000	45.00000	E	0.00000	45.00000	E	EUR
ASTRA - BAU Gesellschaft m.b.H. Nfg. OG	AT	Bergheim	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Betonexpress FH Vertriebs-GMBH	AT	Bad Gleichenberg	0.00000	20.00000	M	0.00000	20.00000	M	EUR
Errichtungsgesellschaft Marchfeldkogel mbH	AT	Groß-Enzersdorf	0.00000	60.93000	E	0.00000	32.06000	E	EUR
FMA Asphaltwerk GmbH	AT	Feldbach	0.00000	35.00000	M	0.00000	35.00000	M	EUR
Gaspix Beteiligungsverwaltungs GmbH	AT	Zirl	31.57894	31.57894	M	31.57894	31.57894	M	EUR

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
Grazer Transportbeton GmbH	AT	Gratkorn	0.00000	50.00000	E	0.00000	50.00000	E	EUR
„hospitals“ Projektentwicklungsges.m.b.H.	AT	Graz	0.00000	74.00000	E				EUR
INTERGEO Umweltmanagement GmbH	AT	Salzburg	0.00000	50.00000	E	0.00000	50.00000	E	EUR
IP Real Estate Amraser Straße GmbH	AT	Innsbruck	0.00000	50.00000	E				EUR
Lieferasphalt Gesellschaft m.b.H.	AT	Vienna	0.00000	50.00000	M	0.00000	50.00000	M	EUR
Lieferasphalt Gesellschaft m.b.H. & Co OG, Viecht	AT	Viecht, pol. mun. Desselbrunn	0.00000	33.50000	E	0.00000	33.50000	E	EUR
Lieferasphalt Gesellschaft m.b.H. & Co. OG	AT	Maria Gail, pol. mun. Villach	0.00000	40.00000	E	0.00000	40.00000	E	EUR
Lieferasphalt Gesellschaft m.b.H. & Co. OG, Zirl	AT	Vienna	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Linzer Schlackenaufbereitungs- und vertriebsgesellschaft m.b.H.	AT	Linz	0.00000	33.33333	E	0.00000	33.33333	E	EUR
LISAG Linzer Splitt- und Asphaltwerk GmbH.	AT	Linz	0.00000	50.00000	M	0.00000	50.00000	M	EUR
LISAG Linzer Splitt- und Asphaltwerk GmbH. & Co KG	AT	Linz	0.00000	50.00000	E	0.00000	50.00000	E	EUR
MSO Mischanlagen GmbH	AT	Ilz	0.00000	66.66667	M	0.00000	66.66667	M	EUR
RBA - Recycling- und Betonanlagen Ges.m.b.H. & Co. Nfg. KG	AT	Zirl	31.57895	31.57895	E	31.57895	31.57895	E	EUR
Salzburger Lieferasphalt GmbH & Co OG	AT	Sulzau, pol. mun. Werfen	0.00000	40.00000	E	0.00000	40.00000	E	EUR
Salzburger Reststoffverwertung GmbH	AT	Salzburg	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Stöckl Schotter- und Splitterzeugung GmbH	AT	Weißbach bei Lofer	0.00000	40.00001	E	0.00000	40.00001	E	EUR
TAL Betonchemie Handel GmbH	AT	Vienna	0.00000	50.00000	E	0.00000	50.00000	E	EUR
TAM Traisental Asphaltmischwerk Ges.m.b.H.	AT	Nußdorf ob der Traisen	0.00000	33.33333	M	0.00000	33.33333	M	EUR
TAM Traisental Asphaltmischwerk Ges.m.b.H. & Co KG	AT	Nußdorf ob der Traisen	0.00000	33.33333	E	0.00000	33.33333	E	EUR
Tauernkies GmbH	AT	Salzburg	0.00000	50.00000	E	0.00000	50.00000	E	EUR
TBT Transportbeton Tillmitsch GmbH	AT	Tillmitsch	0.00000	50.00000	M	0.00000	50.00000	M	EUR
TBT Transportbeton Tillmitsch GmbH & Co KG	AT	Tillmitsch	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Vereinigte Asphaltmischwerke Gesellschaft m.b.H.	AT	Spittal an der Drau	0.00000	50.00000	M	0.00000	50.00000	M	EUR
Vereinigte Asphaltmischwerke Gesellschaft m.b.H. & Co KG	AT	Spittal an der Drau	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Weyerhof Steinbruch GmbH	AT	Murau	0.00000	50.00000	M	0.00000	50.00000	M	EUR
Weyerhof Steinbruch GmbH & Co KG	AT	Murau	0.00000	50.00000	E	0.00000	50.00000	E	EUR
WPS Rohstoff GmbH	AT	Klagenfurt am Wörthersee	0.00000	49.00000	E	0.00000	49.00000	E	EUR
Obalovna Stredokluky s.r.o.	CZ	Prague	0.00000	50.00000	E				CZK
Obalovna Tábor s.r.o.	CZ	Ceské Budejovice	0.00000	50.00000	E				CZK
Obalovna Tyniste s.r.o.	CZ	Ceské Budejovice	0.00000	33.33333	E				CZK
Porr & Swietelsky stavebni, v. o. s. v likvidaci	CZ	Prague	0.00000	50.00000	E	0.00000	50.00000	E	CZK
Spolecne obalovny, s.r.o.	CZ	Prague	0.00000	50.00000	E	0.00000	50.00000	E	CZK
Alexander Parkside Verwaltungs GmbH	DE	Berlin	0.00000	50.00000	M	0.00000	50.00000	M	EUR
Frankenstraße 18-20 GmbH & Co. KG	DE	Hamburg	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Olympia Gate Munich Verwaltungs GmbH	DE	Grünwald	0.00000	50.00000	E	0.00000	50.00000	E	EUR
Radmer Bau Kieswerke GmbH	DE	Leipzig	0.00000	50.00000	M	0.00000	50.00000	M	EUR
Radmer Bau Kieswerke GmbH & Co. Sand und Kies KG	DE	Leipzig	0.00000	50.00000	E	0.00000	50.00000	E	EUR
NeKe METRO 4 Építési Közkereseti Társaság	HU	Budapest				0.00000	50.00000	M	HUF
M6 Dunaújváros-Szekszárd Építési Közkereseti Társaság	HU	Budapest	0.00000	50.00000	E	0.00000	50.00000	E	HUF

Company	Country code	Domicile	PORR AG share %	PORR Group share %	Type of consolidation	PORR AG share previous year %	PORR Group share previous year %	Type of consolidation previous year	Currency
M6 D-S MME Közkereseti Társaság	HU	Budapest				0.00000	50.00000	E	HUF
M6-Autópálya Építési Kkt.	HU	Budapest	0.00000	33.33330	M	0.00000	33.33330	M	HUF
JOINT VENTURE HARPE BRU ANS	NO	Larvik	0.00000	65.00000	E				NOK
JOINT VENTURE FARRIS BRU ANS	NO	Larvik	0.00000	65.00000	E				NOK
"Modzelewski & Rodek" Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	50.00000	E	0.00000	50.00000	E	PLN
Berlin Office Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	26.00000	E				PLN
Poleczki Amsterdam Office Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	26.00000	E				PLN
Poleczki Vienna Office Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	26.00000	E				PLN
Warsaw Office Spółka z ograniczona odpowiedzialnoscia	PL	Warsaw	0.00000	26.00000	E				PLN
EQCC PORR W.L.L.	QA	Doha	0.00000	49.00000	E	0.00000	49.00000	E	QAR
SEVER-JUG AUTOPUT DRUSTVO SA OGRANICENOM ODGOVORNOSCU ZA IZGRADNJU, KORISCENJE I ODRZAVANJE AUTOPUTA u likvidaciji	RS	Belgrade	0.00000	50.00000	M	0.00000	50.00000	M	RSD
D4R7 Construction s.r.o.	SK	Bratislava	0.00000	35.00000	E				EUR
Other equity interests									
Grimming Therme GmbH	AT	Bad Mitterndorf	0.00000	17.00000	M	0.00000	17.00000	M	EUR
Jandl Baugesellschaft m.b.H.	AT	Unterpremstätten, pol. mun. Premstätten				0.00000	0.92585	M	EUR
KAB Straßensanierung GmbH	AT	Spittal an der Drau	0.00000	19.98800	M	0.00000	19.98800	M	EUR
PPP Campus Bednar Park Errichtungs- und Betriebs GmbH	AT	Vienna	0.00000	1.00000	M				EUR
Pumpspeicherkraftwerk Koralm GmbH	AT	Garanas, pol. mun. Schwanberg	0.00000	1.00000	M	0.00000	1.00000	M	EUR
Senuin Beteiligungsverwaltungs GmbH	AT	Vienna	0.00000	1.00000	M				EUR
WMW Weinviertler Mischwerk Gesellschaft m.b.H.	AT	Zistersdorf	0.00000	16.66667	M	0.00000	16.66667	M	EUR
WMW Weinviertler Mischwerk Gesellschaft m.b.H. & Co KG	AT	Zistersdorf	0.00000	16.66667	M	0.00000	16.66667	M	EUR
Vystavba hotelu PRAHA - ZVONARKA, spol. s.r.o.	CZ	Prague	0.00000	11.11111	M	0.00000	11.11111	M	CZK
Arena Boulevard GmbH & Co. KG	DE	Berlin	0.00000	6.00000	M	0.00000	6.00000	M	EUR
Forum am Bahnhof Quickborn GmbH & Co. KG	DE	Hamburg	0.00000	6.00000	M	0.00000	6.00000	M	EUR
German Hotel Invest I GmbH & Co. KG	DE	Grünwald, Munich	0.00000	3.00000	M	0.00000	3.00000	M	EUR
German Hotel Verwaltungs GmbH	DE	Grünwald	0.00000	3.00000	M	0.00000	3.00000	M	EUR
Münchner Grund Immobilien Bauträger GmbH	DE	Munich	0.00000	6.00000	M	0.00000	6.00000	M	EUR
SONUS City GmbH & Co. KG	DE	Berlin	0.00000	6.00000	M	0.00000	6.00000	M	EUR
Zero Bypass (Holdings) Limited	GB	London	10.00000	10.00000	M				GBP
Zero Bypass Limited	GB	London				10.00000	10.00000	M	GBP
AQUASYSTEMS gospodarjenje z vodami d.o.o.	SI	Marburg	0.00000	10.00033	M	0.00000	10.00033	M	EUR

