STRABAG
SOCIETAS EUROPAEA

Individual Financial Statements 2019

CONTENT

INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

Balance sheet as at 31 December 2019

	31.12.2019	31.12.2018
Assests	**€**	**T€**
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**1,025,759.88**	**1,055**
II. Financial assets:		
1. Investments in subsidiaries	2,576,670,815.38	2,558,859
2. Investments in participation companies	24,551,292.09	25,401
3. Loans to participation companies	86,597,825.94	90,477
4. Other loans	21,798.99	21
	2,687,841,732.40	2,674,758
	2,688,867,492.28	**2,675,814**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	31,164.25	33
2. Receivables from subsidiaries	714,679,898.85	767,711
thereof with a remaining term more than one year	*250,000,000.00*	*250,000*
3. Receivables from participation companies	7,265,928.84	9,313
thereof with a remaining term more than one year	*2,133,570.13*	*2,194*
4. Other receivables and assets	33,750,128.67	32,658
thereof with a remaining term more than one year	*24,992,666.67*	*23,956*
	755,727,120.61	809,715
II. Cash assets, including bank accounts	2,839,186.74	118
	758,566,307.35	**809,833**
C. Accrual and deferrals	**176,270.00**	**839**
D. Deferred tax assets	**10,797,265.00**	**5,526**
Total	**3,458,407,334.63**	**3,492,011**

Equity	31.12.2019 €	31.12.2018 T€
A. Equity:		
I. Called up and paid in nominal capital (share capital):		
Subscribed nominal capital (share capital)	110,000,000.00	110,000
less nominal value of own shares	-7,400,000.00	-7,400
	102,600,000.00	102,600
II. Capital reserves (committed)	2,152,047,129.96	2,152,047
III. Retained earnings:		
1. Legally required reserves	72,672.83	73
2. Voluntary reserves	560,710,209.02	478,250
	560,782,881.85	**478,322**
IV. Reserves for own shares	7,400,000.00	7,400
V. Unappropriated net profit	121,000,000.00	143,000
thereof profit brought forward	*9,620,000.00*	*9,620*
	2,943,830,011.81	**2,883,369**
B. Provisions:		
1. Provisions for taxes	1,021,000.00	615
2. Other provisions	24,918,756.00	28,646
	25,939,756.00	**29,261**
C. Accounts payable:		
1. Bonds	400,000,000.00	500,000
thereof with a remaining term up to one year	*200,000,000.00*	*100,000*
thereof with a remaining term more than one year	*200,000,000.00*	*400,000*
2. Bank borrowings	0.00	18,500
thereof with a remaining term up to one year	*0.00*	*18,500*
3. Trade payables	1,141,178.77	1,054
thereof with a remaining term up to one year	*1,141,178.77*	*1,054*
4. Payables to subsidiaries	23,722,795.87	19,917
thereof with a remaining term up to one year	*23,722,795.87*	*19,917*
5. Payables to participation companies	54,337,840.41	27,294
thereof with a remaining term up to one year	*54,337,840.41*	*27,294*
6. Other payables	9,435,751.77	12,617
thereof taxes	*1,730,551.35*	*1,266*
thereof social security liabilities	*30,843.14*	*20*
thereof with a remaining term up to one year	*9,435,751.77*	*12,617*
	488,637,566.82	**579,381**
thereof with a remaining term up to one year	*288,637,566.82*	*179,381*
thereof with a remaining term more than one year	*200,000,000.00*	*400,000*
Total	**3,458,407,334.63**	**3,492,011**

Income statement for the 2019 financial year

	2019	2018
	€	T€
1. Revenue (Sales)	76,043,288.19	63,530
2. Other operating income	549,873.53	619
3. Cost of materials and services:		
a) Materials	-47,639.64	-55
b) Services	-17,963,659.47	-17,066
	-18,011,299.11	**-17,120**
4. Employee benefits expense:		
a) Salaries	-9,400,256.86	-8,582
b) Social expenditure	-855,264.04	-717
thereof severance payments and contributions to employee benefit plans	*-117,815.81*	*-149*
thereof social security contributions, as well as payroll-related and other mandatory contributions	*-620,566.20*	*-376*
thereof other social expenditure	*-116,882.03*	*-193*
	-10,255,520.90	**-9,299**
5. Depreciation	-30,081.98	-30
6. Other operating expenses:		
a) Taxes other than those included in item 15	-108,032.86	-114
b) Miscellaneous	-25,232,648.75	-17,524
	-25,340,681.61	**-17,637**
7. Subtotal of items 1 through 6 **(operating result)**	**22,955,578.12**	**20,062**
8. Income from investments	145,181,811.29	86,506
thereof from subsidiaries	*140,690,870.99*	*84,887*
9. Other interest and similar income	20,113,540.28	31,663
thereof from subsidiaries	*14,457,074.13*	*23,872*
10. Income from disposal and write-up of financial assets and marketable securities	38,146,708.37	243
11. Expenses related to financial assets:	-21,213,957.10	-6,111
a) Depreciation from subsidiaries	*-19,115,025.00*	*-3,542*
b) Other depreciation	*0.00*	*-308*
c) Other expenses from subsidiaries	*-748,932.10*	*-11*
d) Other	*-1,350,000.00*	*-2,250*
12. Interest and similar expenses	-12,563,914.99	-18,947
13. Subtotal of item 8 through 12 **(financial result)**	**169,664,187.85**	**93,355**
14. Result before taxes	**192,619,765.97**	**113,417**
15. Taxes on income and gains	1,220,846.24	-2,220
thereof income tax	*-2,269,930.29*	*-953*
thereof tax allocation	*-1,780,325.47*	*-1,884*
thereof deferred tax income	*5,271,102.00*	*617*
16. Income after taxes = net income for the year	**193,840,612.21**	**111,198**
17. Reversal of retained earnings (voluntary reserves)	0.00	22,182
18. Allocation to retained earnings (voluntary reserves)	-82,460,612.21	0
19. Profit for the period	**111,380,000.00**	**133,380**
20. Profit brought forward	9,620,000.00	9,620
21. Unappropriated net profit	**121,000,000.00**	**143,000**

NOTES TO THE 2019 FINANCIAL STATEMENTS OF STRABAG SE, VILLACH

I. Application of Austrian Business Enterprise Code

The Management Board of the company prepared these financial statements as of 31 December 2019 in accordance with the Austrian Business Enterprise Code (UGB).

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

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

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

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

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

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

II. Accounting policies

GENERAL PRINCIPLES

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

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

The valuation premise adopted is that of a going concern.

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

The financial statements were prepared in accordance with the “principle of prudence” by only reporting profit which was realized on the balance sheet date. All recognizable risks and impending losses which occurred in 2019 or an earlier financial year were taken into consideration.

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

The previously applied accounting policies were kept.

NON-CURRENT ASSETS

Property, plant and equipment

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

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

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

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

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

Financial assets

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

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

Increases in non-current assets

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

CURRENT ASSETS

Accounts receivable and other assets

Trade and other receivables are reported at nominal value.

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

Individual value adjustments are made for recognizable risk.

Increases in current assets

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

DEFERRED TAXES

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

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

PROVISIONS

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

Other provisions

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

LIABILITIES

Liabilities are valued at their settlement value.

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

III. Notes to the balance sheet

NON-CURRENT ASSETS

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

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

Of the loans, an amount of € 4,408,000.00 (previous year: T€ 4,408) is due within the next year.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

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

The item "Other receivables and assets" includes income of € 1,366,123.09 (previous year: T€ 469) which will be cash effective after the balance sheet date.

DEFERRED TAX ASSETS

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

	31.12.2019	31.12.2018
	€	T€
Property, plant and equipment	9,416.00	4
Financial assets	1,040,000.00	1,387
Remaining seventh from depreciation of participation	49,033,317.00	56,117
Provisions	16,865,794.00	18,550
Liabilities	3,549,333.00	664
Total	**70,497,859.00**	**76,722**
Resulting deferred taxes on 31.12. (25%)	**17,624,465.00**	**19,181**

The deferred taxes developed as follows:

	2019	2018
	€	T€
Balance on 1.1.	**5,526,163.00**	**4,959**
Distribution according to Sec 906 (34) UGB	6,827,200.00	6,827
Change in profit or loss	-1,556,098.00	-6,210
Balance on 31.12.	**10,797,265.00**	**5,526**

EQUITY

The fully paid in share capital amounts to € 110,000,000.00 and is divided into 109,999,997 no-par bearer shares and three registered shares.

PROVISIONS

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

ACCOUNTS PAYABLE

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

The item "Other payables" includes expenses in the amount of € 7,223,452.12 (previous year: T€ 10,612) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

	31.12.2019	31.12.2018
	€	T€
Sureties/Guarantees	7,857,032.47	52,776
Declarations of patronage	18,465,336.72	60,062
Total	**26,322,369.19**	**112,838**
thereof with subsidiaries	26,322,369.19	66,840

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

Performance bonds in the amount of € 636,968,796.55 (previous year: T€ 654,092) exist for construction projects of subsidiaries.

Due to long-term rentals, letting and leasing, the use of property, plant and equipment not shown in the balance sheet results in an obligation of € 7,281,853.44 (previous year: T€ 7,281) for the 2020 financial year. The sum of all obligations for the next five years is € 36,409,267.20 (previous year: T€ 36,407).

IV. Notes to the income statement

REVENUES (SALES)

	2019	2018
	€	T€
Domestic revenue	36,986,903.32	32,847
Foreign revenue	39,056,384.87	30,683
Total	**76,043,288.19**	**63,530**

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

EMPLOYEE BENEFITS EXPENSE

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

The severance payment expenses include contributions to employee benefit plans in the amount of € 117,815.81 (previous year: T€ 68).

The salaries of the Management Board members in the 2019 financial year amounted to T€ 8,269 (previous year: T€ 7,163).

OTHER OPERATING EXPENSES

Supervisory Board member salaries in the period under review amounted to € 162,000.00 (previous year: T€ 162).

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

V. Additional disclosures

EVENTS AFTER THE REPORTING PERIOD

Like all industries, the STRABAG Group has also been impacted by the COVID-19 coronavirus disease, which on 11 March 2020 was declared a pandemic by the World Health Organization. Especially those European countries in which the STRABAG Group generates most of its operating revenue have been particularly hard hit by COVID-19 and the associated government directives to prevent and contain its spread.

Every country has introduced its own measures to prevent the spread of COVID-19. These measures have included lock-downs and stay-at-home orders resulting in a restricted movement of goods, services and people between the European countries.

The restrictions have had a negative impact on the business operations of STRABAG SE, particularly on construction activity. Construction processes must be adapted and special protective measures implemented while dealing with the limited availability of (human and material) resources. This always involves a change in the intensity of the work performed.

The impact has differed greatly from country to country. In March 2020, for example, regular construction operations were suspended in the home market of Austria for around ten days before being gradually ramped up again. Approximately 1,000 construction sites were affected by this measure. In addition, all construction work was ordered halted in countries such as Italy and Belgium, which are of minor importance for the STRABAG Group in terms of size.

Risks resulting from disruptions in the STRABAG Group's supply chain can be partially cushioned by the high level of value added in raw materials. The existing inventory of construction equipment, machinery and other vehicles benefit the group in this regard as well. Precautions are also being taken as part of the business continuity management to ensure that business activity is maintained to the full extent as much as possible in the event of disruptions.

As the directives issued in the first quarter of 2020 and the associated impact on the business operations proved to be quite different in the individual countries, across-the-board measures within the group made little sense. Action must be taken on a country-by-country basis. The Management Board of STRABAG SE has therefore been working together with the local management, the occupational safety specialists and the specialists from the service companies to continuously evaluate the risks in the individual group countries. This ensures that necessary decisions are made quickly and implemented effectively.

In all decisions made in connection with COVID-19, however, the Management Board must also take into account its responsibility towards its employees. As a result of the mostly small, decentralised structures compared to other industries, the construction sector has a lower risk of simultaneous infection or quarantine of a critical part of the staff; nevertheless, the risk of infection must be further reduced with suitable measures such as avoiding in-person events, providing the workforce with hygiene information and supplies or enabling remote working where possible. It should be noted, however, that the number of known infected and quarantined persons among the workforce at the beginning of April 2020 remained relatively low and that the number of acute cases has been quite stable.

It is difficult to estimate how long the restrictions will last. As the situation is unlikely to return to normal in the short term, however, negative consequences are to be expected for the 2020 financial year. Due to the numerous uncertainties, it is not yet possible to determine the exact impact on output, revenue and earnings and on the targeted EBIT margin of STRABAG SE. As of early April 2020, it was not yet clear to what extent the negative impact from the suspension of construction activity and productivity losses due to restricted site operations can be offset by any subsequent positive effects in the 2020 financial year.

APPROPRIATION OF NET INCOME

The reported balance sheet profit of € 121,000,000.00 enables the distribution of a dividend for the 2019 financial year based on 110,000,000 shares of up to € 1.10 per share.

BOARD AND RELATED PARTY DISCLOSURES

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

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

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

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

For the benefit of STRABAG AG, Cologne, there is a voluntary transfer of losses as outlined in Sec 302 of the German Stock Corporation Act (dAktG) for the 2020 financial year.

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to T€ 755 (previous year: T€ 691), of which T€ 62 (previous year: T€ 61) are for the audit of the financial statements, T€ 629 (previous year: T€ 618) for other audit services and T€ 64 (previous year: T€ 12) for miscellaneous services.

In addition, T€ 14 (previous year: T€ 17) were calculated for miscellaneous services to subsidiaries.