Key:

F = Fully consolidated company

E = Company consolidated under the equity method

M = Companies of minor significance

Auditor's Report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of PORR AG, Vienna, and of its subsidiaries (the Group) comprising the consolidated balance sheet as of 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated 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 Group as of 31 December 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. 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 in accordance with any other regulations or requirements agreed 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 consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The matters subsequently stated comprise the key audit matters from our perspective:

1. Accounting for construction contracts
2. Accounting for consortiums

1. Accounting for construction contracts

Situation and reference to further information

A large part of revenue and profits of the PORR group result from construction contracts. In 2016 this accounted for approximately 93% of revenue.

Construction contracts are generally recognised according to the percentage of completion method (POC-method). Revenue and proportional profits are recorded on the basis of the stage of completion. If it is probable that total contract costs exceed the corresponding contract revenues an onerous contract provision is recorded for the expected total loss. Warranty obligations exist in relation to completed construction projects handed over to the client. For certain construction contracts PORR and its customers and/or suppliers have different views regarding contractual claims and/or obligations of the PORR group. These differences are solved in negotiations with the contract partners, as well as in legal and extrajudicial (arbitration) proceedings. Claims are recognised if it is likely that they will be accepted by the customer or can be enforced and when they can be reliably assessed. Provisions for buildings are recognised for warranty claims, impending and claimed penalties and damages.

The assessment of construction contracts until completion depends to a large extent on assumptions and expectations about future developments and completion of the projects and the outcome of negotiations and procedures with contract parties and is therefore, to a large extent, dependent on estimates. This is particularly the case with regard to the accounting for claims, the amount of the estimated total contract costs and corresponding profits as well as the amount of the contract revenues which have to be recognised in accordance with the POC-method and the estimated expenses and obligations for penalties, damages and warranties.

The risk for the consolidated statements consists of the uncertainty of the accounting for construction contracts and the related items in the consolidated statement of financial position and the consolidated income statement due to necessary assumptions and estimates and the misrepresentation of these items.

Audit response

In the course of our audit, we have gained an understanding of the processes relevant to the accounting of construction contracts and tested the effectiveness of selected internal controls. These controls mainly addressed the technical, legal and commercial review and approval of new contracts as well as the calculation and recognition process of contract revenue and contract cost. We also tested internal controls which relate to the internal monitoring and assessment of ongoing projects and calculations up to the completion after the end of the warranty period.

On the basis of the results of these control tests, we have drawn a sample of construction contracts for a more in-depth analysis. With focus on high estimation uncertainties and error risks, we have selected our sample considering various relevant parameters, e.g. margin and profit development, contract value, carrying amount, asserted and capitalized claims, disputed claims and internal reporting of risk management.

The audit procedures performed on the selected sample consisted primarily of:

- Analytical procedures, comparing the actual results to the estimates/forecasts made in the past.
- Reconciliation of the key assumptions and estimates with contracts, budgets and comparable construction contracts.
- Critical analysis and discussions of key project assumptions with the responsible commercial and operational project managers.
- Critical assessment of internal and external technical, legal and commercial opinions.
- Review of the correspondence and minutes concerning discussions and negotiations with contract partners.
- Obtaining and critically assessing opinions on legal and extrajudicial (arbitration) proceedings.
- Testing of the financial entries and computational accuracy of the contract costs, results and carrying amounts related to the selected construction contracts.

Reference to further information:

Information on accounting and measurement methods for construction contracts can be found in chapter 5 (Accounting and measurement methods) of the notes to the consolidated financial statements. Chapter 6 (Key assumptions and key sources of estimation uncertainty) contains information on substantial estimation uncertainty. Chapter 7 (Revenues) shows the share of revenues from construction contracts of total sales. The Trade receivables section (24) contains information on the carrying amounts of construction contracts, related contract profits and the prepayments received, which have been measured in accordance with the POC method. Construction contracts which form a liability are shown in disclosure note: Other liabilities (39.). Chapter 33 (Provisions) provides details on the composition and development of provisions for buildings.

2. Accounting for consortiums

Situation and reference to further information

Large-scale infrastructure projects are often carried out in consortiums.

The majority of these consortiums are classified as joint ventures on the basis of standard contracts pursuant to IFRS 11 and are accounted for using the equity method. The group's share of profit or loss of these consortiums are reported under the 'Share of profit/loss of companies accounted for under the equity method'. Revenue resulting from services provided to consortiums is presented under contract revenues. In 2016 services provided to consortiums amounted to approx. EUR 219m, the 'Share of profit/loss of companies accounted for under the equity method' include proportional profits from consortiums of approx. EUR 34m.

In general consortiums are separate vehicles with an independent financial administration and organizational structure. The accounting for the consortium is partly performed by the PORR Group and partly by another partner. The profit determination within the consortium is carried out in accordance with the stipulations of the consortium/joint venture agreement and in order for these profits to be included in the PORR consolidated financial statements, they have to be adjusted to IFRS regulations, in particular IAS 11 for construction contracts.

The accounting of the profit and loss shares and the resulting receivables and liabilities against consortiums is therefore not only dependent on the accounting for the construction contracts and the associated uncertainties and risks, but also on the monitoring, adjusting and transferring of the consortium accounts to the IFRS consolidated financial statements of PORR.

Apart from the uncertainties arising from necessary estimations for the construction contracts (refer to point 1. Accounting for construction contracts), the risk for the consolidated financial statements consists of errors resulting from transferring or adjusting the profits of the consortium.

Audit response

In the course of our audit, we have gained an understanding of the processes related to the accounting of consortiums and tested the effectiveness of selected internal controls. These controls mainly concerned the acceptance of construction contracts, conclusion of consortium agreements, involvement into the accounting of the consortiums and the monitoring and systematic recording and adjustment of the accounts of the consortiums into the PORR Group.

On the basis of the results of these control tests, we have drawn a sample from the construction contracts handled by the consortiums and the related at-equity results, receivables and payables for a more in-depth analysis. With focus on high estimation uncertainties and error risks, we have selected our sample considering various relevant parameters such as margin and profit development, contract value, asserted and capitalized claims, disputed claims and the amount of advance profits. In addition, the knowledge and experience gained from the monitoring and cooperation with various partners was taken into account.

For the selected sample, similar audit procedures were carried out to those for the testing of construction contracts (refer to point 1). In addition, our audit procedures relating to consortiums accounted for using the equity method included:

- Critical assessment of profit statements provided by consortium partners.
- Analysis and discussion of alternative project assessments and adjustment requirements with the responsible project managers.
- Reconciliation of the consortium partner accounts to the accounting of the consortium.
- Review of the correspondence and minutes of meetings with consortium partners.
- Testing of the IFRS adjustments to the results transferred from the consortiums.

Reference to further information:

Information on the accounting and measurement methods of the consortiums can be found in chapter 5 (Accounting and measurement methods) of the notes to the consolidated financial statements. Chapter 20. (Shares in companies accounted for under the equity method) provides information on the revenues, results, assets and liabilities of significant consortiums, as well as the earnings from non-essential consortiums. In section 24. (Trade receivables), receivables are shown and liabilities against consortiums are disclosed in chapter 37. (Trade payables). Section 45 (Related Party Transactions) provides an overview of the transactions and the resulting balances with consortiums.

RESPONSIBILITIES OF MANAGEMENT AND OF THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian 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 consolidated 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 consolidated 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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 Supervisory Board 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 Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated 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 GROUP

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

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

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

Opinion

In our opinion, the management report for the group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements.

Statement

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

OTHER INFORMATIONS

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

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

Vienna, 19 April 2017

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the company and management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Vienna, April 2017



Karl-Heinz Strauss
Chief Executive Officer



Christian B. Maier
Executive Board Member



J. Johannes Wenkenbach
Executive Board Member

Appropriation of Earnings

The consolidated financial statements as of 31 December 2016 report net retained profits of EUR 32,153,802.42 for the business year 2016.

The Executive Board thereby proposes the following appropriation of retained profits reported in the consolidated financial statements as of 31 December 2016:

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.

Vienna, April 2017

The Executive Board

Karl-Heinz Strauss, m.p.

Christian B. Maier, m.p.

J. Johannes Wenkenbach, m.p.

Glossary

The Construction Industry

Building production (building production value) is the production value of construction sites emanating purely from construction activity (own work, raw materials and third party services chargeable to clients).

Business Unit (BU) denotes a PORR operating segment.

CEE/SEE is used to denote all the countries in Central and Eastern Europe and those in South Eastern Europe.

Civil engineering is the field of construction engineering that is concerned with the planning and building of structures that are located on or below the earth's surface.

DACH region is used to denote Germany, Austria and Switzerland.

DBFO model (design, build, finance, operate) includes the planning, construction, operation and financing of the project by private companies for a specific time period, after the end of which the project building becomes public property.

Facility management is the sum total of all the services provided with a view to the management of buildings and land on the basis of a unified strategy.

Full service provider is a company that covers the entire value creation chain by offering all services from one source.

General contractor (GC) provides all construction services needed to erect a building and is allowed to subcontract out complete or partial services to other companies.

Logistics is the integrated planning, organisation, management, completion and monitoring of the whole of the flow of materials and goods as well as the related flows of information.

Miscellaneous building construction covers the areas of education, hotel, healthcare and other building construction.

PORR Group refers to PORR AG and all its subsidiaries.

Project development is the designing and completion of projects that are normally on a relatively large scale.

The Financial World

Associated company is a company that is not majority-owned and over which significant but not controlling influence is exerted.

ATX (Austrian Traded Index) is the key index of the Vienna Stock Exchange.

Cash flow is a financial measure that shows the unaltered surplus payments received within a given period of time and which thus constitutes an indicator of the company's solvency.

Cash flow from operating activities is the cash flow that results from the company's principal activities that have an effect on revenue, and from other activities that are not classed as investing or financing activities.

Corporate Bond is a bond that is issued by a given company.

DAX (German Share Index) is the key index of the Frankfurt Stock Exchange.

EBIT (Earnings Before Interest and Taxes) corresponds to the operating performance.

EBIT margin is the EBIT in relation to sales revenue.

EBITDA is Earnings Before Interest and Taxes and Depreciation and Amortisation.

EBT (Earnings Before Taxes) designates the pre-tax profit or loss.

Equity method is a method for valuing shares in companies and it is applied to companies over which significant influence can be exerted, but which, fundamentally, do not have to be included within the group of companies that must be fully consolidated.

Equity ratio is the share of equity in the total capital employed.

ICR (Issuer Compliance Regulations) is a set of regulations designed to prevent abuse of insider information.

IFRS (International Financial Reporting Standards) are international accounting standards.

Market capitalisation is the total market value of a company, resulting from the share price times the number of shares issued.

Order backlog is the total of all orders or contracts which have not been executed by the key date in question.

Risk management is the systematic identification, measuring and controlling of risks. These risks can be general business risks or specific financial risks.

Swap is a derivative in which two counterparties agree to exchange one stream of cash flow against another stream. The agreement defines how the payments will be calculated and when they will be paid.

Acknowledgements

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The consolidated financial statements for 2016, 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 2016 may be downloaded from the website porr-group.com/reporting.

The contents of this 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.



Financial Calendar

25.4.2017	Publication Annual Financial Report 2016
25.4.2017	Press conference
13.5.2017	Record Date for the attendance of the 137 th Annual General Meeting
23.5.2017	137th Annual General Meeting , EURO PLAZA, Am Euro Platz 2, Building G, 1120 Vienna
30.5.2017	Publication Report on the 1 st Quarter 2017
30.5.2017	Trade ex-dividend on the Vienna Stock Exchange
31.5.2017	Record Date Dividende
1.6.2017	Date of dividends payment for the fiscal year 2016
30.8.2017	Publication Half Yearly Financial Report 2017
30.10.2017	Interest payment PORR Corporate Bond 2014/1 (Senior-Bond)
30.10.2017	Interest payment PORR Corporate Bond 2014/2 (Hybrid-Bond)
27.11.2017	Interest payment PORR Corporate Bond 201
29.11.2017	Publication Report on the 3 rd Quarter 2017

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**Intelligent
building ...**



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Management Report

Economic Environment

With an increase of 3.1%, global economic growth matched the level of the previous year in 2016. Geopolitical crises continued to impact on the performance of the global economy. In the USA economic growth accelerated due to the stronger foreign demand over the course of the year. The dominating factors at year-end were the uncertainties related to future economic policy – in particular the risk of increased trade restrictions – as well as a tightening of monetary policy in the USA. The economy in Asia rose significantly. Commodity-exporting countries, particularly the emerging markets, continued to profit from the stabilisation of commodities prices.¹

In contrast, the pace of economic growth in the eurozone was unchanged – the European economy continued along its moderate growth course. Great Britain's vote to leave the EU was not yet reflected in the eurozone growth rates. Private consumer demand was once again the growth driver in the majority of EU countries. While the economy in the 19 Euroconstruct countries grew by 1.8% in 2016, this growth was far short of the level of the previous year. A weak appetite for investment stifled the pace of growth and foreign trade also slowed down still further. In contrast the fiscal policy of the central banks had a positive effect on growth.²

Driven by strong domestic demand, real GDP in Germany increased by 1.8% in 2016 according to the initial calculations of the Federal Statistical Office.³ The growth prospects in Central and Eastern Europe (CEE) also improved in light of the recession in Russia, which was only moderate contrary to expectations, and was set to be just under 3.0%. As in previous years, the economy in Poland achieved growth of 3.2% and was further boosted by increased consumer spending and a good job market situation. With growth of 2.3%, the Czech economy lagged significantly below the record year 2015.⁴

The Austrian economy is currently in a recovery phase that is being buoyed by domestic demand. Real GDP growth accelerated – following on from less than 1.0% for four years in a row – to 1.4% in 2016. This development was driven by investments and private consumption, which benefited from

the income tax reform implemented in January 2016. Annual growth of 1.5% has been forecast for the years 2017 to 2019.⁵

Developments in the Construction Industry

Analysts' expectations were high following the original optimistic forecasts that 2016 would be the first year of robust economic growth after a long crisis. However, disenchantment set in after the Brexit vote and the surprising relapse of certain countries into a downturn: Euroconstruct forecast subdued growth of 2.0% in construction output for the 19 member states in 2016. Eastern Europe also failed to overcome the crisis and was confronted with decreases – although in individual countries such as Poland this started out from a high baseline. The only sector that outperformed the forecasts was residential construction, while investments in building construction and infrastructure construction were lower than in the previous year. Growth rates of 2.1% and 2.2% have been forecast for Europe in 2017 and 2018 – with significantly more robust growth in Eastern Europe.⁶

There are multiple reasons for the slowdown. In addition to the negative impacts expected from the Brexit vote and the likelihood of weaker economic growth in China and Germany, there is an array of structural problems. The ongoing weakness in the banking sector in Europe and the expected hike in interest rates are having a stifling effect on the construction business.

With a plus of 2.5%, Germany's construction output achieved robust growth in 2016. That said, the growth was almost exclusively driven by the increased demand for residential construction caused by migration. The petering out of this trend after 2018 is likely to lead to stagnation in German construction.

In Austria the three segments residential construction, building construction and infrastructure construction achieved slight growth. While Euroconstruct does not see any notable weaknesses in Austria's construction output, it also sees hardly any particular strengths. In 2016 growth stood at 1.6% and it is expected to remain at a similar level in the next three years.

¹ Wifo press release, 8.11.2016, http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=59098&mime_type=application/pdf

² Euroconstruct: 2016_82_Country-Report Barcelona

³ <http://www.finanzen.net/nachricht/zertifikate/KB-Kapitalmarkt-News-Deutsche-Konjunktur-Robuster-Ausblick-5293684>

⁴ Euroconstruct: 2016_82_Country-Report Barcelona

⁵ <https://www.oenb.at/Presse/Pressearchiv/2016/20161212.html>

⁶ EC Nov2016: Seite 8-22

Financial Performance

Income Statement – Overview

in EUR thousand

	2016	2015	Change
Revenue	121,658	122,218	-560
EBIT	16,008	19,994	-3,986
Net investment income	27,919	30,885	-2,966
Net interest expenses	-4,911	-4,553	-358
Other financial income/expenses	201	-1	202
EBT	39,217	46,325	-7,108
Tax	-3,538	1,927	-5,465
Profit for the year	35,679	48,252	-12,573
Net earnings	32,154	48,857	-16,703

As a result of the first-time application of the provisions of the Austrian Law on Changes in Accounting (RÄG 2014), in the business year 2016 there was a change in the form of presentation used to date and the previously applied measurement methods. In accordance with Section 906 Paragraph 36 Austrian Commercial Code, the amounts stated in the balance sheet and the income statement in previous years have been presented as if the provisions of the new laws had already been applied in the previous year in order to facilitate comparisons.

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 2016 income statement, PORR AG reported revenue totalling EUR 121.7m (previous year: EUR 122.2m), which was primarily generated by providing services.

The other operating income includes income from grants and exchange gains and declined by EUR 0.6m to EUR 0.9m (previous year: EUR 1.5m).

Cost of materials and other related production services fell by EUR 1.5m and stood at EUR 8.5m (previous year: EUR 10.0m).

The average staffing level in 2016 increased by 9.0% against 2015. Staff expense increased by EUR 3.6m to EUR 35.7m (previous year: EUR 32.1m), a rise of 11.4%. This increase contains the adjustment in the interest rate of 1.65% against 2.25% in the previous year for the provisions for severance payments, pensions and anniversary bonuses.

Depreciation, amortisation and impairment rose by 41.1% or EUR 2.3m to EUR 8.1m (previous year: EUR 5.8m). The increased investment in new software technologies led to a rise in depreciation, amortisation and impairment for software and hardware compared to the previous year.

Other operating expenses fell by EUR 1.6m to EUR 54.2m (previous year: EUR 55.8m). The items included here primarily related to legal and consultancy services (EUR 6.8m), commissions on bank guarantees (EUR 9.8m), insurance premiums (EUR 6.6m), office running costs (EUR 12.7m), expenses for buildings and land (EUR 8.2m), charges and other taxes (EUR 0.7m), advertising costs (EUR 3.9m) and expenses for the vehicle fleet (EUR 0.5m).