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Staff Divisions and Central Divisions
BMTI, TPA as well as CML Construction Services

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Klemens Haselsteiner
Responsibility Central Divisions Digitalisation,
Innovation and Business Development,
Zentrale Technik as well as
Division NN Russia

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment South + East
(except Division NN Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment
International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

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

Statement of changes in non-current assets as of 31 December 2019

	Acquisition and production costs				
€	Balance 1.1.2019	Additions	Transfers	Disposals	Balance 31.12.2019
I. Tangible assets:					
Other facilities, furniture and fixtures and office equipment	1,316,774.44	548.34	0.00	548.34	1,316,774.44
	1,316,774.44	**548.34**	**0.00**	**548.34**	**1,316,774.44**
II. Financial assets:					
1. Investments in subsidiaries	2,745,121,396.11	3,893,624.94	-872,077.00	881,896.75	2,747,261,047.30
2. Investments in participationcompanies	38,431,148.10	148,122.72	872,077.00	2,269,946.86	37,181,400.96
3. Loans to participation companies	90,476,606.16	7,163,255.57	0.00	11,042,035.79	86,597,825.94
4. Other loans	21,255.09	543.90	0.00	0.00	21,798.99
	2,874,050,405.46	**11,205,547.13**	**0.00**	**14,193,879.40**	**2,871,062,073.19**
Total	**2,875,367,179.90**	**11,206,095.47**	**0.00**	**14,194,427.74**	**2,872,378,847.63**

Accumulated depreciation						Carrying values	
Balance 1.1.2019	**Additions**	**Reversal of impairment losses**	**Transfers**	**Disposals**	**Balance 31.12.2019**	**Carrying values 31.12.2019**	**Carrying values 31.12.2018**
261,480.92	30,081.98	0.00	0.00	548.34	291,014.56	1,025,759.88	1,055,293.52
261,480.92	**30,081.98**	**0.00**	**0.00**	**548.34**	**291,014.56**	**1,025,759.88**	**1,055,293.52**
186,261,948.84	19,115,025.00	34,000,000.00	-200,000.00	586,741.92	170,590,231.92	2,576,670,815.38	2,558,859,447.27
13,030,108.87	0.00	0.00	200,000.00	600,000.00	12,630,108.87	24,551,292.09	25,401,039.23
0.00	0.00	0.00	0.00	0.00	0.00	86,597,825.94	90,476,606.16
0.00	0.00	0.00	0.00	0.00	0.00	21,798.99	21,255.09
199,292,057.71	**19,115,025.00**	**34,000,000.00**	**0.00**	**1,186,741.92**	**183,220,340.79**	**2,687,841,732.40**	**2,674,758,347.75**
199,553,538.63	**19,145,106.98**	**34,000,000.00**	**0.00**	**1,187,290.26**	**183,511,355.35**	**2,688,867,492.28**	**2,675,813,641.27**

List of participations (20.00 % interest minimum)

Name and residence of the company	Interest %	Equity/negative Equity[1] T€	Result of the last financial year[2] T€
Investments in subsidiaries:			
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau	100.00	35,506	32,015
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	313,735	32,143
"Strabag Azerbaijan" Limited Liability Company, Baku	100.00	-3,156	-228
"Strabag" d.o.o. Podgorica, Podgorica	100.00	6,757	87
Asphalt & Beton GmbH, Spittal an der Drau	100.00	6,982	794
Bau Holding Beteiligungs GmbH, Spittal an der Drau	65.00	1,194,323	35,339
BHG Sp. z o.o., Pruszkow	100.00	3,082	273
CML Construction Services, Antwerpen	100.00	22	3
CML Construction Services AB, Stockholm	100.00	4	0
CML Construction Services d.o.o. Beograd, Belgrade	100.00	43	27
CML CONSTRUCTION SERVICE S.R.L., Bologna	100.00	10	0
CML CONSTRUCTION SERVICES d.o.o., Zagreb	100.00	60	3
CML Construction Services GmbH, Cologne	100.00	281	215
CML Construction Services GmbH, Schlieren	100.00	95	16
CML Construction Services GmbH, Vienna	100.00	119	3
CML CONSTRUCTION SERVICES Sp. z o.o., Pruszkow	100.00	256	-31
CML CONSTRUCTION SERVICES s. r. o., Bratislava	100.00	97	15
CML CONSTRUCTION SERVICES s.r.o., Prague	100.00	57	16
CML CONSTRUCTION SERVICES SRL, Bucharest	100.00	0	94
CML Construction Services Zrt., Budapest	100.00	225	20
DC1 Immo GmbH, Vienna	100.00	96	-78
DRP, d.o.o., Ljubljana	100.00	-8,428	-1,221
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	7,376	498
Erste Nordsee-Offshore-Holding GmbH, Vienna	51.00	134	-69
Facility Management Holding RF GmbH, Vienna	100.00	9	3
KMG - KLIPLEV MOTORWAY GROUP A/S, Aarhus	100.00	1,787	363
Mazowieckie Asfalty Sp. z o.o., Pruszkow	100.00	-30[3]	-3[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	419[3]	216[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	7,219	2,214
OOO "CML Construction Services", Moscow	100.00	426	34
PRZEDSIEBIORSTWO ROBOT DROGOWYCH SPOLKA Z OGRANICZONA ODPOWI W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE SRL, Cluj-Napoca	100.00	1,217	284
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	53	-74
SAT SLOVENSKO s.r.o., Bratislava	100.00	2,254	481
SAT Ukraine, Brovary	100.00	4,313[3]	361[3]
SF Bau vier GmbH, Vienna	100.00	-48	-7
STRABAG A/S, Aarhus	100.00	121	-60
STRABAG AG, Schlieren	100.00	6,456	-13,741
STRABAG AG, Cologne	100.00	1,197,241	112,061
STRABAG Infrastruktur Development, Moscow	100.00	128	62
STRABAG Oy, Helsinki	100.00	24	-265
STRABAG Property and Facility Services a.s., Prague	100.00	2,649	-800
STRABAG Real Estate GmbH, Cologne	28.40	216,482	6,830
Strabag RS d.o.o., Banja Luka	100.00	-699	-30
STRABAG Sh.p.k., Tirana	100.00	[4]	[4]
STRABAG Silnice a.s. (vormals: Karlovarske silnice, a.s.), Prague	100.00	2,597	6
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	94.00	3,288	15
TOO STRABAG Kasachstan, Astana	100.00	-3,269[3]	-352[3]
TPA GmbH, Cologne	100.00	652	140
Zweite Nordsee-Offshore-Holding GmbH, Vienna	51.00	-8,854	-127

1 according to Para 224 Sec 3 UGB
2 net income/loss of the year
3 Financial statements as of 31.12.2018
4 no statement according to Para 242 Sec 2 UGB

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

1 according to Para 224 Sec 3 UGB
2 net income/loss of the year
3 Financial statements as of 31.12.2018
4 no statement according to Para 242 Sec 2 UGB

Management and Supervisory Board

Management Board:

Dr. Thomas B i r t e l (CEO)
Mag. Christian H a r d e r
Klemens H a s e l s t e i n e r (since 1 January 2020)
Dipl.-Ing. Dr. Peter K r a m m e r
Dipl.-Ing. Siegfried W a n k e r
Dipl.-Ing. (FH) A l f r e d W a t z l

Suvervisory Board:

Dr. Alfred G u s e n b a u e r (Chairman)
Mag. Erwin H a m e s e d e r (Vice Chairman)
Dr. Andreas B r a n d s t e t t e r
Thomas B u l l
Mag. Kerstin G e l b m a n n
Dr. Oleg G . K o t k o v
Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n é (works council)
Georg H i n t e r s c h u s t e r (works council)
Wolfgang K r e i s (works council)

GROUP MANAGEMENT REPORT

Important events

FEBRUARY

Future reporting of STRABAG SE for first and third quarters

With the amendment of the Vienna Stock Exchange's Prime Market rules in February 2019, it is up to the listed companies to decide whether and how they report on the first and third quarters of the year. After considering the interests of all stakeholders, STRABAG has decided not to prepare IFRS financial statements in the first and third quarters of the year. These have been replaced by the publication of a trading statement that includes the output volume, order backlog and employee numbers as well as an update of the outlook and targets for the respective financial year. The trading report can be made available closer to the end of the quarter than was the case with the quarterly reports.

Large-scale contract to build a section of the D35 motorway in the Czech Republic

Through its subsidiary STRABAG a.s., acting as part of a consortium (42 %), STRABAG was awarded the contract to build a new section of the D35 motorway in the Czech Republic. The object of the contract with a total value of CZK 3.38 billion (~ € 132 million) is the construction of a new four-lane, connection with two interchanges including 25 bridge structures and seven noise abatement walls. Work on the Opatovice–Časy section with a length of 12.6 km will last 44 months from the start of construction in spring 2019.

Extension of mining contract in Chile

Züblin International GmbH Chile SpA, a subsidiary of STRABAG SE, was awarded an extension to its contract with Mina Candelaria Subterránea for the Candelaria open pit and underground mine in Copiapó in Chile's Atacama region for another four years. The contract value amounts to € 65 million. The extension to the contract involves, among other works, 22,400 m of horizontal developments, plus 1,771,000 tones of loading and transport of material.

MARCH

Bridge upgrades along A9 motorway near Allersberg

In March 2019, a consortium consisting of the group companies STRABAG AG and Ed. Züblin AG began with the upgrade of a total of eight bridges on the A9 motorway in Germany between the Nuremberg/Feucht interchange and the Hilpoltstein junction on behalf of Autobahndirektion Nordbayern, the motorway authority for northern Bavaria. All bridges will be torn down and rebuilt. The contract value of approx. € 38 million also includes renovation works on the roads beneath three of the bridges as well as the demolition and new construction of a noise protection wall near Altenfelden. The contract also involves the construction of temporary ramps and roads to the construction sites and a provisional acceleration strip at the Allersberg junction. The project is scheduled for overall completion by the end of 2020.

Mining contracts for € 500 million in Chile

Züblin International GmbH Chile SpA was awarded two new long-term mining contracts for the Nuevo Nivel Mina project, at the El Teniente mine in Rancagua. The contracts have a total value of about € 500 million and comprise the construction of tunnels with a total length of 32.5 km. Nuevo Nivel Mina is one of five key projects of copper mining company Codelco and consists of extending the mine into a deeper sector, thus increasing the useful lifespan of El Teniente mine by another 50 years. The first contract involves 6,049 m of horizontal developments and civil engineering works in a 25-month period. The second contract consists of tunnelling and civil works for a period of 39 months to complete 26,439 m of horizontal developments and 4,179 m of shafts.

Contract awarded for Boll-Sinneringen bypass in Switzerland

STRABAG AG of Switzerland was awarded the contract for the transportation infrastructures and engineering ground works for the Boll-Sinneringen rail bypass in the Bernese municipality of Vechingen. The project foresees changing the route of the railway. All of the measures will increase safety and improve the train crossings. A new station will also be built at Boll-Utzigen. The client is RBS, the regional transport association for Bern-Solothurn. The works for STRABAG AG include the new construction of the 425 m railway embankment between Worbstrasse and Bernstrasse, the main element of the project, as well as the construction of the Moosgasse underpass and of the access roads to the new station area.

Renovation of the south section of M3 metro line in Budapest

STRABAG, through its Hungarian subsidiary, won the contract to rehabilitate the southern section of the M3 metro line in Budapest. The contract value totals HUF 24.7 billion (~ € 76 million). In addition to the renewal of five stations and passenger areas, the track structure is also being modernised. The works should be completed in 2020.

STRABAG is renovating the south section of the M3 metro line in Budapest

Refinancing of € 2.4 billion in loans before maturity

STRABAG SE took advantage of the favourable financing environment to refinance two loans totalling € 2.4 billion before their original maturity. The conditions and terms to maturity of the € 2.0 billion syndicated surety loan and the € 0.4 billion syndicated cash credit line have been redefined. The new five-year terms to maturity – i.e. until 2024 – with two options to extend by one year each will further allow STRABAG SE to secure its comfortable financing position for the long term.

Financial close of “Autopista al Mar 1” project in Colombia completed

Work on the Autopista al Mar 1 in Colombia

Devimar, the concession company operating the public-private partnership project Autopista al Mar 1 in Colombia, successfully concluded the long-term financing totalling USD 713 million. The project, which was awarded by the Colombian infrastructure agency ANI to Devimar in 2015, has thus fully obtained the required funding. The financial close confirms the reputation and experience of Devimar’s sponsors consisting of SACYR (Spain, 37.5 %), STRABAG (Austria, 37.5 %) and CONCAY (Colombia, 25 %). At the time of the financial close, the Autopista al Mar 1 project was in the construction phase and about 30 % complete. The project is proceeding on more than 130 active work fronts, creating 2,200 direct and indirect jobs.

APRIL

Acquisition of property management assets of CORPUS SIREO

STRABAG Property and Facility Services GmbH (STRABAG PFS) of Germany, as part of a jointly developed partner model, in April acquired the property management business and all employees of CORPUS SIREO Real Estate GmbH. In tandem with the agreement, several long-term property management contracts were also concluded between STRABAG PFS and the Swiss Life Group. This involves more than 340 Swiss Life properties in various asset classes held in Germany. The focus is on residential and office buildings. An above-average contract period was agreed for the portfolio.

ZÜBLIN to design and build wastewater pumping station in Qatar

Züblin International Qatar L.L.C. signed a contract for the design and construction of an infrastructure project in Doha, Qatar, worth € 113 million. The company will build a wastewater pumping station by July 2021. The works include the construction of a wastewater pumping shaft with a depth of 50 m, a diameter of 36 m and a planned pumping capacity of 6,000 l/s. Also being built are an upstream screen shaft with a similar depth and a diameter of 24 m, including a state-of-the-art odour control system, as well as ancillary buildings and facilities.

MAY

Construction of Lot 6 of Limmat Valley rail line in Dietikon West

Rendering of Limmattalbahn

STRABAG AG of Switzerland was awarded the contract to build the Limmattalbahn (Limmat Valley rail line) in Dietikon West (Lot 6) with a value of about CHF 58 million (~ € 51 million, STRABAG share: 50 %). Central project elements of the works at Lot 6 include the redesign of the intersections Überlandstrasse/Badenerstrasse and Mutschellenstrasse/Industriestrasse.

EFKON expands its presence on the Norwegian market

EFKON, the STRABAG subsidiary specialising in toll collection systems, has expanded its share in the Norwegian toll collection system market with two more projects. Following the Bypakke Bergen and Oslopakke 3 contracts with more than 100 tolling stations and a maintenance contract for eight years, EFKON was entrusted with the implementation of two new projects, “Nordhordland package in Hordaland” and “Damåsen-Saggrenda”. The contracts for Nordhordland and Damåsen include the construction and operation of at least five toll stations near Bergen and at least three near Oslo. Commissioning took place at the latest in the first quarter of 2020. The order includes a maintenance contract of at least seven years with the option of an annual renewal.

JUNE

Groundbreaking ceremony for educational campus Seestadt Aspern Nord in Vienna

Together with the city of Vienna, the groundbreaking ceremony for the construction of the educational campus Seestadt Aspern Nord took place on 17 May 2019. The bidding consortium of HYPO NOE Leasing and STRABAG Real Estate (SRE) was awarded the contract in an EU-wide tender for the further design, build, finance and operate phases of the educational campus Seestadt Aspern Nord and the educational campus Aron Menczer. The new educational facility includes a kindergarten with 12 groups, an all-day elementary school with

Rendering of the educational campus

17 classes and a middle school with 16 classes, for a total of 1,100 children, as well as a youth centre. The facility is to open on schedule at the beginning of the 2021/22 school year.

STRABAG PFS buys PORREAL in Poland and the Czech Republic

STRABAG PFS Austria signed an agreement to acquire 100 % of the shares of PORREAL Polska sp. z o.o. of Warsaw and PORREAL Česko s.r.o. of Prague. The target companies had previously been owned by the PORR Group, which is withdrawing from the property and facility management business in these regions. Together, the two companies generate annual revenue of approximately € 6 million. At PORREAL in Poland, 83 employees are largely responsible for the technical and infrastructural facility management for office properties in Warsaw. In addition to this new customer segment, the acquisition increased STRABAG PFS's level of vertical integration in the areas of refrigeration and fire protection. In the Czech Republic, most of the revenue is generated in Prague with twelve technical specialists.

STRABAG SE expands its Management Board to include digitalisation

Effective 1 January 2020, STRABAG SE has added digitalisation, among others, as a Management Board responsibility, correspondingly increasing the size of the board from five to six members. The new portfolio, Digitalisation, Innovation and Business Development, will be assigned to Klemens Haselsteiner. Klemens Haselsteiner started his career in 2004 at the auditing firm KPMG in Austria. After completing his civil service and gathering work experience at a Russian industrial group, he joined the STRABAG Group in Russia in 2011. There he was entrusted with central controlling, among other things. From 2015, he was employed at the German STRABAG group company Ed. Züblin AG, Stuttgart subdivision – initially as commercial business unit manager for turnkey construction, as of 2018 as commercial subdivision manager.

STRABAG commences expanded € 1 billion contract for polyhalite mine in the UK

The TBM "Stella Rose" ready for action at Wilton

STRABAG SE was issued a notice of commencement to begin two further tunnel construction contracts (Drives 2 and 3) on behalf of York Potash Ltd. for its North Yorkshire Polyhalite Project. The two drives between the shaft at Lockwood Beck and the Woodsmith Mine will have a total length of 24 km and a depth of 360 m. STRABAG had already commenced the design-and-build contract for Drive 1, a 13 km section from the tunnel portal at Wilton to Lockwood Beck in the first quarter of 2018. The total amount commenced to date is about € 1.0 billion from the contract awarded to STRABAG, which also includes the construction of the underground material transport system, the contract for which will commence later this year.

EFKON wins large Smart City project in in India

EFKON is implementing a traffic monitoring system in Aligarh, India. The contract value for this Smart City project is approx. € 13 million. The contract covers the installation, operation and maintenance of a new traffic surveillance system covering an area of 85 km² with 227 cameras and 63 pan-tilt-zoom (PTZ) cameras, red light surveillance systems with 74 cameras, and other traffic management components. Construction will take place over twelve months, followed by 60 months of operation and maintenance.

JULY

Modernisation of a railway line in the south of the Czech Republic

STRABAG Rail a.s. was awarded the contract to modernise the 11.3 km railway section between Soběslav and Doubí on behalf of the Czech national railway infrastructure authority. The contract value amounts to CZK 3.86 billion (~ € 150 million). Work began in September 2019 and will last 46 months. The contract was awarded to a consortium consisting of STRABAG Rail a.s., EUROVIA CS a.s. and Metrostav a.s. The share attributable to consortium leader STRABAG Rail a.s. amounts to 53.21 %.

First Motel One in Poland developed and completed by STRABAG Real Estate

Motel One in the centre of Warsaw, Poland

STRABAG Real Estate handed over a hotel building it developed in the centre of Warsaw to hotel operator Motel One GmbH. The 333 state-of-the-art rooms and a spacious interior including a reception and lobby, a lounge and a bar as well as conference rooms with a total usable area of about 10,580 m² were completed within a period of two years opposite the Chopin Museum in Tamka Street.

AUGUST

Modernisation of a railway line in the north of the Czech Republic

STRABAG Rail a.s. was awarded the contract by the Czech railway infrastructure authority to modernise the approximately 12 km railway section between Oldřichov u Duchcova and Bílina in the north of the Czech Republic. The contract has a total value of CZK 1.91 billion (~ € 74 million). The construction works are scheduled for completion in the spring of 2021. The contract was awarded to a consortium consisting of STRABAG Rail a.s., OHL ŽS, a.s. and MONZAS, spol. s r.o. The share attributable to consortium leader STRABAG Rail a.s. amounts to 73 %.

Project start at “In der Wiesen Ost” to build privately financed owner-occupied flats

Privately financed owner-occupied flats at In der Wiesen Ost

STRABAG Real Estate Austria is developing a high-quality residential complex located at Rößlergasse 13, 1230 Vienna, within the In der Wiesen Ost development area. The project in the highly sought-after Obere Wiese residential area will have a total of 143 privately financed owner-occupied flats with modern and ecologically sustainable living standards. The multifaceted nature of the complex is reflected in the characteristic façade design of the three buildings. “Esprit” features textiles in eye-catching colours, “Harmonie” puts the spotlight on wood panels and “Elegance” presents itself with timeless aesthetics in glass. Special highlights include a flexible event space, a modern gym and a meeting area. Completion is scheduled for autumn 2021.

SEPTEMBER

Final agreement between STRABAG consortium and Autostrada Pedemontana Lombarda

STRABAG AG, as the contractor's consortium leader, and Autostrada Pedemontana Lombarda S.p.A. announced that the basic agreement reached in April 2019 had now become legally binding. A legal dispute involving a consortium led by Austria's STRABAG AG in connection with the Pedemontana motorway project in northern Italy had led the client to invoke a guarantee in March 2018, which the consortium deemed unjustified. The present settlement agreement not only put an end to the interim proceedings concerning the invocation of the guarantee, but also to the pending legal disputes related to the construction delays and the accompanying considerable cost overruns.

STRABAG Group presents the latest trends for building the future

The latest trends for building tomorrow were the focus of the STRABAG Innovation Day 2019 at the ZÜBLIN Campus in Stuttgart, Germany. At the comprehensive interactive exhibition, teams from STRABAG AG, Ed. Züblin AG and other group companies featured innovative products and processes for the entire spectrum of construction – in transportation infrastructures, building construction and civil engineering. Visitors could experience how to systematically optimise building processes with digital tools, they were able to inform themselves about the pollutant-reducing ClAir® Asphalt, resource-saving textile concrete façades or PM-absorbing moss wall modules (MoosTex) and gained vivid insights into the use of augmented reality and robotics in the construction industry.

At the STRABAG Innovation Day 2019, visitors got to know the humanoid robot BAGSTAR (very top), gained insights into the technology of mobile mapping (top left) or found out more about the project partnering scheme teamconcept (top right).

ZÜBLIN realising new modern, three-part office complex in Berlin-Schönefeld

Ed. Züblin AG, acting as general contractor, is realising a modern three-part office building complex on Mizarstraße in Berlin-Schönefeld, Germany, on behalf of client DIE AG Sechste Projektgesellschaft mbH & Co. KG. The order, which has a value of approx. € 46 million, covers the turnkey construction of three four-storey office buildings with a total gross floor area of approx. 24,700 m² on U-shaped and L-shaped floor plans. The design by Blumers Architekten of Berlin provides for three light-flooded block buildings surrounding a green inner courtyard. An underground car park with 89 spaces and a further 119 outdoor parking spaces complete the new building project. Construction began in September, with completion scheduled approx. 22 months later in July 2021.

OCTOBER

STRABAG building Hatta pumped storage power plant in Dubai

STRABAG will design, build and commission the Hatta pumped storage power plant in the emirate of Dubai on behalf of the Dubai Electricity and Water Authority. The total contract value for the consortium, consisting also of Austrian company ANDRITZ as the technology supplier and Turkish construction company ÖZKAR İNŞAAT, amounts to approximately € 340 million. STRABAG is the consortium leader with a share of 35 % or € 118 million. The pumped storage power plant is located in the Hajar Mountains, 140 km southeast of the city of Dubai. STRABAG will build a turbine shaft with a diameter of approximately 36 m and a depth of almost 70 m to house two Francis turbines with a power output of 250 MW. A 1.2 km long pressure tunnel to be excavated by the construction consortium will connect the existing lower reservoir, upgraded by STRABAG, to the new upper reservoir. The upper reservoir will be constructed with two roller-compacted concrete dams with a height of approximately 35 m and 70 m. In addition, STRABAG has been entrusted with the construction of two road tunnels with a length of approximately 470 m and 440 m using blast excavation. The scope of the contract also includes the reinforced concrete outflow and intake structures, several ancillary buildings as well as their extension and mechanical and electrical systems.

ZÜBLIN and MAX BÖGL awarded € 500 million contract for airport connection of new Stuttgart–Ulm railway line

The consortium consisting of ZÜBLIN (technical management) and the Max Bögl Group has been awarded the contract for the project approval section 1.3a of the new Stuttgart–Ulm railway line in Germany. The order, worth a total of approximately € 500 million, covers a 5.3 km section of the new railway line alongside the A8 motorway between the boundaries of project approval sections 1.2 (Filder Tunnel) and 1.4 (Filder Plain to Wendlingen) and also includes the new long-distance and regional station beneath the Stuttgart airport and trade fair centre, its connection to the new railway line through the approximately 2.1 km airport tunnel, and the partial relocation of state road 1204. This new project section also comprises a new connection between the new railway line and the airport curve, to be built at a later date to link the existing airport/trade fair station, including a new third track, to the Stuttgart–Hattingen railway line (Gäu Railway).

Witten/Herdecke University opts for timber in new campus building

The groundbreaking ceremony for the three-storey hybrid timber building, built to a design by the Berlin-based architects Kaden+Lager as a link between the existing buildings of the Witten/Herdecke University campus in Germany, is scheduled for May 2020. The approx. € 22 million turnkey construction contract including planning and outdoor facilities went to the Aichach-based timber construction specialist ZÜBLIN Timber, a subsidiary of Ed. Züblin AG. In addition to office, administrative and seminar

New campus building at Witten/Herdecke University: open space for work and communication rooms, the extension building will also house the library, event rooms and a café/bar. Witten/Herdecke University wants to create more space for its 2,600 students and over 900 employees to support them in their personal, academic and professional development. The completion of the extension building is scheduled for the summer of 2021.

NOVEMBER

STRABAG building second section of new pumping station for Toronto wastewater treatment plant

The Canadian subsidiary of the STRABAG Group was awarded a contract by the City of Toronto to build the second section of the new integrated pumping station at the Ashbridges Bay Wastewater Treatment Plant. The contract with a value of around CAD 120 million (approx. € 80 million) covers the construction of shafts and feeder tunnels. The integrated pumping station allows the underground transport of wastewater to the Ashbridges Bay Wastewater Treatment Plant. The main part of the project involves two large-scale shafts: one 68 m deep with a diameter of 27 m and another 27 m deep with a diameter of 32 m. Including five smaller shafts, this results in a total of 153 m of shafts to be built. The shafts will be linked to feeder tunnels with a total length of 445 m, with a rock tunnel section as well as a parallel pressure pipe in an open cut close to the surface.

The pumping station will be built on this site of the Ashbridges Bay Wastewater Treatment Plant.

DECEMBER

STRABAG investing € 9 million in Austria's most modern apprenticeship training centre

The new training centre will meet the training needs of 250 apprentices per year.

STRABAG is planning a new corporate apprentice training workshop in Ybbs on the Danube to meet the training needs of approximately 250 apprentices a year. The company is investing € 9 million in the most modern apprenticeship training centre in Austria. The 31,000 m² facility will include a training shop with classrooms, open space for construction equipment operator training and accommodations for 40 apprentices including recreational areas. Ybbs on the Danube was chosen as the location as it lies along the important Westbahn rail corridor and because, due to the presence of other companies' training facilities, an extensive infrastructure for apprentices already exists in the area.

Country report

DIVERSIFYING THE COUNTRY RISK

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

The STRABAG SE Group generated a record output for the third year in a row in the 2019 financial year. With a plus of 2 % to € 16.6 billion, the company exceeded its own forecast. Business was characterised in particular by growth in the home market of Austria and in transportation infrastructures in Poland, Hungary and the Czech Republic, which more than compensated for the decline caused by the loss of a key German client in property and facility services. Performance in the remaining markets was mixed.

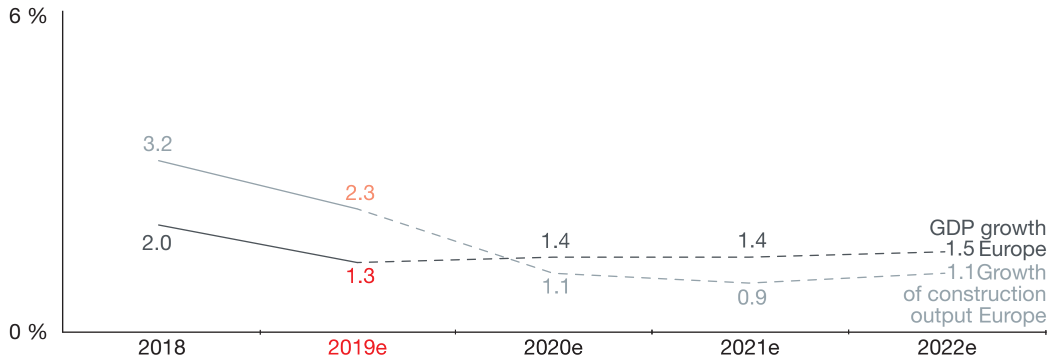
OUTPUT VOLUME BY COUNTRY

€ mln.	2019	% of total output volume 2019[1]	2018	% of total output volume 2018	Δ %	Δ absolute
Germany	7,819	47	7,877	48	-1	-58
Austria	2,679	16	2,542	16	5	137
Poland	1,129	7	975	6	16	154
Hungary	848	5	714	4	19	134
Czech Republic	783	5	706	4	11	77
Americas	714	4	667	4	7	47
Slovakia	369	2	515	3	-28	-146
Rest of Europe	343	2	349	3	-2	-6
Benelux	318	2	351	2	-9	-33
Switzerland	232	1	273	2	-15	-41
Romania	225	1	197	1	14	28
Sweden	205	1	178	1	15	27
Asia	179	1	162	1	10	17
Croatia	152	1	163	1	-7	-11
Middle East	148	1	206	1	-28	-58
Serbia	148	1	111	1	33	37
Denmark	99	1	92	1	8	7
Russia	71	1	78	1	-9	-7
Africa	66	0	57	0	16	9
Slovenia	49	0	68	0	-28	-19
Bulgaria	42	0	42	0	0	0
Total	**16,618**	**100**	**16,323**	**100**	**2**	**295**

1 Rounding differences are possible

ECONOMY CONTINUES TO MOVE SIDEWAYS[1]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Global politics has once again become a key factor significantly impacting the development of the global economy. The trade conflict between the US and China as well as the discussions and uncertainties surrounding Brexit adversely affected the confidence of companies and households, resulting in weaker investment growth, exports and private consumption. GDP growth therefore remained relatively low in many economies in 2019. In the more highly developed countries, the slowdown occurred on a broad front. In the emerging and developing countries, the decline in economic activity was even more pronounced.