Earnings before interest and taxes (EBIT) declined against the previous year by EUR 4.0m to EUR 16.0m (previous year: EUR 20.0m).

Net investment income of EUR 27.9m (previous year: EUR 30.9m) saw a slight decrease of EUR 3.0m.

Other financial income/expenses primarily increased due to the sale of securities in current assets of EUR 0.2m (previous year: EUR 0). Net interest expenses rose in 2016 against the previous year by EUR -0.4m to EUR -4.9m (previous year: EUR -4.5m).

Starting out from EBT of EUR 39.2m (previous year: EUR 46.3m), there was a profit for the year after taxes of EUR 35.7m (previous year: EUR 48.3m).

Financial Position and Cash Flows

Balance Sheet – Overview

in EUR thousand	31.12.2016	31.12.2015	Change
Non-current assets	654,572	581,903	72,669
Current assets	224,270	343,970	-119,700
Accruals and deferrals	3,387	2,653	734
Deferred tax assets	163	0	163
Total assets	882,392	928,526	-46,134
Equity	362,897	359,770	3,127
Mezzanine capital	25,000	25,000	0
Provisions	49,295	44,410	4,885
Liabilities	445,023	499,156	-54,133
Accruals and deferrals	177	190	-13
Total equity and liabilities	882,392	928,526	-46,134

At 31 December 2016 the total assets of PORR AG stood at EUR 882.4m and declined by EUR 46.1m against the level of the previous year of EUR 928.5m. With regard to assets, the decline was primarily caused by the reduction in cash at banks, as well as securities and shares in current assets. The reduction was mainly used for the repayment of a bond.

Under assets, non-current assets are the focal point of the total, accounting for 74.2%; at year-end 2016 they totalled EUR 654.6m (previous year: EUR 581.9m). Intangible assets and property, plant and equipment rose by 3.4% to total EUR 44.5m (previous year: EUR 43.1m). The sharpest growth was in shares in associated companies, which rose by EUR 62.6m to EUR 514.9m (previous year: EUR 452.3m) as the result of a shareholder contribution (a so-called grandparent subsidy) in PORR Bau GmbH and loans to companies in which an interest is held of EUR 8.7m (previous year: EUR 0).

Significant changes in current assets included the reduction in cash and cash equivalents of EUR 65.2m to EUR 60.9m (previous year: EUR 126.1m) and receivables from associated companies of EUR 29.4m to EUR 137.6m (previous year: EUR 167.0m). As a result of sales and disposals through redeeming maturing bonds, securities in current assets fell by EUR 25.4m to EUR 4.3m (previous year: EUR 29.7m).

The equity ratio (including mezzanine capital) rose by 2.6% as of the reporting date to 44.0% (previous year: 41.4%).

Provisions rose by EUR 4.9m to EUR 49.3m (previous year: EUR 44.4m). Liabilities declined as of the reporting date by 10.9% or EUR 54.2m to EUR 445.0m (previous year: EUR 499.2m). This was primarily because of the scheduled redemption of the bond issued in 2012 with a volume of EUR 50.0m less the increase in Schuldscheindarlehen with a nominal amount of EUR 14.5m to EUR 200.0m in August 2016. Other liabilities also fell by EUR 27.0m to EUR 46.7m (previous year: EUR 73.7m).

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 18.4m (previous year: EUR 76.0m) mainly resulted from the reduction in other liabilities and the change in receivables and liabilities for associated companies, whereby the cash-pool liabilities contained therein are recognised in cash flow from financing activities.

Cash flow from investing activities changed from EUR -17.8m in 2015 to EUR -56.5m. Investments in financial assets and securities in current assets amounted to EUR 74.4m and an amount of EUR 11.3m was recognised for investments in property, plant and equipment and intangible assets. This contrasts with inflows from the sale of assets and the disposal of securities in current assets totalling EUR 29.2m.

Cash flow from financing activities of EUR -27.0m (previous year: EUR 67.6m) contains, on the one hand, the redemption of the 2012 bond and the proceeds from increasing the Schuldscheindarlehen issued in 2015 of EUR -35.5m, as well as the settlement of loans and borrowings and lease obligations of EUR -1.4m; on the other hand, it contains the inflow of funds from incoming cash-pool payments of EUR 42.4m. A dividend of EUR 28.5m (previous year: EUR 21.4m) was paid

out to the shareholders of PORR AG for the business year 2015. Shareholders additionally received a special dividend of EUR 14.3m, of which only EUR 4.1m was paid out in cash. The remainder of the special dividend amounting to EUR 10.2m was issued in the form of PORR shares.

At year-end 2016 PORR AG had cash and cash equivalents of EUR 60.9m (31 December 2015: EUR 126.1m).

Cash Flow Statement - Overview

in EUR thousand

	2016	2015
Net cash flow from operating activities	18,444	75,987
Net cash flow from investing activities	-56,557	-17,750
Net cash flow from financing activities	-27,006	67,633
Change in cash and cash equivalents	-65,119	125,870
Cash and cash equivalents at start of year	126,057	187
Cash and cash equivalents at year-end	60,938	126,057

Staff

Staffing level increase in 2016

In 2016 PORR AG employed 365 staff members on average, broken down into six waged workers and 359 salaried employees. In comparison to the previous year, this represented a rise of 30 staff members or 9.0%.

Average staffing levels of PORR AG	2016	Change	2015	2014	2013
Waged workers	6	100%	3	3	8
Salaried employees	359	8.1%	332	310	295
Total	365	9.0%	335	313	303

Research and Development

PORR is striving for technological leadership in many areas. In order to do justice to this goal even more effectively, the PORR innovation initiative has been strengthened by the implementation of the "Knowledge factory". As part of the online forum for technological issues, the company is promoting optimal staff networking, regardless of hierarchies. At the same time, the entire Group thereby has access to individual knowhow and any possible need for innovation can be identified.

PORR cooperates with competitors and major clients in 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 one for the further reduction in resource consumption of construction machinery.

In total PORR employs 45 people in the field of Research, Development and Innovation. Employees from other European

PORR locations are also involved in certain projects. The PORR department of Technology Management and Innovation (PTI) serves as a contact point offering comprehensive consulting and support for every innovation question. Other departments and operating units support innovation projects – the 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.

A central issue of the work in innovation at PORR is the digitalisation of design and construction processes. There are 30 employees in PORR Design & Engineering 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, including Architecture, Statics, Calculation and Construction Site Progress.

In addition, the further development of 3D FEM statics programmes is being promoted in a multi-year project. The core of the project involves measurements of the loads actually incurred on three towers currently under construction. There have been multiple PORR developments and patents realised for projects in Germany and Austria in the field of tunnelling – a focal point of innovation in recent years. These include bonded steel/concrete lining for extremely high loads, lining with non-corrosive reinforcement, and materials for annular gap backfilling in case of high mountain-water pressure. A further development of the Slab Track system was also realised on the construction of the metro in Doha. Furthermore, a heavy-duty system for axle loads of up to 32 tonnes was developed; this can be used in the railway network of the Middle East and in heavy industry.

Forecast Report

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 Group's output is generated in Austria, Germany, Switzerland, Poland and the Czech Republic. This is complemented by large-scale, high-margin projects in the project and target markets, predominantly in the infrastructure sector. With its focus on private industrial clients, PORR is also positioned in building construction as a skilled partner whose word is its bond.

Even though the share of output generated outside the five home markets has increased in recent years, more than 87% of construction output is still generated in the stable countries in the DACH region with strong credit standing, as well as in Poland and the Czech Republic. This strategy will be maintained and in the future PORR will continue to concentrate primarily on this region, in line with the principle “know your market, know your customers”. Internationally, PORR has successfully established itself as an expert, premium provider and infrastructure specialist from its hub in Qatar with export products in tunnelling, rail construction and foundation engineering.

In order to selectively strengthen its core competencies and niches, PORR constantly evaluates corporate acquisitions and realises them if they are judged to be positive and fit for the future. Here the growth market of Germany is particularly in focus, although acquisitions in Austria and individual options in other markets are also assessed.

The “Roadmap 2020” has been implemented in order to accelerate the digitalisation process and position PORR as a leading construction company in this field. The Roadmap is the strategic implementation plan to digitalise PORR and

is being realised by cross-departmental teams from Corporate Development, IT & Business Processes, PORR Design & Engineering, PORR Equipment Services and especially by the operating employees from every unit.

In addition to promoting digitalisation, PORR's primary goal is to sustainably secure its positioning as the ‘best place to work’. The programme “Work & Life @ PORR” has been successfully introduced in the competition for the best talent, offering staff comprehensive additional services relating to healthcare, nursing care, childcare and equal opportunities. PORR benefits from above-average staff retention, which is being strengthened still further by this programme, and receives a high number of applications for salaried and waged positions despite the prevailing lack of skilled labour.

Even though the good performance of the business has led to annual increases in production output, the cushion of orders has also continued to grow. With an order backlog of around EUR 4.8bn, today it stands at almost EUR 0.9bn above annual production output. This is complemented by very strong earnings last year, with an EBT increase of 12.3% and liquidity which is above the industry average, with a net cash position totalling EUR 53m.

The combination of high profitability and a very good order situation allows the Executive Board to assume a further increase in output and earnings for the current year 2017. 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, UK, 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, speculative transactions are forbidden. All hedge transactions are performed centrally by the Group financial management. 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 2016 net debt, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, amounted to EUR 265.8m (previous year: EUR 212.1m).

Current monetary assets exceeded current monetary liabilities by EUR 51.6m (previous year: EUR 119.5m). Even after offsetting current provisions totalling EUR 28.8m (previous year: EUR 23.6m), a surplus of EUR 22.8m remained (previous year: EUR 95.9m).