The World Bank revised its growth forecast for the global economy in 2019 down by 0.2 percentage points to 2.4 % and expects growth of 2.5 % and 2.6 % in 2020 and 2021. According to its latest report, the United States is primarily harming itself with its trade conflicts. The reason for the lowest growth since the financial crisis more than a decade ago is the unexpectedly weak recovery in trade and investment. At the same time, the World Bank warns of a new wave of debt in emerging and developing countries.

The economic momentum also slowed significantly in the 19 Euroconstruct countries in 2019. The turmoil in world trade is reducing industrial production and the propensity to invest in Europe. Euroconstruct's most recent macroeconomic forecasts do not anticipate a global crisis, but only forecast annual GDP growth of between 1 % and 2 % for the years up to 2022.

BCONSTRUCTION SECTOR EXPECTS STIMULUS FROM NEW EUROPEAN ENVIRONMENTAL POLICY

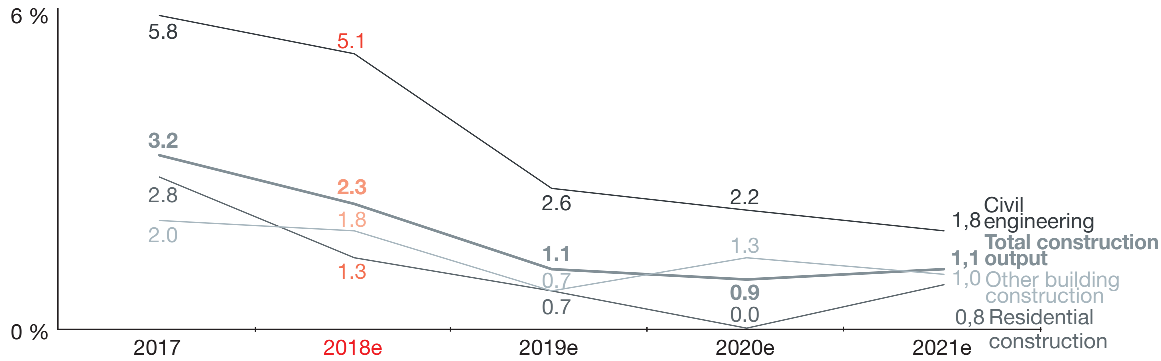
With solid 2.3 % growth, the construction economy in the 19 Euroconstruct countries expanded for the sixth year in a row in 2019 and thus again grew more strongly than the economy as a whole – albeit at a somewhat slower pace. The construction sector is benefiting from economic factors such as the currently solid purchasing power of households, favourable financing conditions and higher corporate profits. Additional stimulus is expected from the European Commission's Green Deal and the associated stronger environmental policies of the national governments. Nevertheless, the experts at Euroconstruct remain cautious and in their current forecasts for 2020–2022 only expect growth rates between 0.9 % and 1.1 %.

Construction output in the 19 Euroconstruct countries was around € 1,637 billion in 2019. Yet even after five years of continuous growth, this is still far below the peak before the financial crisis of 2008. This is mainly due to the developments in Spain and Italy, although two-thirds of the Western European countries expected a higher total construction volume in 2019 than in 2007. The national differences, therefore, remain large.

1 All growth forecasts as well as the particular national construction volumes are taken from the Euroconstruct and EECFA (Eastern European Construction Forecasting Association) winter 2019 reports. The indicated market share data are based on the data from the year 2018.

CIVIL ENGINEERING CONTINUES TO OUTPERFORM RESIDENTIAL CONSTRUCTION AND OTHER BUILDING CONSTRUCTION

GROWTH COMPARISON CONSTRUCTION SECTOR EUROPE



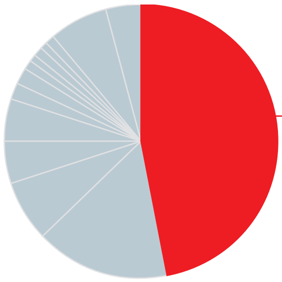
Viewed by sector, European civil engineering saw the strongest growth in the past year with an increase of 5.1 %, followed by other building construction with +1.8 % and residential construction with +1.3 %.

Residential construction, which accounts for nearly half of all European construction output, grew by 1.3 % in 2019. In absolute numbers, France and Germany were again at the top, followed by the United Kingdom and Italy. The largest growth rates were recorded in Slovakia, Hungary, Ireland, Portugal and Poland. In 2020, however, growth in the sector is likely to slow further to a total of 0.7 %. Above-average growth rates are predicted especially for Ireland, which has been among the top performers here for years, as well as the Czech Republic and Portugal. The development in Germany is likely to stagnate in 2020.

Other building construction, which was responsible for almost a third of the European construction volume in 2019, grew by 1.8 % in the 19 Euroconstruct countries. Viewed by country, Ireland, Hungary, the Netherlands, Poland, Norway and Sweden saw the highest increases. Euroconstruct forecasts moderate declines in Germany in this sector in the coming years.

Civil engineering, which accounts for around 20 % of the European construction volume, showed a highly inconsistent picture in 2019, although overall, with a plus of 5.1 %, it was significantly above the forecasts. The strongest increases were recorded in Hungary, Ireland, Poland, France, the United Kingdom, Norway and Sweden, while Germany was only slightly positive with +0.7 %. Euroconstruct sees a more uniform picture for the future and expects growth of 2.6 % for 2020. This development should be supported above all by the high dynamics in the Eastern European countries with the exception of the Czech Republic. For Germany, the largest market in terms of volume, Euroconstruct expects a slight decline from 2020 to 2022.

GERMANY



Overall construction volume:	€ 352.8 billion
GDP growth:	2019e: 0.6 % / 2020e: 0.9 %
Construction growth:	2019e: 0.8 % / 2020e: -0.6 %

The German economy was in a slight downturn in 2019. While GDP growth still stood at 1.5 % in 2018, the forecasts for 2019 only see an increase of 0.6 %. The main reasons for this development are a decline in foreign trade due to international trade conflicts as well as the uncertainties regarding the impact of Brexit. Overall, the mood in Germany's export-oriented industry has been slightly subdued since the beginning of 2018. Especially the automotive industry, which is very important for the country, is facing major challenges. The medium-term moderate growth of around 1 % p.a. therefore results primarily from the relatively stable private domestic consumption.

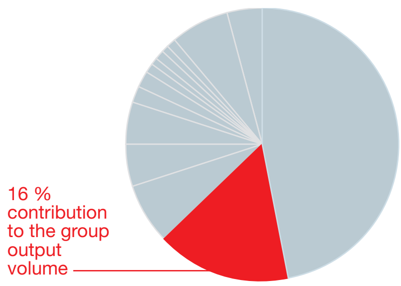
According to Euroconstruct, the German construction industry is likely to have seen its last growth year for the time being in 2019 with a plus of 0.8 %. The impact from the massive public-sector investment in residential construction has now flattened out, and the extent of public investment in the modernisation of the rail network cannot yet be clearly estimated. The sector is being stimulated by low lending rates and rising real wages, while the impact of the tax relief for energy-saving measures from the government's climate package is not yet clearly evident. In the coming years, residential construction, which still represents more than half of the total German construction volume, is likely to be characterised by a slightly downward trend. For the entire construction sector, Euroconstruct already expects a slight decline of 0.6 % in 2020, while slight downward growth of -0.8 % and -0.7 % is also expected for the following two years.

Thanks to the general economic development in 2019, other building construction remained in positive territory with a slight increase of 0.1 %. In the medium term, however, rising energy prices, the growing importance of foreign production sites and the triumphant advance of online retail, which is dampening the demand for new commercial buildings, are also suggesting slightly declining results in this sector.

Civil engineering recently benefited from government investment programmes for rail and road infrastructure. The ongoing budget recovery at the local level also had a positive impact on the construction and expansion of roads and water networks. While the sector still achieved growth of 0.7 % in 2019, it should face a moderate correction phase in the coming years.

With a market share of 2.3 %, the STRABAG Group is the market leader in Germany. Its 15.6 % share of the German road construction sector is significantly higher than that of the market as a whole. With € 7,818.59 million, around 47 % of STRABAG's total group output volume was generated in Germany in 2019 (2018: 48 %). Most of the output is allocated to the North + West segment, while the property and facility services provided in Germany are allocated to International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 43.7 billion
GDP growth:	2019e: 1.7 % / 2020e: 1.4 %
Construction growth:	2019e: 2.6 % / 2020e: 1.3 %

The Austrian economy grew by 1.7 % in 2019, once again above the average of the neighbouring countries. Nevertheless, the growth rate for Austria is also expected to decline further. The Austrian economy is primarily driven by exports and strong domestic consumption. In contrast to Germany, the experts at Euroconstruct estimate the risk of a recession for Austria as rather low. Despite forecasts of a further economic slowdown to a value of +1.4 % for 2020, growth should remain at least at this level in the years that follow.

Euroconstruct reports significantly higher growth rates for the Austrian construction industry in 2019. Residential construction has been the main growth driver in recent years, supported by low financing costs. Overall, construction output grew by 2.6 % in 2019. However, the upward curve is expected to flatten to +1.3 % in 2020 and consolidate in 2021 and 2022 with growth of 1.4 % in each of those years.

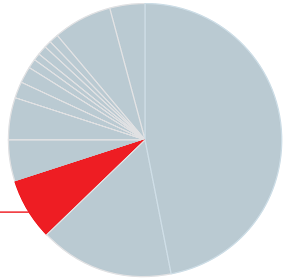
In Euroconstruct's assessment, Austrian residential construction recorded a remarkable increase in output of +3.5 % in 2019. Fundamental indicators and a decline in building permits suggest that the sector may lose some momentum in the coming years, however. Similar to the construction industry as a whole, a slowdown to +1.0 % is expected for 2020 before the growth rates level off at 1.2 % and 1.1 % in 2021 and 2022.

Other building construction was also able to benefit from the general economic development in 2019 with an increase of 1.9 %. Due to increased foreign and domestic demand, industry and retail were again more dynamic, though they probably passed their respective highs already in 2018. Given the growing need for care facilities, positive stimulus can currently only be expected from the healthcare sector. As neither the economic development nor the public sector is expected to provide additional growth impulses, the experts forecast that other building construction will grow by 1.1 % in 2020. In 2021 and 2022, growth should pick up again slightly to 1.4 % and 1.8 %.

Even civil engineering in Austria achieved growth of 2.0 % in 2019, primarily due to investments in transportation infrastructure. The further expansion of the road and especially the rail network will continue to have a fixed place in the Austrian budget in the coming years. Investments in the energy sector are expected to provide additional stimulus. Euroconstruct therefore expects an increase of 2.4 % for 2020, with growth of 1.9 % and 1.3 % forecast for 2021 and 2022, respectively.

The STRABAG Group generated 16 % of the total group output volume in its home market of Austria in 2019 (2018: 16 %). Austria thus continues to be one of its top three markets along with Germany and Poland. The output reached a volume of € 2,678.66 million in 2019. With a share of 6.0 %, STRABAG is the market leader in the country. In road construction, the market share stands at 38 %.

POLAND



Overall construction volume:	€ 59.8 billion
GDP growth:	2019e: 4.5 % / 2020e: 4.0 %
Construction growth:	2019e: 8.0 % / 2020e: 4.2 %

Following the positive development of the past few years, the Polish economy again posted a stable plus of 4.5 % in 2019. Similarly solid though somewhat lower growth is also forecast for the coming years. Rising consumption, which in turn is being fuelled by the positive situation on the job market, should also shape the coming years. The massive investments of the public sector in important infrastructure projects, co-financed by EU funding programmes, are also contributing to the positive development. In 2019, corporate investments for the first time contributed the largest share to the increase in total gross fixed capital formation.

After strong fluctuations in the past few years, the Polish construction industry once again had a very successful year in 2019 with growth of 8.0 %. The main drivers for the high growth rates in recent years were the numerous investment projects carried out under the EU's 2014–2020 Infrastructure and Environment Programme. As the majority of these subsidies have now been absorbed, Euroconstruct is predicting only 4.2 % growth for the sector in 2020. The continuing shortage of labour could prove to be an additional bottleneck. For 2021 and 2022, Euroconstruct is therefore forecasting growth rates of only 0.7 % and 1.8 %, respectively, for the Polish construction industry.

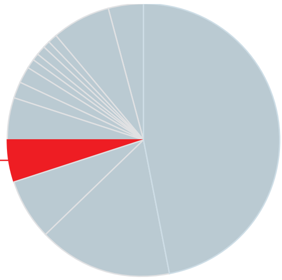
The residential construction sector exhibited growth of 6.6 % in 2019. The still high demand for residential real estate can be attributed, among other factors, to the positive development of private income compared to real estate prices. For 2020, Euroconstruct predicts moderate growth of +2.9 % before the construction volume is expected to decline by 2.5 % in 2021, although it should increase again by 3.4 % in 2022.

Other building construction also achieved a solid plus of 5.4 % in 2019. In addition to large orders from local governments and the public sector ahead of the Polish parliamentary elections, investments by foreign companies in new production facilities also provided some momentum. As part of the modernisation of the rail network, the renovation of 200 railway stations is also planned in the coming years. Euroconstruct forecasts that the sector will grow by 4.0 % in 2020, while the values should fluctuate between +5.3 % and +2.9 % in 2021 and 2022.

By far the strongest growth in 2019 came in civil engineering with a plus of 12.8 %. In addition to the positive development of the Polish economy as a whole, this is due above all to the EU funding programmes. The greatest increases were registered in rail construction. The Polish government attaches high priority to the construction of the Via Carpata, a trans-European road link between Lithuania and Greece, which runs for 760 km through Poland. Against this background, Euroconstruct forecasts that civil engineering will grow by a further 5.6 % in 2020. With the end of the EU's financial framework for 2014–2020, however, the momentum will decrease in 2021 with -2.4 % and in 2022 with -0.9 %.

As the number two in the construction sector in Poland, STRABAG realised a construction volume of € 1,129.22 million here in 2019, representing 7 % of the group's total output volume (2018: 6 %). Poland thus represents the third-largest market of the STRABAG Group. Its market share in the entire Polish construction market was 1.8 % and its share of road construction was 8.8 %.

HUNGARY



Overall construction volume: € 15.6 billion
GDP growth: 2019e: 4.5 % / 2020e: 3.3 %
Construction growth: 2019e: 13.3 % / 2020e: 5.4 %

The growth momentum of the Hungarian economy weakened somewhat in the reporting period, although in a European comparison it remained at a relatively high level of +4.5 %. The high level of economic growth is primarily due to the high level of EU funding for the 2014–2020 period and the resulting public sector contracts, particularly in the construction sector. In total, gross fixed capital formation in Hungary increased by a strong 15.9 % in 2019, as rising foreign demand ensured a high trade surplus. At the same time, rising household incomes and statutory wage increases, with a simultaneously falling unemployment rate, boosted domestic consumption. Against this background, Euroconstruct forecasts another solid GDP increase of 3.3 % for 2020.

The Hungarian construction economy recorded another strong upswing of 13.3 % in 2019. The positive development was largely supported by the above-average dynamic in residential construction and civil engineering. For 2020, Euroconstruct predicts a further 5.4 % increase in the industry before growth slows to 3.0 % in 2021 when the current EU financial framework expires. After five years in a row with positive growth rates, the forecast for 2022 sees a decrease of the construction volume of -5.1 %.

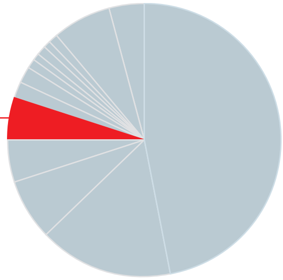
Residential construction once again saw strong growth in 2019, at +9.1 %, although the momentum was significantly lower than in previous years. The market for new buildings had been booming here due to persistently low interest rates and a generous fiscal policy with subsidies and special loans aimed at raising the standard of living especially of young families. Now, however, Euroconstruct is forecasting that the sector will stagnate or undergo an adjustment in the coming years. While weak growth of 0.6 % should still be possible in 2020, a correction phase with declines of 1.7 % and 3.5 %, respectively, is likely in 2021 and 2022.

Stimulated by massive public investments and extensive EU subsidies, other building construction also achieved a remarkable plus of 10.7 % in 2019. Intense construction activity can be seen above all in industry, office real estate, tourism, healthcare and the sports sector. Foreign companies are investing heavily in new industrial facilities, and between 200,000 and 250,000 m² of new office space are currently being built in the big cities alone. At the same time, the government is funding extensive town and village renewal programmes as well as the renovation of historic buildings in the cultural sector. For 2020 and 2021, Euroconstruct still forecasts annual growth rates of 6.4 % and 5.6 % for other building construction. Due to the end of the EU financial framework for 2014–2020, however, a decrease of 7.6 % is expected for 2022.

Civil engineering proved to be the most successful segment with an increase of 19.7 % in 2019. One of the primary goals of the Hungarian catching-up process is the creation of modern infrastructure. Euroconstruct expects the growth trend in civil engineering to continue in 2020 with +7.7 % and a growth rate of 3.2 % in 2021. A decline of 3.3 % is expected for 2022 for the first time in six years.

The STRABAG Group generated € 847.82 million, or 5 % of its output, in Hungary in 2019 (2018: 4 %). This puts STRABAG in first place in the Hungarian construction market. Its share of the total market reached 5.2 %, that in road construction 21.8 %.

CZECH REPUBLIC



Overall construction volume: € 22.5 billion.
GDP growth: 2019e: 2.6 % / 2020e: 2.4 %
Construction growth: 2019e: 3.3 % / 2020e: 1.6 %

The Czech economy grew by 2.6 % in 2019, a rate that was again significantly above the average of the European countries. The positive economic development is being driven mainly by private consumption and the extremely positive employment situation. In addition, a national investment plan presented by the government foresees massive investments in more than 17,000 projects for the years 2019 to 2030, although the total estimated investment volume is not considered to be realisable. Due to the further increase in the already strong private consumption, Euroconstruct continues to expect moderate GDP growth rates of around 2.3 % p.a. for the next three years.

After several years of volatile development, the Czech construction industry showed solid growth of 3.3 % in 2019. This made the construction sector the last sector to recover after the 2008 financial crisis. In addition to structural problems, the delayed consolidation was mainly due to a massive shortage of skilled workers, which is currently driving wage costs up by around 10 % annually. Moreover, the Czech Republic is one of the 40 slowest countries in the world in terms of the processing time for building permits. For 2020, Euroconstruct therefore again forecasts a lower growth rate of 1.6 % for the Czech construction industry. As funds begin to flow in 2021 from the new EU financial framework for 2021–2027, the experts predict the country will see somewhat higher growth rates of 1.8 % and 2.4 % in 2021 and 2022.

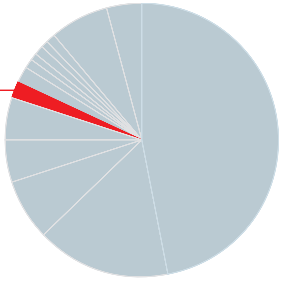
The high demand for new apartments and single-family houses, spurred by low mortgage rates, led to remarkable growth of 3.6 % in residential construction in 2019. In recent years, real estate developers had already reached their limit in finding suitable building sites and receiving building permits; in the meantime, however, amendments to Czech building law have clearly helped to relieve this situation. Against this background, Euroconstruct continues to predict strong growth of 5.3 % for 2020. In 2021 and 2022, theses figures should decrease to still very solid +4.3 % and +3.6 %, respectively.

Other building construction grew by 2.2 % in 2019 after the sector had already recovered from a multi-year recession in the two years before. Investments in industrial and logistics centres, as well as the construction of shopping centres and large office buildings, should bring this sector a significant plus of 3.8 % in 2020, a decline of 0.2 % in 2021, and stagnation the following year. Nevertheless, the Czech Republic remains very attractive to foreign investors.

Czech civil engineering likely reached a peak in 2019 with a strong plus of 4.3 %. In addition to projects already started in rail and road construction as well as in metro lines and waterways, other investments in the pipeline include work on the power grid, upgrades for existing nuclear power plants and the expansion of two airports. Due to the general economic slowdown and the end of the EU financial framework for 2014–2020, however, Euroconstruct predicts the sector to contract significantly in 2020 with -6.3 % before the trend clearly points upwards again in 2021 and 2022 with +0.6 % and +3.7 %.

STRABAG is the number two on the market in the Czech Republic. With an output volume of € 782.78 million in 2019, around 5 % of the group's total output (2018: 4 %) was generated in the country. The market share in the entire construction market is 3.2 % and in road construction even amounts to 17.2 %.

SLOVAKIA



Overall construction volume:	€ 5.5 billion
GDP growth:	2019e: 2.4 % / 2020e: 2.3 %
Construction growth:	2019e: 0.2 % / 2020e: 1.0 %

In parallel to the slowdown in economic momentum across the entire eurozone, GDP growth in Slovakia also slowed to 2.4 % in 2019. The development was still driven by the high level of consumer spending by private households and the high net exports. Despite an expected decline in public investment, Euroconstruct forecasts that the Slovak economy will continue to grow steadily between 2.3 % and 2.8 % over the next three years. This assessment is based, among other factors, on the good order situation of the automobile manufacturers based in the country.

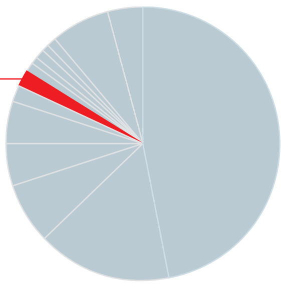
The Slovak construction industry grew by 0.2 % in 2019, significantly more weakly than in the two previous years. According to Euroconstruct, the fundamental direction is unlikely to change in the next two years and will even result in a minus of 0.4 % in 2022. Residential construction, which increased by a remarkable 11.7 % in 2019, again benefited from the low interest rates on loans and the increased demand for real estate for personal use and for investment purposes. This effect is probably only temporary, however. For the next three years, Euroconstruct predicts the sector's growth momentum to fall below zero.

Despite positive general economic figures, other building construction in Slovakia grew by only 0.1 % in 2019, even though large investments by car manufacturers for the expansion of their production capacities still had a positive impact and the retail sector demanded modern logistics centres and warehouses. According to Euroconstruct, the implementation of several large investment projects in Bratislava should again result in somewhat better capacity utilisation in 2020 (+1.0 %) and 2021 (+1.8 %) before the curve turns into the negative with -2.7 % in 2022.

After a remarkable growth rate of 18.6 % in the previous year, civil engineering suffered a painful decline of -7.8 % in the reporting period, albeit at a high absolute level. This development was due in part to the expiry of funding from the EU financial framework for 2014–2020. Large-scale projects in particular are likely to lead to positive growth rates of 4.3 %, 4.6 % and 3.3 % in the next three years, however.

With a market share of 9.3 % and an output volume of € 369.04 million in 2019, STRABAG is the market leader in Slovakia. In road construction, STRABAG's share is 17.4 %. In 2019, Slovakia contributed 2 % to the group's total output volume (2018: 3 %).

BENELUX (BELGIUM AND NETHERLANDS)



BELGIUM

Overall construction volume:	€ 47.7 billion
GDP growth:	2019e: 1.1 % / 2020e: 1.1 %
Construction growth:	2019e: 2.8 % / 2020e: 3.8 %

NETHERLANDS

Overall construction volume:	€ 83.4 billion
GDP growth:	2019e: 1.8 % / 2020e: 1.5 %
Construction growth:	2019e: 3.6 % / 2020e: 0.5 %

The economy in Belgium and the Netherlands developed moderately dynamically in 2019. Low yet steady GDP growth of 1.1 % in Belgium and somewhat higher growth of 1.8 % in the Netherlands can be attributed to rising corporate investments, slightly higher household incomes and somewhat lower unemployment.

The **Belgian construction industry** achieved a plus of 2.8 % in the reporting period; in particular civil engineering grew strongly by +6.5 %.

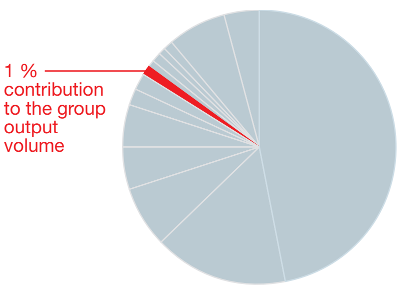
Large national infrastructure projects, such as the expansion of the regional express rail network, contributed to this positive development. As these generate around 40 % of growth in the entire Belgian construction sector, Euroconstruct forecasts a somewhat stronger increase of 3.8 % and 3.4 % for 2020 and 2021, respectively. In addition, the government that was newly elected in May 2019 gave a clear indication of upcoming investments. The growth is expected to slow back to 1.2 % in 2022, however. Other building construction, which has been somewhat weak in recent years, also benefited from public sector investments in national programmes. Residential construction, which had benefited primarily from temporary tax breaks and a significant expansion of building permits in recent years, grew rather moderately in 2019 at +1.6 %. Due to the start of energy efficiency promotion programmes, however, Euroconstruct predicts growth of between 3.4 % and 3.9 % for the next two years before levelling off again at +1.1 % in 2022.

The **Dutch construction industry**, with an increase of 3.6 %, seems to have passed the zenith of a multi-year growth phase in 2019. According to Euroconstruct, growth could shrink to 0.5 % and 1.3 % in 2020 and 2021, respectively. A new, very restrictive law by the Dutch government that will limit nitrogen emissions in environmentally sensitive regions of the densely populated country will have a major impact on future development. As an estimated 18,000 projects are affected by the new regulation, this is having a strong impact on the overall construction activity in the country and is delaying many building permits. By 2022, however, this change should largely be coped with, and Euroconstruct again forecasts solid growth of 2.7 % in the industry.

Despite increasing demand for new projects, residential construction, which had previously been the pillar of positive development, saw an increase of only 2.1 % in 2019. Due to high construction costs and a general capacity bottleneck, Euroconstruct predicts a decline of 0.2 % in residential construction for 2020 before the curve goes back up again to +0.7 % in 2021 and +2.7 % in 2022. Other building construction again posted a strong increase of 5.9 % in 2019. The main contributors to this development were new buildings for the retail, healthcare and education sectors, as well as new office properties, industrial buildings and warehouses. But other building construction will also feel the effects of the new nitrogen emissions law. For this reason, and due to a general decline in exports, Euroconstruct predicts that this sector will only grow by 1.5 % in 2020 before the growth levels off at 2.8 % in 2021 and 2.5 % in 2022. Civil engineering increased by 3.4 % in the reporting period and was therefore significantly weaker than originally forecast. The nitrogen emissions law has particularly significant effects on infrastructure projects – and here again explicitly in road construction, which accounts for more than half of the civil engineering volume in the Netherlands. Euroconstruct therefore already anticipates a sideways movement of the sector with +0.6 % each for 2020 and 2021 before a recovery of +2.7 % is expected for 2022.

STRABAG achieved an output volume of € 317.74 million in the Benelux countries in 2019. This corresponds to a 2 % share of the group output volume (2018: 2 %).

SWITZERLAND



Overall construction volume:	€ 61.3 billion
GDP growth:	2019e: 0.9 % / 2020e: 1.9 %
Construction growth:	2019e: 0.7 % / 2020e: -0.4 %

The growth forecasts for the Swiss economy were almost entirely revised downward due to the development of the most important trading partners. Overall GDP growth in 2019 probably only amounted to 0.9 %. Primarily supported by strong wage growth and a healthy labour market, private consumption grew by 1.1 %. In view of the budget surpluses, the experts also see room for public sector investments. However, the declining capacity utilisation in the industrial sector prompted the national bank to conduct a revaluation of the Swiss franc and enact an expansive monetary policy in the reporting period. For 2020 and 2021, Euroconstruct is therefore forecasting slightly higher growth rates of 1.9 % and 1.5 % for the country, with a solid increase of 2.5 % expected again in 2022.

The growth of the Swiss construction industry clearly lost momentum in 2019 with an increase of 0.7 %. While residential construction had been the sector with the most sustained growth in recent years, the momentum is now coming mainly from civil engineering. Euroconstruct is forecasting a slight decline of 0.4 % for the Swiss construction industry overall in 2020, before the trend points up slightly again at +0.2 % in both 2021 and 2022.

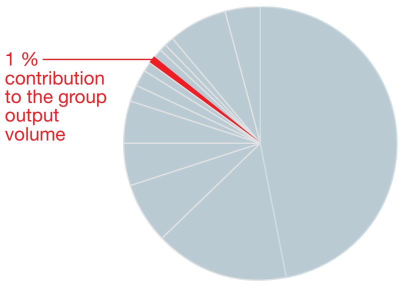
In view of extensive market saturation, Swiss residential construction declined significantly in 2019 with a minus of 2.1 %. While the momentum is clearly weakening in the periphery, the demand for residential buildings in cities like Zurich and Geneva continues to increase. Further rising property prices and high vacancy rates are causing Euroconstruct to predict declines between 2.2 % and 2.5 % for this sector as a whole over the next three years.

In contrast, Swiss companies currently have a little more room for investments in corporate real estate. In 2019, extensive construction projects by the major pharmaceutical and biotechnology companies primarily contributed to the moderate growth in other building construction of 1.8 %. Not least due to planned investments in the healthcare and education sectors, Euroconstruct predicts that other building construction will move sideways by 0.1 % in 2020, although stronger growth rates of 2.3 % and 2.9 % are expected for the two years thereafter.