As of the reporting date, external current financial liabilities amounted to EUR 0.7m (previous year: EUR 50.7m) and were fully covered by cash and cash equivalents of EUR 60.9m as of end-2016 (previous year: 126.1m).

Around 92.7% of external non-current financial liabilities of EUR 330.3m (previous year: EUR 317.2m) consist of bonds.

At 31 December 2016 there was EUR 176.0m 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 three syndicated credit lines totalling EUR 961m, which have been concluded with a three-year term. Furthermore, there are bilateral credit lines for the European market totalling EUR 1,375.9m, as well as lines in Qatar, Oman, Saudi Arabia and the United Arab Emirates totalling EUR 583,64m, which generally have a term of one year. As of 31 December 2016, around 49% of the European credit lines had been drawn on, as had around 33% of the lines in Qatar, Oman, Saudi Arabia and the United Arab Emirates.

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's financial management. 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 67,000. 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 2016 the market value of the interest rate swaps had a fair value of TEUR -1,244.

Foreign currency risks

At 31 December 2016 PORR had concluded forward exchange contracts totalling EUR 37.8m (previous year: EUR 19.0m), all of which related to forward purchases and serve to hedge intragroup financing. At 31 December 2016 the market valuation of open forward exchange contracts resulted in a fair value of TEUR -387 (previous year: TEUR -30).

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 operative risk concentrations arising from high outstanding amounts from individual debtors.

Capital risks

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

In 2016 there was an increase in Group equity from EUR 412.1m to EUR 440.9m. The equity ratio rose from 17.9% to 18.7%. At 31 December 2016 the net cash position, defined as the balance of cash and cash equivalents, bonds and current and non-current financial liabilities, totalled EUR 53.3m (previous year: EUR 186.5m). The net gearing ratio, defined as net financial debt divided by equity, is applied for the control of capital management. The net gearing remained negative and declined due to the lower net cash position from -0.5 to -0.12.

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 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.

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

1. The share capital as at 31 December 2016 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 2016 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 statutes, 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 statutes 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 10% in the form of ordinary shares as at 31 December 2016:

	% of share capital	of which syndicated
IGO-Ortner Group	39.14%	39.03%
Strauss Group	16.73%	15.68%

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 statutes, 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 statutes, 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 2016, 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 2016, 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 author-

isation, in the reporting year 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 2012 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 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. The 2014 hybrid bond contains 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 (SSD) 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 2023 in 2016 and 2017. The SSD contracts include the following agreement: where a change of control takes place (as defined in the SSD contracts), every creditor shall be entitled to call due an amount corresponding to his/her stake in the SSD 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 22 December 2018), 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.

There were no other significant agreements under the terms of Section 243a Paragraph 1 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

On 24 May 2016 the Annual General Meeting passed a resolution to pay out a special dividend to shareholders of EUR 0.50 per share in addition to the dividend of EUR 1.00 per share; this was to reflect the successful spin off of the real estate business and would be paid out in cash or in the form of PORR shares (scrip dividend). During the subscription period from 1 June 2016 to 15 June 2016, shareholders had the option of taking the special dividend of EUR 0.50 per dividend-bearing share in cash or as PORR shares in the course of reinvestment. On 16 June 2016 the Executive Board of PORR AG determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, in line with the AGM resolution of 24 May 2016. Rights were exercised for a total of around 20.5m shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe.

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 31.12.2015	572,864	1.00	572,864	1.969%
Special dividend	-378,917	1.00	-378,917	-1.302%
Interest held on 31.12.2016	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 31.12.2015	22,548	1.00	22,548	0.077%
Interest held on 31.12.2016	22,548	1.00	22,548	0.077%

**... means earnings
over output.**

Intelligent building means earnings over output.

Experience, knowhow and trust are the pillars of PORR's economic success and also influence our approach to the capital market. A clear capital market strategy, the ongoing evaluation of our own opportunities, and consistent risk management have increased the company's position and value yet again. With proactive capital market communication and targeted investor relations, PORR is committed to great transparency also on the prime market of the Vienna Stock Exchange.



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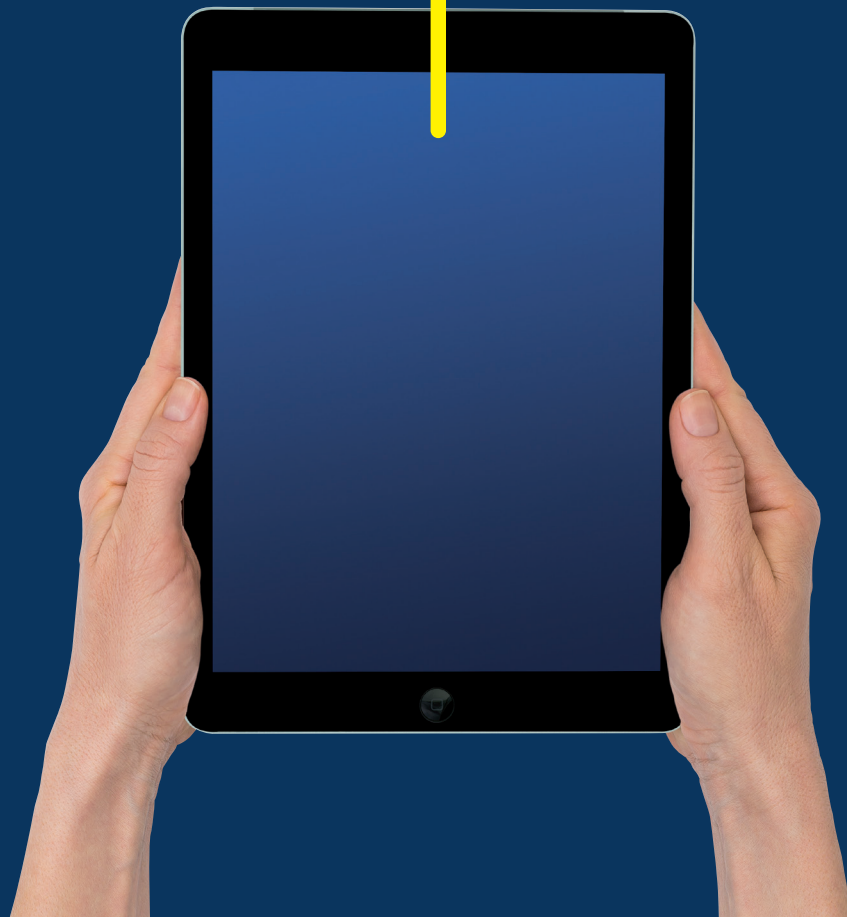
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**... is founded on
innovative solutions.**

Intelligent building is founded on innovative solutions.

Today's world is digital. This also holds true for the construction business. Analogue technologies are being replaced by tablet and cloud computing, while the entire value chain – from order intake to production and execution – is being digitalised with multifunctional, complete solutions. With Building Information Modeling (BiM), PORR has set the course for the future. Our specialists today are developing 5D solutions and have integrated the dimensions of time and construction site logistics. The result: a conclusive optimisation of all previously commonplace processes.



Balance Sheet

	31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
Assets			
A. Non-current assets			
I. Intangible assets			
Concessions, licences and similar rights		11,504,795.07	10,678
II. Property, plant and equipment			
1. Land, similar rights and buildings, including buildings on land owned by others	26,153,420.36		28,435
2. Technical equipment and machinery	0.00		0
3. Other plant, factory and business equipment	4,731,993.00		3,432
4. Assets under construction	2,155,790.81		541
		33,041,204.17	32,408
III. Financial assets			
1. Shares in associated companies	514,936,004.10		452,327
2. Investments	213,902.42		211
3. Loans to companies in which an interest is held	8,684,436.66		0
4. Securities in current assets	8,690,082.29		8,691
5. Other loans	77,501,441.41		77,588
		610,025,866.88	538,817
		654,571,866.12	581,903
B. Current assets			
I. Inventories			
Raw materials and supplies		31,828.50	119
II. Receivables			
1. Trade receivables	1,782,821.85		976
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
2. Receivables from associated companies	137,558,583.42		167,029
of which with rem. term > 1 year: EUR 26,753,431.47; (p.y.: TEUR 15,287)			
3. Receivables from companies in which an interest is held	125,738.49		265
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
4. Receivables from consortiums	19,724.58		23
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
5. Other receivables	19,538,665.82		19,812
of which with rem. term > 1 year: EUR 1,203,410.42; (p.y.: TEUR 6,274)		159,025,534.16	188,105
III. Securities			
Other securities		4,274,337.00	29,688
IV. Cash and cash equivalents, cash at banks		60,938,726.81	126,058
		224,270,426.47	343,970
C. Accruals and deferrals			
Other		3,386,432.18	2,653
D. Deferred tax assets		163,446.13	0
Total assets		882,392,170.90	928,526