While residential construction weakened in the past year, civil engineering, as mentioned above, grew by 5.1 %. Here, too, however, the momentum seems to be slowing down: growth is likely to be significantly lower at 2.9 % and 2.6 % in 2020 and 2021, respectively, and to decline to 1.1 % in 2022. The growth in this sector is essentially based on investments by the two infrastructure funds implemented by the Swiss government.

In 2019, Switzerland contributed € 231.95 million, or 1 % (2018: 2 %), to the total output volume of the STRABAG Group.

ROMANIA



Overall construction volume:	€ 19.1 billion
GDP growth:	2019e: 4.1 % / 2020e: 3.6 %
Construction growth:	2019e: 6.4 % / 2020e: 3.7 %

The Romanian economy once again showed a solid upward trend with an increase of 4.1 % in 2019. The momentum primarily resulted from the further increase in private consumption, which in turn was supported by wage growth and pension increases. Increases in industrial production and retail sales also had a positive effect. The impact of these factors should continue over the next two years, leading to growth rates of 3.6 % and 3.3 % in 2020 and 2021, respectively.

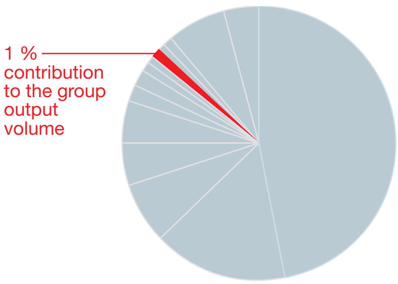
The Romanian construction industry reported positive growth of 6.4 % in 2019, and growth rates of 3.7 % and 2.8 % are also expected for 2020 and 2021. Supported by rising wages and low interest rates on loans, residential construction posted a strong plus of 8.9 % in 2019, which was largely driven by new construction. A large number of ongoing projects and building permits allow growth of 6.0 % and 5.0 % to be expected in 2020 and 2021, respectively, before rising property prices and simultaneously rising interest rates on loans, in some places combined with an oversupply, are likely to cause a slowdown.

Other building construction also saw a strong increase of 11.5 % in 2019, supported in particular by investments by international property developers in new office buildings. Investments by industry and retail also contributed to the positive performance. Foreign companies continue to make targeted use of the comparatively lower wages and, at the same time, the high level of qualifications of the Romanian workforce. Against this background, EECFA also forecasts growth of 2.4 % and 2.5 % also for the next two years.

Civil engineering showed a slight decline of 1.1 % in the year under review. In addition to the presidential elections in autumn 2019 and the associated uncertainties, the low level of funding from the new EU funding programmes, especially for infrastructure measures in the road sector, was a key factor in this development. However, due to new EU funding, EECFA predicts a slight upturn in 2020 with growth of 2.1 % before a return to negative growth rates in 2021 with -0.1 %.

With an output volume of € 225.50 million in 2019 and a market share of 1.1 %, the STRABAG Group continues to be the market leader in the Romanian construction market. In Romanian road construction, the share of the market stands at 3.6 %.

SWEDEN



Overall construction volume:	€ 42.8 billion
GDP growth:	2019e: 1.2 % / 2020e: 1.1 %
Construction growth:	2019e: -0.3 % / 2020e: -1.9 %

The Swedish economy saw slight growth of 1.2 % in 2019. This development was supported by rising real wages with falling unemployment figures and the resulting higher domestic consumption. By contrast, private investment, which has been the driving force behind growth, recently declined. Euroconstruct's medium-term forecast remains unchanged, however. Even if the momentum slows down somewhat, the Swedish economy remains in a phase of upswing. However, the high level of household debt and the expected decline in public investment over the next three years are likely to result in a slight reduction in GDP growth to an average of 1.5 % p.a.

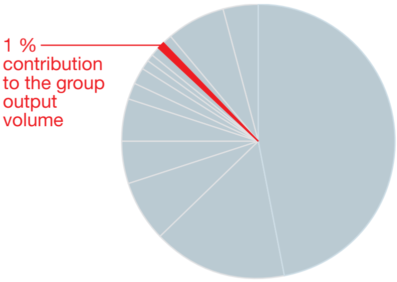
After very dynamic growth in previous years, the Swedish construction volume declined for the second year in a row in 2019 with -0.3 %. For 2020 and 2021, Euroconstruct also anticipates a decline in construction output of 1.9 % and 0.5 %, respectively, before the curve points upwards again in 2022 with +2.9 %. The previous construction boom in residential construction came to a standstill in 2018 due to the entry into force of new financial regulations for private households. For 2019, the sector is attested a further decline of 7.6 %, which should continue in the following two years with losses of 5.5 % and 3.0 %, respectively. Here, too, the trend reversal should succeed in 2022 with +1.9 %.

After several years of solid growth, other building construction entered a phase of consolidation in 2018. In 2019, however, the sector recorded solid growth again with an increase of 4.4 %. This was driven by a general increase in real estate projects and the continuing high level of interest from international investors thanks to the attractive returns in the Swedish real estate market. The forecasts for the coming years are not overly optimistic, however. According to Euroconstruct, the momentum in other building construction should cool down again to -2.5 % and -1.4 % in 2020 and 2021 before picking up again in 2022 with +1.9 %.

Swedish civil engineering again grew above average in 2019 with a plus of 6.8 %. Public sector investments in rail infrastructure and public transport, as well as the implementation of several major projects in Stockholm and Gothenburg, provided significant stimulus, some of which extends beyond the reporting year. Euroconstruct therefore expects solid growth also in the coming years (2020 and 2021: +4.1 % each, 2022: +2.8 %).

The output volume of the STRABAG Group in Sweden amounted to € 205.27 million in 2019.

CROATIA



Overall construction volume: € 4.4 billion
GDP growth: 2019e: 2.9 % / 2020e: 2.6 %
Construction growth: 2019e: 11.3 % / 2020e: 8.9 %

With a plus of 2.9 %, the Croatian economy again grew more strongly in 2019 than the EU average. In addition to private consumption, the development was powered by strong investment momentum and tourism. The government appears to be getting the national debt under control. In order to keep young, ambitious people in the country, the country has simplified the process of establishing new companies and granting building permits. Large-scale investment projects in the healthcare sector are ongoing and secured for the future through EU funding and international investments. EECFA therefore expects the GDP growth rates to remain largely unchanged for the coming years.

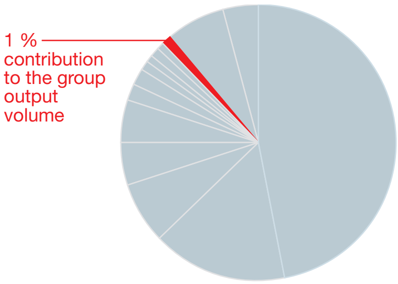
The Croatian construction sector saw a significant increase of 11.3 % in 2019. The strongest and most positive growth was in civil engineering, with 27.1 %, supported by massive infrastructure investments. Residential construction also registered a solid increase of 6.2 % and is expected to grow by a further 5.6 % in 2020 before yielding somewhat in 2021 (-1.0 %). According to EECFA estimates, the Croatian construction industry as a whole is expected to grow again by 8.9 % in 2020, though only a lower growth rate of 2.0 % is expected for 2021.

Other building construction recorded a slight increase of 1.8 % in the reporting year. The construction volume grew among warehouses and industrial buildings as well as buildings in the healthcare and education sectors, while the growth in office development is more restrained. Hotel construction also fell slightly short of expectations. Overall, EECFA forecasts that other building construction will see cautious increases of 1.2 % (2020) and 1.5 % (2021) in the coming years.

A decisive factor for the strong plus in civil engineering in 2019 was, in addition to the optimised use of EU funding, above all large-scale infrastructure projects for rail and shipping. Also driving the growth is the construction of oil pipelines and national electricity and telecommunications networks. For 2020, EECFA once again predicts a strong increase of 18.4 % for the sector and a further increase of 5.2 % for 2021.

The STRABAG Group generated € 152.48 million in the Croatian market in 2019. It is the country's second-largest market participant.

SERBIA



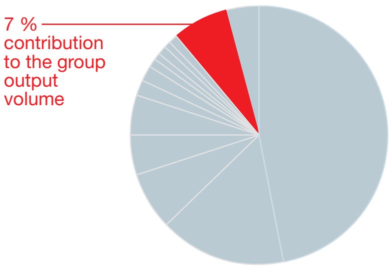
Overall construction volume:	€ 3.5 billion
GDP growth:	2019e: 3.8 % / 2020e: 4.3 %
Construction growth:	2019e: 21.5 % / 2020e: -3.2 %

The Serbian economy continued its upswing in 2019 with GDP growth of 3.8 %. In addition to higher employment figures and growing wages, investments by industry and commerce further boosted the economic engine, while the construction industry also made a significant contribution. Moreover, foreign direct investment reached a record level. The current GDP forecasts of +4.3 % (2020) and +4.5 % (2021) may therefore be revised upwards.

With an increase of 21.5 %, Serbia's construction industry saw a downright boom in 2019 that went clear across all sectors. Residential construction grew strongly again with a plus of 8.7 % after solid growth in the previous year (+9.6 %), while the reform of the procedure for building permits also had a positive effect in other building construction (+17.0 %). Shopping centres, hotels and industrial buildings were particularly in demand here, while office space only slowly caught up. Civil engineering, which also accounts for the largest share of the Serbian construction volume, developed most strongly in 2019 with +28.1 %. The main driver here is and remains pipeline construction. An interim minus of 8.4 % is being forecast for the sector in 2020, however, and EECFA predicts a slight overall correction of -3.2 % for the Serbian construction industry in 2020. In 2021 things are expected to go up again with a plus of 4.5 %.

The STRABAG Group generated an output volume on the Serbian market of € 148.11 million in 2019.

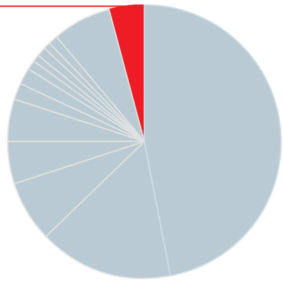
MIDDLE EAST, AMERICAS, AFRICA, ASIA



In order to make itself as independent as possible from the economic development of individual countries and so spread its country risk as widely as possible, STRABAG is also active outside of its main markets in Europe. As a rule, the company acts as a main contractor in direct export. With this in mind, the group has been present in Africa and Asia, Canada and Chile and the Middle East for many years, often even decades. STRABAG focuses on areas that are characterised by high technological expertise: civil engineering, industrial and infrastructure projects as well as tunneling.

In 2019, the STRABAG Group generated a total € 1,106.54 million, or 7 %, of its total output outside Europe (2018: 7 %). The activities in non-European countries are – with a few exceptions – assigned to the International + Special Divisions segment.

DENMARK, RUSSIA, SLOVENIA, BULGARIA AND REST OF EUROPE



RUSSIA

Overall construction volume:	€ 124.4 billion
GDP growth:	2019e: 1.3 % / 2020e: 1.7 %
Construction growth:	2019e: -0.4 % / 2020e: 1.9 %

SLOVENIA

Overall construction volume:	€ 3.3 billion
GDP growth:	2019e: 2.8 % / 2020e: 3.0 %
Construction growth:	2019e: 5.7 % / 2020e: 2.1 %

DENMARK

Overall construction volume:	€ 36.5 billion
GDP growth:	2019e: 1.3 % / 2020e: 1.3 %
Construction growth:	2019e: 1.6 % / 2020e: 1.3 %

BULGARIA

Overall construction volume:	€ 7.4 billion
GDP growth:	2019e: 3.6 % / 2020e: 3.0 %
Construction growth:	2019e: 8.7 % / 2020e: 6.5 %

Denmark

In fundamentally good shape, the Danish economy saw GDP growth of 1.3 % in 2019. The development was supported by private consumption, new residential construction and the positive trade balance. The considerable wealth of private individuals and the national debt within the Maastricht criteria allow modest but steady growth to be expected in the coming years. Uncertainties linger due to Brexit as the UK is the country's most important trading partner.

The Danish construction sector, with a plus of 1.6 %, developed slightly better than the overall economy in 2019, with Euroconstruct predicting growth rates at a similarly high level for the coming years (+1.3 % in both 2020 and 2021). Residential construction grew most strongly in the reporting period with an increase of 1.9 % – a trend that is likely to continue (+1.3 % in both 2020 and 2021). Other building construction, which grew by 1.9 % in 2019, can expect a light stimulus from a comprehensive programme of "green" public investments in the coming years. Here Euroconstruct expects growth of 1.6 % for 2020 and +1.4 % for 2021. At +0.8 %, the civil engineering sector registered the lowest growth in 2019 due to priority shifts in the run-up to the parliamentary elections. Euroconstruct cautiously forecasts growth between +0.7 % and +1.2 % for this sector in the years 2020–2022.

The output volume of the STRABAG Group in Denmark amounted to € 99.49 million in 2019.

Russia

The Russian economy continued its tentative upward path in 2019 with 1.3 % growth; however, all forecasts for the coming years were revised downwards. The continuing sanctions of the West and the still unresolved war in Syria are likely to continue to dampen the country's development noticeably. For 2020, EECFA therefore forecasts only a slightly higher growth rate of 1.7 %, although the momentum should pick up again somewhat in 2021 with + 3.1 %.

The Russian construction economy declined in 2019 by -0.4 %. In 2020, however, the trend should turn into positive territory at +1.9 %, while solid growth of 3.1 % is again forecast for 2021. The 1.2 % decline in residential construction in 2019 is mainly due to the low purchasing power of private households. Due to government housing programmes, however, this sector is likely to grow again in 2020 (+2.7 %) and even increase by 3.8 % in 2021. Other building construction registered a strong plus of 4.7 % in the year under review, with growth of 3.0 % and 1.9 % expected here in the coming years. The Russian civil engineering sector underwent a slight downwards adjustment in 2019 with -1.3 %. However, EECFA forecasts a slight upward trend of +0.8 % and +2.7 % for this sector in 2020 and 2021, respectively.

The STRABAG Group generated an output volume of € 71.42 million in Russia in 2019. In the region, STRABAG is active almost exclusively in building and industrial construction.

Slovenia

With a plus of 2.8 %, the Slovenian economy again exhibited GDP growth above the EU average in 2019. A new investment promotion law is stimulating both the production and service sector. According to EECFA, rising real wages and a positive development in exports should continue to give the country solid GDP growth of 3.0 % and 2.7 % in the next two years.

The good economic situation was also reflected in the Slovenian construction industry, which was able to post a very positive result in 2019 with a plus of 5.7 %. This trend should continue in the next two years, albeit somewhat weaker (2020: +2.1 %, 2021: +0.6 %). In particular, residential construction experienced a boom in the reporting period with +12.2 %, driven mainly by the construction of new single-family houses. Other building construction saw a sideways movement (+1.0 %) in 2019 after two years of enormous growth, and this trend is likely to continue with a slight decline of 0.3 % and 0.6 % in the next two years. Finally, civil engineering showed an increase of 4.1 % thanks to new infrastructure projects in the field of renewable energies. For 2020, EECFA predicts further growth of 1.5 % in this segment, while the trend is likely to decline slightly at -2.3 % in 2021.

The STRABAG Group achieved an output volume of € 48.71 million in Slovenia in 2019.

Bulgaria

The Bulgarian economy again exhibited very robust growth in 2019 with a plus of 3.6 %. Stable fiscal conditions, a good employment situation and the favourable development of the national budget lead EECFA to predict GDP growth of 3.0 % and 2.9 % for the next two years.

After the dramatic slump in 2016 (-39.7 %), the Bulgarian construction industry continued its upswing for the third year in a row in 2019 with an increase of 8.7 %. This development was supported above all by residential construction (+18.1 %), which benefited primarily from low mortgage rates and rising real wages. In view of government programmes to improve energy efficiency, EECFA predicts strong growth of 8.4 % for this sector in 2020 before the curve turns downwards by -3.2 % in 2021. Other building construction, whose development has been fluctuating for years, saw a solid increase of 7.0 % in 2019. In the capital of Sofia in particular, investments by foreign companies noticeably increased the need for modern office space. Civil engineering, in turn, (+2.8 %) benefited from numerous large-scale projects in rail and road construction and the expansion of gas grid connections to neighbouring countries. Growth of 6.3 % is expected here in 2020 before the start of the new EU financial framework for 2020–2027 brings about a massive increase of 16.9 % in 2021.

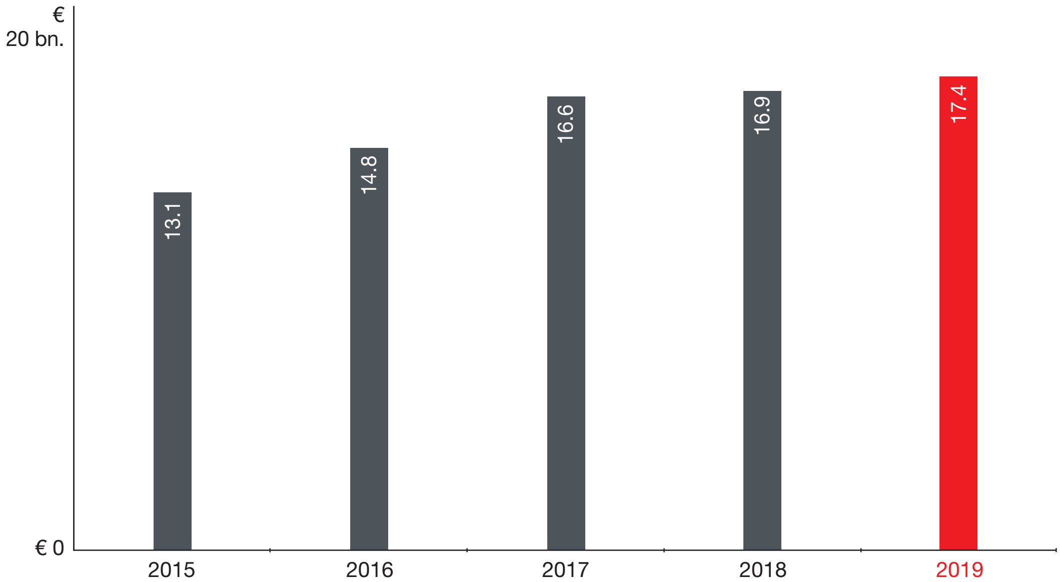
The STRABAG Group generated € 41.86 million on the Bulgarian market in 2019.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2019

€ mln.	Total 2019	North + West	South + East	International + Special Divisions	Other	Total 2018	Δ total %	Δ total absolute
Germany	7,617	6,604	159	851	3	7,178	6	439
Austria	1,885	5	1,580	300	0	2,056	-8	-171
Poland	1,498	1,455	0	43	0	1,632	-8	-134
Americas	1,056	0	0	1,056	0	1,134	-7	-78
Rest of Europe	1,036	14	139	883	0	431	140	605
Czech Republic	761	0	745	16	0	454	68	307
Hungary	649	0	618	31	0	967	-33	-318
Benelux	439	423	2	14	0	567	-23	-128
Asia	410	0	5	405	0	398	3	12
Romania	282	14	261	7	0	187	51	95
Middle East	281	0	5	276	0	173	62	108
Slovakia	224	0	215	9	0	262	-15	-38
Serbia	194	0	194	0	0	108	80	86
Croatia	188	0	185	3	0	92	104	96
Sweden	171	135	0	36	0	390	-56	-219
Switzerland	151	8	141	2	0	181	-17	-30
Denmark	150	150	0	0	0	211	-29	-61
Italy	116	0	7	109	0	115	1	1
Russia	103	0	102	1	0	84	23	19
Bulgaria	92	0	92	0	0	105	-12	-13
Africa	69	0	0	69	0	125	-45	-56
Slovenia	39	0	39	0	0	50	-22	-11
Total	**17,411**	**8,808**	**4,489**	**4,111**	**3**	**16,900**	**3**	**511**

DEVELOPMENT OF ORDER BACKLOG



The order backlog as at 31 December 2019 grew by 3 % year-on-year to reach another record level of € 17.4 billion. Declines were seen in Hungary, Austria and Poland, for example, as work progressed on numerous major projects in these countries. This development was contrasted by the substantial expansion of an existing order in the United Kingdom and a significant increase in the order backlog in Germany and the Czech Republic. The projects acquired in 2019 include the construction of a section of the D35 motorway and the modernisation of several railway lines in the Czech Republic, the upgrading of bridges on the A9 motorway near Allersberg in Germany, two mining contracts for the El Teniente mine in Chile, the transportation infrastructure and civil engineering works for the Boll-Sinneringen bypass in Switzerland, the renovation of the southern section of Budapest's M3 metro line in Hungary, as well as the construction of a wastewater pumping station in Qatar, a pumped storage power plant in Dubai and a pumping station for a wastewater treatment plant in Toronto, Canada.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2019

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.[1]	Order backlog as % of total
Small orders (€ 0–1 mln.)	8,617	78	1,444	8
Medium-sized orders (€ 1–15 mln.)	1,993	18	3,660	21
Large orders (€ 15–50 mln.)	297	3	4,397	25
Very large orders (>€ 50 mln.)	132	1	7,910	46
Total	**11,039**	**100**	**17,411**	**100**

Part of the risk management

The total order backlog is comprised of 11,039 individual projects. More than 8,600 of these, or 78 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 22 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 132 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not, as far as possible, threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2019 added up to 18 % of the order backlog.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2019

Country	Project	Order backlog € mln.	as % of total order backlog
United Kingdom	North Yorkshire Polyhalite Project	878	5.0
Chile	Alto Maipo power plant	387	2.2
Germany	New rail line/airport tunnel	379	2.2
Germany	EDGE East Side	265	1.5
Chile	El Teniente – main supply tunnel	242	1.4
Singapore	Deep Tunnel Sewerage System	227	1.3
Germany	Stuttgart 21, underground railway station	216	1.2
Germany	JV Tunnel Hauptbahnhof Second core rapid transit route, Munich	198	1.1
Germany	Modernisation of main university building, Bielefeld	148	0.9
Chile	El Teniente – access tunnel	131	0.8
Total		**3,072**	**17.6**

Financial performance

The consolidated **group revenue** for the 2019 financial year amounted to € 15,668.57 million. As with the output volume, this corresponds to a slight plus of 3 %. The ratio of revenue to output increased slightly from 93 % to 94 %. The operating segments North + West contributed 48 %, South + East 31 % and International + Special Divisions 21 % to the revenue.

The **changes in inventories** involve mainly the real estate project development business, which continued to be very active. The **own work capitalised** declined as a result of the completion of new corporate locations. The total of **expenses for construction materials, consumables and services used** and the **employee benefits expense**, expressed in relation to the revenue, fell from 90 % to 88 %.

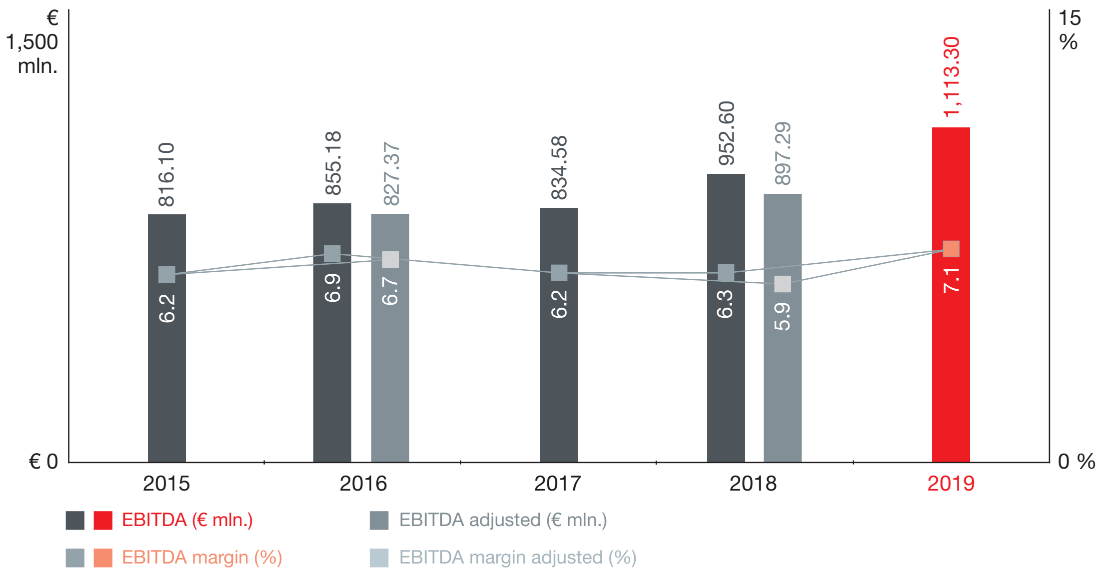
1 Rounding differences are possible.

EXPENSES

€ mln.	2019	2018	Δ %
Construction materials, consumables and services used	10,111.85	10,125.77	0
Employee benefits expense	3,745.15	3,618.94	3
Other operating expenses	1,024.01	854.89	20
Depreciation and amortisation expense	510.72	394.39	29

Due to project provisions, the earnings from joint ventures, and thus the **share of profit or loss of equity-accounted investments**, were negative. In the previous year, this item had included a non-operating step-up profit in the amount of € 55.31 million resulting from the full consolidation of the concession company PANSUEVIA that operates the A8 motorway in Germany. The **net income from investments** is composed of the dividends and expenses of many smaller companies or financial investments.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN[1]



In total, the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) increased by 17 % to € 1,113.30 million, topping the € 1.0 billion mark for the first time. The EBITDA margin grew from 6.3 % to 7.1 %. What must be taken into account here, however, is that the first-time application of IFRS 16 Leases means that rental expenses recognised in EBITDA in previous years are now shown as depreciation and interest. If comparison is made with the EBITDA adjusted for the non-operating step-up profit in the previous year, the increase amounts to 24 %.

The **depreciation and amortisation expense** grew by 29 %. One of the reasons for this development is the first-time application of IFRS 16 Leases, according to which right-of-use assets from leases are to be measured less depreciation and the corresponding lease expenses can no longer be recognised under the item "Other operating expenses".

The **earnings before interest and taxes** (EBIT) increased by 8 % to € 602.58 million, which corresponds to an EBIT margin of 3.8 % after 3.7 % in 2018. Adjusted for the previous year's non-operating step-up profit, the EBIT grew by 20 %. The improvement is primarily attributable to the North + West segment, where the earnings nearly doubled.

At € -25.34 million, the **net interest income** was comparable to that of the previous year. Although a negative exchange rate result of € -5.93 million was achieved with regard to the exchange rate differences, the interest expense was reduced as well due to the repayment of a bond in the previous year.

Effective tax rate: 34.4 %

In the end, the **earnings before taxes** grew by 9 %. The income tax rate stood at 34.4 %, slightly higher than in the previous year (2018: 31.7 %). The **net income** amounted to € 378.56 million, an increase of 4 % compared to 2018.

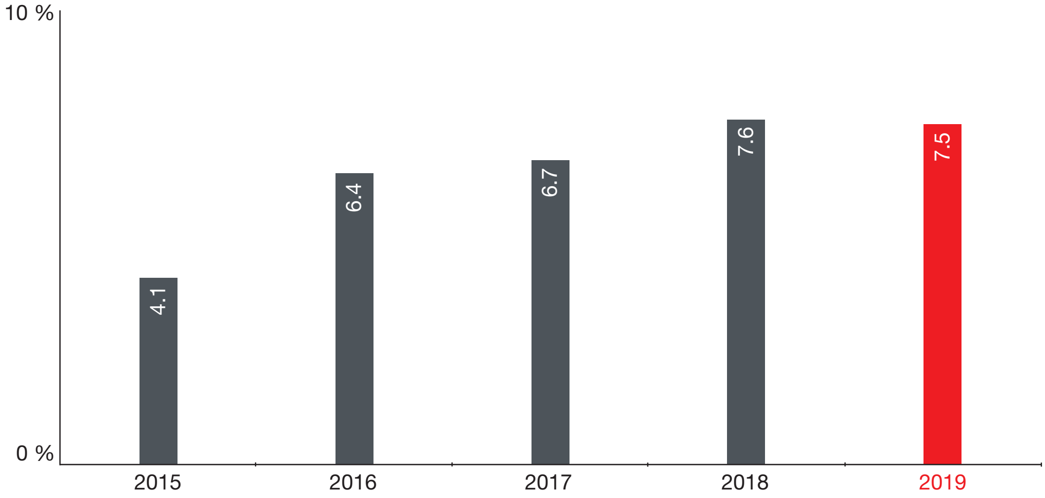
1 2016 adjusted for non-operating income in the amount of € 27.81 million.
2018 adjusted for a non-operating step-up profit in the amount of € 55.31 million.

Earnings per share: € 3.62

The earnings owed to minority shareholders amounted to € 6.86 million after € 9.25 million in the previous year. The **net income after minorities** for 2019 stood at € 371.70 million – an increase of 5 %. The **earnings per share** amounted to € 3.62 (2018: € 3.45).

The **return on capital employed** (ROCE)[1] reached 7.5 % after 7.6 % in the previous year.