	31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
Equity and Liabilities			
A. Equity			
I. Share capital			
Subscribed capital	29,095,000.00		29,095
Nominal value of treasury shares	-193,947.00		-573
Issued capital		28,901,053.00	28,522
II. Capital reserves			
committed		192,764,041.98	190,491
III. Retained earnings			
1. Statutory reserve	457,838.86		458
2. Other (free) reserves	108,425,943.00		90,869
3. Reserve for treasury shares	193,947.00		573
		109,077,728.86	91,900
IV. Net earnings			
1. Profit carryforward from previous year	6,074,281.50		450
2. Profit for the year	26,079,520.92		48,407
		32,153,802.42	48,857
		362,896,626.26	359,770
B. Mezzanine capital		25,000,000.00	25,000
C. Provisions			
1. Severance provisions	7,950,942.00		6,911
2. Pension provisions	11,678,338.00		11,715
3. Tax provisions	20,975,387.00		17,577
4. Other provisions	8,690,390.79		8,207
		49,295,057.79	44,410
D. Liabilities			
of which with rem. term ≤ 1 year: EUR 113,238,289.17; (p.y.: TEUR 181,172)			
of which with rem. term > 1 year: EUR 331,784,628.93; (p.y.: TEUR 317,984)			
1. Bonds	306,262,000.00		341,762
of which with rem. term ≤ 1 year: EUR 0.00; (p.y.: TEUR 50,000)			
of which with rem. term > 1 year: EUR 306,262,000.00; (p.y.: TEUR 291,762)			
2. Mortgage liabilities	0.00		756
of which with rem. term ≤ 1 year: EUR 0.00; (p.y.: TEUR 0)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 756)			
3. Deposits from banks	22,028,102.24		22,094
of which with rem. term ≤ 1 year: EUR 91,587.48; (p.y.: TEUR 85)			
of which with rem. term > 1 year: EUR 21,936,514.76; (p.y.: TEUR 22,009)			
4. Trade payables	10,348,095.24		6,369
of which with rem. term ≤ 1 year: EUR 9,575,940.33; (p.y.: TEUR 6,291)			
of which with rem. term > 1 year: EUR 772,154.91; (p.y.: TEUR 78)			
5. Liabilities to associated companies	59,651,694.45		54,110
of which with rem. term ≤ 1 year: EUR 59,651,694.45; (p.y.: TEUR 54,110)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
6. Liabilities to companies in which an interest is held	23,804.68		400
of which with rem. term ≤ 1 year: EUR 23,804.68; (p.y.: TEUR 400)			
of which with rem. term > 1 year: EUR 0.00; (p.y.: TEUR 0)			
7. Other liabilities	46,709,221.49		73,665
of which taxes EUR 39,436,442.70; (p.y.: TEUR 59,309)		445,022,918.10	499,156
of which social security EUR 574,549.63; (p.y.: TEUR 501)			
of which with rem. term ≤ 1 year: EUR 43,895,262.23; (p.y.: TEUR 70,286)			
of which with rem. term > 1 year: EUR 2,813,959.26; (p.y.: TEUR 3,379)			
E. Accruals and deferrals			
Other		177,568.75	190
Total equity and liabilities		882,392,170.90	928,526

Income Statement

	31.12.2016 in EUR	31.12.2016 in EUR	31.12.2015 in EUR thousand
1. Revenue		121,657,809.17	122,218
2. Other own work capitalised		2,400.00	0
3. Other operating income			
a) Income from the disposal of non-current assets	598.00		256
b) Income from the release of provisions	1.24		3
c) Other	889,762.78		1,249
		890,362.02	1,508
4. Cost of materials and other related production services			
a) Material expenditure	-643,563.56		-788
b) Expenditure on purchased services	-7,874,836.89		-9,261
		-8,518,400.45	-10,049
5. Staff expense			
a) Wages and salaries			
aa) Wages	-403,941.05		-215
bb) Salaries	-27,404,384.43	-27,808,325.48	-25,200
b) Social welfare expenses			
of which for pension plans EUR 568,788.89; p.y.: TEUR 337			
aa) Expenses for severance pay and employee provision funds	-1,134,201.04		-652
bb) Expenses for statutory social welfare and payroll related taxes and statutory contributions	-6,041,756.59		-5,521
cc) Expenses for pension plans	-568,788.89		-337
dd) Other social welfare expenses	-188,968.53	-7,933,715.05	-162
		-35,742,040.53	-32,087
6. Depreciation, amortisation and impairment		-8,112,981.72	-5,750
7. Other operating expenses			
a) Taxes that are not classified as income taxes	-13,213.83		-23
b) Other	-54,156,055.93		-55,823
		-54,169,269.76	-55,846
8. Interim total line 1 to line 7		16,007,878.73	19,994

	31.12.2016 in EUR	31.12.2015 in EUR thousand
9. Income from investments	31,792,643.16	41,188
of which from associated companies EUR 31,686,424.02; p.y.: TEUR 41,089		
10. Income from other securities and loans in financial assets	5,108,045.86	8,148
11. Other interest and similar income	6,387,302.47	5,133
of which from associated companies EUR 5,234,114.49; p.y.: TEUR 4,564		
12. Income from the disposal of and additions to financial assets		
Securities in current assets	390,167.31	53
13. Expenses from financial assets and securities in current assets	-4,062,860.91	-10,357
of which		
a) Depreciation and impairment EUR 105,383.50; p.y.: TEUR 306		
b) Expenses from associated companies EUR 3,635,127.89; p.y.: TEUR 9,982		
14. Interest and similar expenses	-16,406,123.25	-17,834
of which related to associated companies EUR 749,153.85; p.y.: TEUR 2,033		
15. Interim total line 9 to line 14	23,209,174.64	26,331
16. Earnings before taxes (interim total lines 8 and 15)	39,217,053.37	46,325
17. Income taxes	-3,537,532.45	1,927
18. Profit for the period	35,679,520.92	48,252
19. Release of retained earnings	0.00	155
20. Allocation to retained earnings	-9,600,000.00	0
21. Profit carryforward from previous year	6,074,281.50	450
22. Net earnings	32,153,802.42	48,857

Schedule of Fixed Assets

in EUR	Acquisition and manufacturing cost					Balance at 31.12.2016
	Balance at 1.1.2016	Additions	(of which) Interest	Reclassifica- tions	Disposals	
I. INTANGIBLE ASSETS						
Concessions, licences and similar rights	32,248,819.43	4,472,921.16	0.00	420,618.89	-45,254.41	37,097,105.07
	32,248,819.43	4,472,921.16	0.00	420,618.89	-45,254.41	37,097,105.07
II. PROPERTY, PLANT AND EQUIPMENT						
1. Land, similar rights and buildings, including buildings on land owned by others	38,412,265.01	398,072.45	0.00	0.00	-4,246,985.97	34,563,351.49
2. Technical equipment and machinery	2,513.83	0.00	0.00	0.00	-458.00	2,055.83
3. Other plant, factory and business equipment	14,487,066.36	3,657,873.12	0.00	0.00	-323,789.65	17,821,149.83
4. Assets under construction	540,975.14	2,035,434.56	0.00	-420,618.89	0.00	2,155,790.81
5. Low-value items	0.00	779,434.34	0.00	0.00	-779,434.34	0.00
	53,442,820.34	6,870,814.47	0.00	-420,618.89	-5,350,667.96	54,542,347.96
	85,691,639.77	11,343,735.63	0.00	0.00	-5,395,922.37	91,639,453.03
III. FINANCIAL ASSETS						
1. Shares in associated companies	464,759,899.27	62,608,800.00	0.00	-0.00	-317,943.65	527,050,755.62
2. Investments	625,742.49	3,000.00	0.00	0.00	0.00	628,742.49
3. Loans to companies in which an interest is held	0.00	8,684,436.66	0.00	0.00	0.00	8,684,436.66
4. Securities in current assets	8,690,990.70	0.00	0.00	0.00	-908.41	8,690,082.29
5. Other loans	78,135,774.10	982.35	0.00	0.00	-635,315.04	77,501,441.41
	552,212,406.56	71,297,219.01	0.00	0.00	-954,167.10	622,555,458.47
	637,904,046.33	82,640,954.64	0.00	0.00	-6,350,089.47	714,194,911.50

Accumulated depreciation, amortisation and impairment					Carrying amounts		
Balance at 1.1.2016	Additions	Reversal of impairment	Reclassifica- tions	Disposals	Balance at 31.12.2016	Carrying amounts 31.12.2016	Carrying amounts 31.12.2015
-21,571,018.36	-4,066,546.05	0.00	0.00	45,254.41	-25,592,310.00	11,504,795.07	10,677,801.07
-21,571,018.36	-4,066,546.05	0.00	0.00	45,254.41	-25,592,310.00	11,504,795.07	10,677,801.07
-9,976,817.65	-916,789.45	0.00	0.00	2,483,675.97	-8,409,931.13	26,153,420.36	28,435,447.36
-2,513.83	0.00	0.00	0.00	458.00	-2,055.83	0.00	0.00
-11,055,490.60	-2,350,211.88	0.00	0.00	316,545.65	-13,089,156.83	4,731,993.00	3,431,575.76
0.00	0.00	0.00	0.00	0.00	0.00	2,155,790.81	540,975.14
0.00	-779,434.34	0.00	0.00	779,434.34	0.00	0.00	0.00
-21,034,822.08	-4,046,435.67	0.00	0.00	3,580,113.96	-21,501,143.79	33,041,204.17	32,407,998.26
-42,605,840.44	-8,112,981.72	0.00	0.00	3,625,368.37	-47,093,453.79	44,545,999.24	43,085,799.33
-12,432,694.17	0.00	0.00	0.00	317,942.65	-12,114,751.52	514,936,004.10	452,327,205.10
-414,840.07	0.00	0.00	0.00	0.00	-414,840.07	213,902.42	210,902.42
0.00	0.00	0.00	0.00	0.00	0.00	8,684,436.66	0.00
0.00	0.00	0.00	0.00	0.00	0.00	8,690,082.29	8,690,990.70
-547,499.00	0.00	0.00	0.00	547,499.00	0.00	77,501,441.41	77,588,275.10
-13,395,033.24	0.00	0.00	0.00	865,441.65	-12,529,591.59	610,025,866.88	538,817,373.32
-56,000,873.68	-8,112,981.72	0.00	0.00	4,490,810.02	-59,623,045.38	654,571,866.12	581,903,172.65

Notes

I. General

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

The 2016 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 IFRS 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 currency. 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.

As a result of the first-time application of the provisions of the Austrian Law on Changes in Accounting (hereafter RÄG 2014), in the business year 2016 there was a change in the form of presentation used to date and the previously applied measurement methods. In accordance with Section 906 Paragraph 36 UGB, the amounts stated in the balance sheet and the income statement in previous years have been presented as if the provisions of the new laws had already been applied in the previous year in order to facilitate comparisons.

Entries for previous years in the balance sheet and income statement are as follows pursuant to the new legal situation:

a) Disclosure on treasury shares pursuant to Section 229 Paragraph 1a UGB:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in balance sheet (Assets)			
B. III. 1. Treasury shares	12,030,144.00	-12,030,144.00	n/a
Classification in balance sheet (Equity & liabilities)			
A.I. Nominal value of treasury shares (new)	0.00	-572,864.00	-572,864.00
A.III.3. Reserve for treasury shares	12,030,144.00	-11,457,280.00	572,864.00

b) Omission of untaxed reserves and change in all items in the income statement affected by this change:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in balance sheet (Equity & liabilities)			
A.III.2. Other (free) reserves	86,076,994.14	4,791,691.86	90,868,686.00
C. Untaxed reserves	6,388,922.48	-6,388,922.48	n/a
D.3. Tax reserves (now balance sheet item C.3.)	15,980,016.00	1,597,230.62	17,577,246.62
Classification in income statement			
17. Income taxes	1,875,503.38	51,608.62	1,927,112.00
19. Release of untaxed reserves	206,434.46	-206,434.46	n/a
Release of retained earnings (item not included in previous year; under item 19 in 2016)	0.00	154,825.84	154,825.84

c) Disclosure on revenue pursuant to Section 189a (5) UGB:

in EUR	Previous year prior to RÄG 2014	Reclassification	Previous year following RÄG 2014
Classification in income statement			
1. Revenue	65,910,904.16	56,307,500.45	122,218,404.61
4. c) Other income	57,556,612.07	-56,307,500.45	1,249,111.62

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	10%

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	16.7 to 25%
Other plants, factory and business equipment	1.01 to 100%

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 2016 business year no impairment or reversals of impairment were 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 subsidiary's profit for the period under Austrian GAAP, for 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 are recognised for foreign Group members in accordance with Section 198 Paragraph 8 UGB. As the foreign Group member PORR Polska Construction SA merged with PORR Polska Infrastructure SA in 2017, a provision of EUR 423,439 was recognised for the losses related to subsequent taxation as of 31 December 2016.

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 1.65% (previous year: 2.25%) p. a. and expected salary increases of 2.5% (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: 1.1% to 14.2%). 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 1.65%. In the year under review discounting of 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 of PORR AG

1. Non-current assets

The composition and development of the fixed assets is shown in Appendix 1 to these notes.

Item II.1 contains:

in EUR thousand	2016	2015
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 EUR thousand	2016	2015
For the following year	6,063	7,142
For the next five years	29,466	23,861

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 Appendix 2 to these notes.

The additions to investments primarily relate to shareholder contributions (so-called grandparent subsidies) to the subsidiaries of PORR Construction Holding GmbH (formerly: ABAP Beteiligungs Holding GmbH) and PORR Bauindustrie GmbH (formerly: Zenit Bauplanungs- und Errichtungsgesellschaft m.b.H.) to strengthen their equity base; these are shown as acquisition costs under the investment in these subsidiaries.

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 EUR thousand	2016	2015
Other loans	77,501	77,588
of which with a remaining term of up to one year	87	87
Securities	8,690	8,691

2. Current assets

Receivables

Trade receivables of TEUR 14,012 (previous year: TEUR 4,462) are recognised in receivables from associated companies as are trade payables of TEUR 153 (previous year: TEUR 1,342).

Receivables from companies in which an interest is held contain trade receivables of TEUR 138 (previous year: TEUR 147) and trade payables of TEUR 17 (previous year: TEUR 61).

Other receivables include proceeds of TEUR 4,969 (previous year: TEUR 5,273) which will only have an impact on cash after the closing date.

Other securities

Other securities involve 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

On 21 January 2015, 286,432 no-par bearer shares in PORR AG, corresponding to around 1.969% of the share capital, were acquired for TEUR 12,030. The realisation of a share split at a ratio of 1:2, authorised by the 135th Annual General Meeting on 3 June 2015, led the number of shares to increase to 572,864.

Owing to the entry into force of the provisions of RÄG 2014, the nominal amount in accordance with Section 229 Paragraph 1a UGB is reported separately from the share capital and recognised as a special reserve in the same amount. The difference between the nominal amount and the acquisition cost of TEUR 11,457 has been offset against free retained earnings.

On 24 May 2016 the Annual General Meeting passed a resolution to pay out a special dividend to shareholders of EUR 0.50 per share in addition to the dividend of EUR 1.00 per share; this was to reflect the successful spin-off of the real estate business and would be paid out in cash or in the form of PORR shares (scrip dividend). During the subscription period from 1 June 2016 to 15 June 2016, shareholders had the option of taking the special dividend of EUR 0.50 per dividend-bearing share in cash or as PORR shares in the course of reinvestment. On 16 June 2016 the Executive Board of PORR AG determined the subscription ratio as 54:1 and the reinvestment price as EUR 27.00, in line with the Annual General Meeting resolution of 24 May 2016. Rights were exercised for a total of around 20.5m shares, corresponding to a take-up rate of around 71.8% of the shares entitled to subscribe.

The special dividend was thereby realised for a total of 378,917 PORR shares. This led to an offsetting of the reserve for treasury shares against the share capital in the amount of TEUR 379. The difference from the reinvestment proceeds exceeding the nominal value was once again returned to free retained earnings in accordance with Section 229 Paragraph 1b UGB in the amount of TEUR 7,957 (this corresponds to the pro-rata difference between the nominal amount and acquisition cost that was offset against free retained earnings upon the acquisition on 21 January 2015), while the outstanding difference of TEUR 2,273 led to an increase in capital reserves.

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 31.12.2015	572,864	1.00	572,864	1.969%
Special dividend	-378,917	1.00	-378,917	-1.302%
Interest held on 31.12.2016	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 31.12.2015	22,548	1.00	22,548	0.077%
Interest held on 31.12.2016	22,548	1.00	22,548	0.077%

Mezzanine capital

This is a perpetual hybrid bond.

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 bond constitutes 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 this hybrid bond were issued with 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.).

No remuneration was in arrears as at 31 December 2016.

5. Provisions

in EUR thousand	2016	2015
Severance	7,951	6,911
Pensions	11,678	11,715
Taxes	20,975	15,980
Other		
Buildings	1,576	1,736
Staff	6,724	6,060
Miscellaneous	391	411
Total	49,295	42,813

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 6,095,239.44 at 31 December 2016 (previous year: TEUR 6,281). 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 2 (previous year: TEUR 2), which are offset against trade receivables in the amount of TEUR 166 (previous year: TEUR -809).

Liabilities to companies in which an interest is held exclusively involve trade payables of TEUR 23 (previous year: TEUR 0).

Other liabilities include expenses of TEUR 4,514 (previous year: TEUR 11,660), 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 EUR thousand	2016	2015
Bonds	15,000	-
Mortgage liabilities	-	754
Deposits from banks	2,797	8,244
Other liabilities	445	798
Total	18,242	9,796

The company has liabilities secured by collateral of TEUR 2,652 (previous year: TEUR 3,959), 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 EUR thousand	2016	2015
Loan guarantees	40,413	59,336
of which for associated companies	40,181	58,923
Other	83,185	75,274
of which for associated companies	83,185	64,801
Total	123,598	134,610

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

There is a letter of comfort with joint and several liability for the Qatar Railway Company for the "Green Line Metro" project. This has a total value as of 31 December 2016 equivalent to EUR 2,344m. This is not expected to be exercised in the foreseeable future in view of the current progress on the project. Furthermore, there are letters of comfort for subsidiaries that do not state specific amounts.

In order to carry out and guarantee its operating construction business, the PORR Group has secured access to various credit lines in Europe and several Arab countries; these credit lines totalled around EUR 2,921m at 31 December 2016. These credit lines allow the PORR Group to issue bid bonds, advance payment guarantees, contractual performance bonds, security deposits and various other types of guarantee. Of these credit lines, EUR 961m have been concluded with a three-year term as of 31 December 2016; the remainder of the lines are extended on an annual basis.

As of 31 December 2016, around 49% of the European credit lines had been drawn on, as had around 46% of the lines in Arabic countries.

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

As a result of the first-time application of the provisions of RÄG 2014, the amounts from previous years have been adjusted pursuant to Section 906 Paragraph 36 UGB and revenue is thereby subdivided into the following areas; almost all of the amounts were generated in Austria:

in EUR thousand	2016	2015
Construction services	15	-277
Administration	74,961	61,014
Letting	10,536	9,882
Managing guarantees	13,113	30,253
Other services for subsidiaries and third parties	20,761	20,804
Miscellaneous	2,272	542
Total	121,658	122,218

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.

Executive Board remuneration totalled EUR 3,530,000.00 (previous year: TEUR 3,517). EUR 80,000.00 (previous year: TEUR 78) of this total relates to payments due on or after completion of the management contract in the form of defined contribution plans.

The remuneration breaks down as follows:

in EUR thousand	2016	2015
Karl-Heinz Strauss	1,450	1,450
Christian B. Maier	1,040	1,032
J. Johannes Wenkenbach	1,040	1,035
Total	3,530	3,517
of which current benefits due	3,450	3,439
of which remuneration due on or after completion of the management contract	80	78

Expenditure on severance payments and pensions

in EUR thousand	2016	2015
Expenditure on severance pay	878	438
Contributions to staff provision fund for employees	256	214
Expenses for severance and contributions to staff provision fund	1,134	652
Expenditure on pension funds	569	336
Expenditure on severance payments and pensions	1,703	988
This breaks down as follows:		
Executive Board remuneration and emoluments for former Executive Board members	798	926
Management staff	-51	-420
Other employees	956	482
Total	1,703	988

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 100 (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 31,686,424.02 (previous year: TEUR 27,027).

Expenses from financial assets include assumed losses of subsidiaries as the result of profit-and-loss transfer agreements in the amount of EUR 3,375,149.78 (previous year: TEUR 9,641).

5. Income taxes

Income taxes of TEUR 3,538 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 recognition of deferred taxes in accordance with the legal amendments of RÄG 2014 is in place as of 1 January 2016. The balance from deferred tax assets and liabilities as of 31 December 2015 in the amount of EUR 1,712,106.00 was capitalised in full. The distribution option was not exercised. The change in deferred taxes relating to the business year 2016 amounts to EUR 48,570.75.

When calculating deferred taxes, the current Austrian Corporation Tax rate of 25% was applied and can be seen in Appendix 3 to these notes.

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 (previous year: income) from income taxes breaks down as follows:

in EUR thousand	2016	2015
Corporation tax	4,968	4,872
Tax allocations	324	-6,754
Foreign taxes	6	6
Deferred taxes	-1,760	-51
Total	3,538	-1,927

V. Disclosures on Financial Instruments

On 12 August 2015 PORR AG placed a Schuldscheindarlehen (SSD) 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.

Composition of the Schuldscheindarlehen:

in EUR	Nominal amount	Tenor	Interest	Interest rate
Tranche 1	21,000,000.00	12 August 2018	fixed	1.764%
Tranche 2	38,000,000.00	12 August 2018	variable	6-month EURIBOR+1.6%
Tranche 3	11,000,000.00	12 August 2020	fixed	2.249%
Tranche 4	20,000,000.00	12 August 2020	variable	6-month EURIBOR+1.85%
Tranche 5	1,000,000.00	12 August 2019	fixed	1.15%
Tranche 6	30,000,000.00	12 August 2019	variable	6-month EURIBOR+1.15%
Tranche 7	37,000,000.00	12 August 2021	fixed	1.55%
Tranche 8	27,000,000.00	12 August 2021	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%

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

At 31 December 2016 the fair value of the interest rate swaps was negative at EUR 1,244,029.50. 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 2016 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 2016 was negative at EUR 387,464.41.

Due date	CHF	GBP	QAR	Total
January 2017	1,768,922.82			1,768,922.82
February 2017	23,831,688.70			23,831,688.7
June 2017		614,742.28	11,216,406.67	11,831,148.95
December 2017		354,164.77		354,164.77
Total	25,600,611.52	968,907.05	11,216,406.67	37,785,925.24

A provision for the negative market value of a forward contract in QAR totalling EUR 230,723.51 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

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 2016, the Executive Board will propose the payout of a dividend of EUR 1.10 per share to ordinary shareholders at the 137th Annual General Meeting to be held on 23 May 2017.

X. Events after the End of the Reporting Period

On 6 February 2017, PORR AG issued a subordinated bond (hybrid bond) with a total nominal amount of EUR 125,000,000.00. The partial debentures of this hybrid bond were issued with a denomination of EUR 1,000.00 and 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-year IS-DAFIX2 swap rate plus a margin of 5.312% p.a.).

XI. Disclosure on Staff and Executive Bodies

Average staffing level	2016	2015
Waged workers	6	3
Salaried employees	359	332
Total	365	335

Members of the Executive Board

Karl-Heinz Strauss, CEO

Christian B. Maier

J. Johannes Wenkenbach

Please refer to note IV.2. Staff expense for details on Executive Board remuneration and expenditure on severance pay and pensions.

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 199,750.00 (previous year: TEUR 217) was recognised in the income statement.

Members delegated by the Works Council

Peter Grandits

Walter Huber (until 5 December 2016)

Walter Jenny

Michael Kaincz

Michael Tomitz

19 April 2017, Vienna

The Executive Board

Karl-Heinz Strauss, m.p.

Christian B. Maier, m.p.

J. Johannes Wenkenbach, m.p.

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%
Esikas 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	Unterprenstätten	100.00%
PORR Financial Services GmbH	*	AUT	Vienna	100.00%
EPS Absberggasse 47 Projektmanagement GmbH		AUT	Vienna	100.00%
PORR gradbenistvo, trgovina in druge storitvc d.o.o.		SVN	Ljubljana	100.00%
PORR Beteiligungen und Management 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 consolidation	Currency	Nominal capital	Equity/deficit not covered by equity	Annual profit/loss	Reporting date
F	EUR	36,336.42	214,066,878.64	3,887,355.40	31.12.2016
N	EUR	35,000.00	33,085.25	787.54	31.12.2016
N	EUR	35,000.00	38,466.74	1,040.85	31.12.2016
F	EUR	35,000.00	298,734,067.01	4,442,620.97	31.12.2016
F	EUR	35,000.00	538,500.00	21,916,049.44	31.12.2016
F	EUR	3,633,641.71	16,379,481.42	1,440,398.21	31.12.2016
F	EUR	500,000.00	505,000.00	-3,015,602.84	31.12.2016
F	EUR	36,336.42	297,564.23	227,858.32	31.12.2016
N	EUR	8,763.14	-9,946.10	-124,060.12	31.12.2016
F	EUR	35,000.00	20,071,169.60	-359,546.94	31.12.2016
F	EUR	35,000.00	766,365.27	504,932.98	31.12.2016
E	EUR	581,382.67	1,434,575.86	853,193.19	31.12.2016
N	EUR	24,822.48	23,558.78	1,263.70	31.12.2016
N	EUR	3,000.00	30,000.00	0.00	31.12.2016
N	HUF	10,000,000.00	8,338,127.00	-923,686.00	31.12.2016
N	HUF	10,000,000.00	10,392,240.10	-4,932,313.08	31.12.2016

Deferred Taxes

	Differences 2016			Differences 2015		
	Group members	PORR AG	Total	Group members	PORR AG	Total
Deferred tax assets						
Intangible assets	3,475,740.00	0.00	3,475,740.00	45,440.00	0.00	45,440.00
Financial assets	18,351,912.00	9,245,788.00	27,597,700.00	29,583,668.00	4,094,472.00	33,678,140.00
Non-current staff provisions	41,415,356.00	8,198,280.00	49,613,636.00	14,371,528.00	7,798,548.00	22,170,076.00
Non-current other provisions	8,220,784.00	4,160.00	8,224,944.00	9,269,520.00	7,104.00	9,276,624.00
Borrowing costs	0.00	1,422,824.00	1,422,824.00	0.00	0.00	0.00
Deferred tax liabilities						
Property, plant and equipment	-10,144.00	0.00	-10,144.00	-8,104.00	0.00	-8,104.00
Act. administrative and distribution costs	-83,896,452.00	0.00	-83,896,452.00	-58,313,752.00	0.00	-58,313,752.00
Untaxed reserves	0.00	-5,774,463.48	-5,774,463.48	0.00	0.00	0.00
Total differences	-12,442,804.00	13,096,588.52	653,784.52	-5,051,700.00	11,900,124.00	6,848,424.00
Resultant deferred taxes						
25% tax rate	-3,110,701.00	3,274,147.13	163,446.13	-1,262,925.00	2,975,031.00	1,712,106.00

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 December 31, 2016, 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 December 31, 2016 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 consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The matters subsequently stated comprise the key audit matters from our perspective:

1. Valuation of investment

1. Valuation of investment

Situation and reference to further information

The carrying amount of the "shares in affiliated companies" as at 31.12.2016 is approx. MEUR 515. Based on the Company's balance sheet total, this corresponds to a share of more than 58%. 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. Assets, contains details and explanations of the shares in affiliated companies. The shares in affiliated 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. 2. contains information on the income and expenses from affiliated companies.

RESPONSIBILITIES OF MANAGEMENT AND OF THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements, 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 consolidated 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 Supervisory Board 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 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 Supervisory Board 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 Supervisory Board 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 Supervisory Board, 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.

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 and other legal or regulatory requirements.

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.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

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

Vienna, April 19, 2017

BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Klemens Eiter
Certified Public Accountant

Gerhard Fremgen
Certified Public Accountant

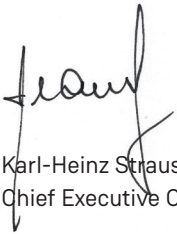
This report is a translation of the original report in German, which is solely valid.

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

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 a 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 2017



Karl-Heinz Strauss
Chief Executive Officer



Christian B. Maier
Executive Board Member



J. Johannes Wenkenbach
Executive Board Member

Appropriation of Earnings

The consolidated financial statements as of 31 December 2016 report net retained profits of EUR 32,153,802.42 for the business year 2016.

The Executive Board thereby proposes the following appropriation of retained profits reported in the consolidated financial statements as of 31 December 2016:

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.

Vienna, April 2017

The Executive Board

Karl-Heinz Strauss, m.p.

Christian B. Maier, m.p.

J. Johannes Wenkenbach, m.p.

Acknowledgements

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The financial statements for 2016, 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 2016 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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