DEVELOPMENT OF ROCE



Financial position and cash flows

BALANCE SHEET

€ mln.	31.12.2019	% of balance sheet total[2]	31.12.2018	% of balance sheet total[2]
Non-current assets	5,249.85	43	4,775.92	41
Current assets	7,000.96	57	6,791.69	59
Equity	3,855.90	31	3,653.77	32
Non-current liabilities	2,344.53	19	2,326.19	20
Current liabilities	6,050.38	49	5,587.65	48
Total	**12,250.81**	**100**	**11,567.61**	**100**

The total assets and liabilities increased to € 12.3 billion compared to € 11.6 billion on 31 December 2018, in part due to the first-time application of IFRS 16 Leases. This also explains the increase in property, plant and equipment and financial liabilities. Despite this increase of the balance sheet total, the **equity ratio** remained nearly unchanged at 31.5 % (2018: 31.6 %).

1 ROCE = (net income + interest on debt – interest tax shield (25 %))/(average group equity + interest-bearing debt)
2 Rounding differences are possible.

KEY BALANCE SHEET FIGURES

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Equity ratio (%)	31.0	31.5	30.7	31.6	31.5
Net debt (€ mln.)	-1,094.48	-449.06	-1,335.04	-1,218.28	-1,143.53
Gearing ratio (%)	-33.0	-13.8	-39.3	-33.3	-29.7
Capital employed (€ mln.)	5,448.01	5,258.17	5,242.91	5,552.09	5,838.71

Net cash position of more than € 1.1 billion

As usual, a net cash position was reported on 31 December 2019. This figure fell slightly in the face of the marginally higher financial liabilities from € 1.2 billion to € 1.1 billion.

CALCULATION OF NET DEBT[1]

€ mln.	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Financial liabilities	1,579.75	1,426.08	1,293.98	1,363.33	1,422.21
Severance provisions	96.13	110.02	111.10	114.68	124.68
Pension provisions	451.50	457.48	440.11	420.31	435.92
Non-recourse debt	-489.53	-439.38	-389.78	-730.77	-665.53
Cash and cash equivalents	-2,732.33	-2,003.26	-2,790.45	-2,385.83	-2,460.81
Total	**-1,094.48**	**-449.06**	**-1,335.04**	**-1,218.28**	**-1,143.53**

The **cash flow from operating activities** improved from € 788.98 million to € 1,075.94 million as a result of a higher cash flow from earnings and a further, even higher reduction of the working capital. The expectation of a significant reduction in advance payments in 2019 and a concomitant increase in working capital to familiar levels thus did not materialise. The **cash flow from investing activities** was less negative, largely due to the smaller changes in the scope of consolidation. The previous year's figure had included the cash outflow from the PANSUEVIA transaction. The **cash flow from financing activities** stood at € -411.62 million after € -534.17 million in the previous year. This decrease is due to the lower volume of a bond repayment and the fact that the 2018 figure had been affected by a cash outflow related to the acquisition of the minority shares of the now-delisted German subsidiary STRABAG AG.

REPORT ON OWN SHARES

On 31 December 2019, STRABAG SE held 7,400,000 bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000.00. The acquisition took place over a period from July 2011 to May 2013 to any purpose allowed by Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG), especially for the purpose of using own shares as acquisition currency. The average purchase price per share was € 20.79.

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

Capital expenditures

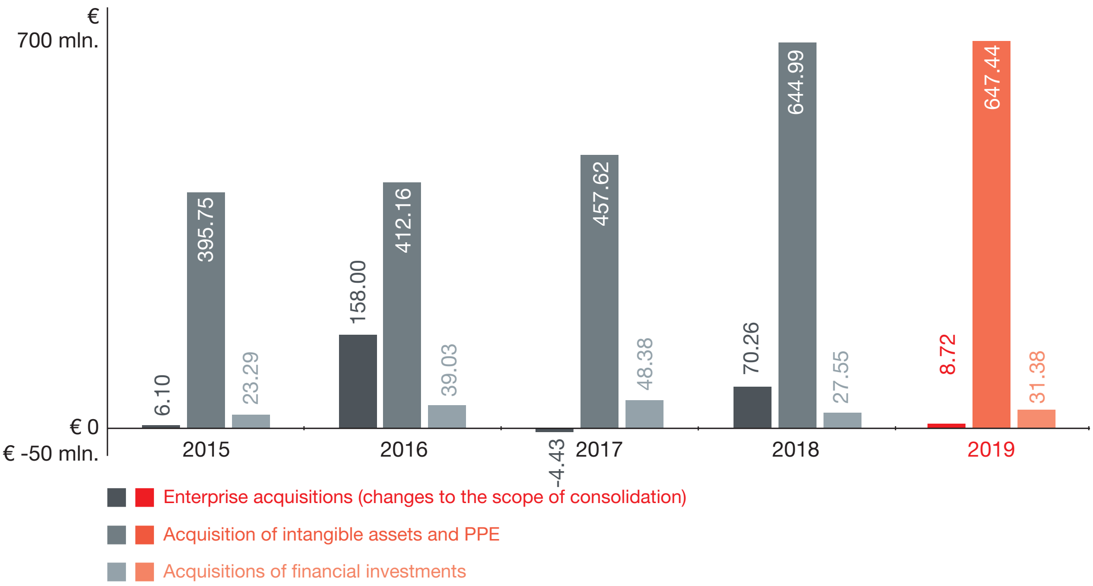
STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of no more than € 550 million for the 2019 financial year. In the end, they totalled € 593.30 million.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 687.54 million. This figure includes **expenditures on intangible assets** and on **property, plant and equipment** not including the non-cash additions to right-of-use assets of € 647.44 million, the **purchase of financial assets** in the amount of € 31.38 million and € 8.72 million from **changes to the scope of consolidation**.

Most of the maintenance investments were made in the core markets of Germany, Poland and Austria, as well as in Serbia. Capital investments, which this time exceeded the maintenance investments, were impacted above all by the large tunnel construction orders, for example equipment was increasingly required in the mining business in Chile. In addition, the group pushed ahead with the expansion of its network of asphalt and concrete mixing plants, especially in Croatia, Austria and Romania.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against the depreciation and amortisation expense in the amount of € 510.72 million. The goodwill impairment of € 2.02 million is almost unchanged from the previous year.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2015	2016	2017	2018	2019
Interest and other income (€ mln.)	82.07	73.90	46.90	38.62	30.97
Interest and other expense (€ mln.)	-106.49	-77.68	-74.05	-66.05	-56.32
EBIT/net interest income (x)	-14.0	-112.4	-16.5	-20.4	-23.8
Net debt/EBITDA (x)	-1.3	-0.5	-1.6	-1.3	-1.0

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

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

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

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

The medium- and long-term liquidity needs have so far also been covered by the **issue of corporate bonds**. STRABAG SE (and its predecessor FIMAG) has regularly issued bonds on the Austrian capital market since 2002. In the 2015 financial year, the company successfully placed a € 200 million tranche with a coupon of 1.625 % and a term to maturity of seven years. With the proceeds from the issue, which were used for general business purposes such as refinancing the € 100 million bond issued in 2010 or making investments in property, plant and equipment, STRABAG SE preserved its optimal financing structure. As per 31 December 2019, STRABAG SE had two bonds with a total volume of € 400 million on the market. One bond with a volume of € 200 million is scheduled to mature in 2020.

In order to diversify the financing structure, STRABAG SE had placed a **bonded loan** in the amount of € 140.00 million in the 2012 financial year. The outstanding volume of € 18.50 million was paid off in 2019.

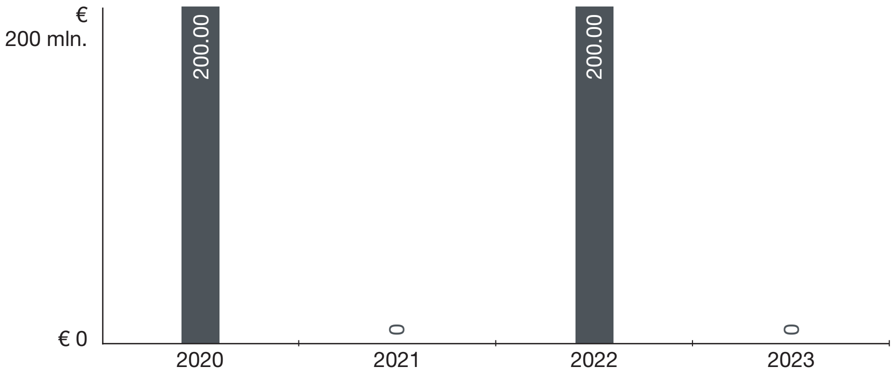
The existing liquidity of € 2.5 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.9 billion. The credit lines includes a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until 2024 with two options to extend by one year each. These two credit lines were refinanced ahead of maturity in March 2019, with terms and maturities redefined. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit, STRABAG creates an adequate risk spread in the provision of the credit lines and secures its comfortable liquidity position.

In June 2015, Standard & Poor's (S&P) raised STRABAG SE's investment grade rating by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was again confirmed in September 2019. S&P sees STRABAG SE's strengths and opportunities above all in the stable margins in an otherwise quite cyclical market environment, the strategic access to construction materials, the strong market positions and the high reputation in the credit markets.

PAYMENT OBLIGATIONS

€ mln.	Book value 31.12.2019	Book value 31.12.2018
Bonds	400.00	500.00
Bank borrowings	721.89	863.33
Lease liabilities	300.32	0
Total	**1,422.21**	**1,363.33**

PAYMENT PROFILE OF BONDS



MANAGEMENT REPORT

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

FINANCIAL PERFORMANCE

The company's revenue increased significantly from € 63.53 million in the previous year, growing by € 12.51 million to € 76.04 million. This development is essentially due to a sharp increase in the settlement of guarantee fees.

	2019	2018
Revenue in T€ (sales)	76,043	63,530
Earnings before interest and taxes in T€ (EBIT)	185,071	100,701
Return on sales in % (ROS)[1]	>100.0	>100.0
Return on equity in % (ROE)[2]	6.6	3.9
Return on investment in % (ROI)[3]	5.3	2.8

The earnings before interest and taxes (EBIT) increased significantly from € 100.70 million in the previous year, growing by € 84.37 million to € 185.07 million. This figure is characterised by a sharply higher net income from investments.

The operating earnings for the 2019 financial year amount to € 22.96 million, € 2.90 million above the previous year's level (€ 20.06 million). The positive earnings effect results from the increased income from guarantee fees.

The considerable increase in the financial earnings by € 76.31 million from € 93.35 million to € 169.66 million was achieved through significantly higher dividend distributions from the subsidiaries. A further positive earnings effect resulted from the significantly higher income from the disposal and write-up of financial assets compared to the previous year. This includes a significant write-up on an investment in the project development business.

The interest income reached a positive total of € 7.55 million (2018: € 12.72 million). This figure is based on the interest income for financing provided to subsidiaries and from the external financing costs for interest-bearing borrowings. The decrease is due to lower interest income from cash clearing receivables.

Overall, the company generated a net profit of € 193.84 million for the 2019 financial year (2018: € 111.20 million).

The improvement in earnings is also reflected positively in the profitability indicators.

FINANCIAL POSITION AND CASH FLOWS

The total assets of STRABAG SE as at 31 December 2019 remained unchanged at € 3.5 billion compared to the previous year (€ 3.5 billion). Nevertheless, there were significant changes in some balance sheet items.

The reduction in receivables from subsidiaries mainly relates to receivables from cash clearing.

The decrease in liabilities results from a bond repayment. In addition, bank borrowings were reduced through the repayment of the bonded loan.

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

	31.12.2019	31.12.2018
Net debt in T€[1]	107,402	115,795
Working capital in T€[2]	74,440	41,675
Equity ratio in %	85.1	82.6
Gearing ratio in %[3]	3.6	4.0

The net debt of € 107.40 million as at 31 December 2019, slightly lower compared to the previous year (€ 115.80 million), results from the reduction in cash and cash equivalents due to the repayment of a bond. Due to an increase in equity, the gearing ratio improved from 4.0 % in the previous year to 3.6 % in the reporting year.

The working capital increased from € 41.68 million by € 32.76 million to € 74.44 million in the 2019 financial year. The basis for this was the increase in receivables from profit and loss transfers.

Due to the increase in equity, the equity ratio of 85.1 % is above that of the previous year (82.6 %) and remains at a very high level.

T€	2019	2018
Cash flow from operating activities	109,505	32,454
Cash flow from investing activities	5,732	20,775
Cash flow from financing activities	-225,344	-280,790

The cash flow from operating activities amounts to € 109.51 million and is largely attributable to the cash flow from earnings. The increase in working capital had a negative impact.

The cash flow from investing activities saw an inflow of cash and cash equivalents totalling € 9.77 million, thereof € 4.41 million from the reduction of financing receivables and € 5.36 million from disposals of financial assets. This contrasts with the use of funds for additions to financial assets in the amount of € 4.04 million. The total cash flow from investing activities amounts to € 5.73 million.

The payment of the dividend for the 2018 financial year in the amount of € 106.84 million, the bond repayment in the amount of € 100.00 million and the repayment of the bonded loan in the amount of € 18.5 million led to an outflow of € 225.34 million in the cash flow from financing activities in 2019.

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

Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE was divided into four segments in 2019, of which there are three operating segments North + West, South + East and International + Special Divisions, and the segment Other, which encompasses the group's central divisions and central staff divisions.

In 2019, the segments were comprised as follows[1]:

NORTH + WEST
Management Board responsibility: Alfred Watzl
Germany, Poland, Benelux, Scandinavia, Ground Engineering

SOUTH + EAST
M. B. responsibility: Peter Krammer
Austria, Czech Republic, Slovakia, Hungary, South-East Europe, Switzerland, Environmental Technology
M. B. responsibility: Thomas Birtel[2]
Russia

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

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

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

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

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

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

1 Services may be performed in more than one segment. The activities and countries below have been assigned to those segments in which the most significant portion of the services was provided. Details are available in the table.
2 Until 31 December 2019

NORTH + WEST: BUILDING BOOM IN CORE MARKETS

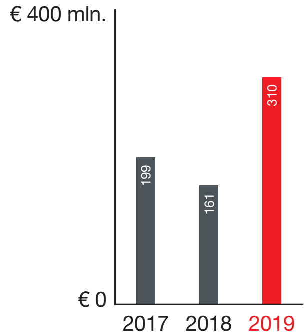
The North + West segment executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	8,106.93	7,827.48	4	279.45
Revenue	7,555.75	7,242.42	4	313.33
Order backlog	8,807.66	8,804.15	0	3.51
EBIT	310.20	161.40	92	148.80
EBIT margin (% of revenue)	4.1	2.2		
Employees (FTE)	25,386	24,222	5	1,164

OUTPUT VOLUME NORTH + WEST

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Germany	6,402	6,221	3	181
Poland	999	895	12	104
Benelux	285	305	-7	-20
Sweden	180	169	7	11
Denmark	96	87	10	9
Rest of Europe	48	59	-19	-11
Austria	28	25	12	3
Switzerland	23	28	-18	-5
Americas	21	9	133	12
Romania	16	13	23	3
Middle East	4	7	-43	-3
Africa	4	7	-43	-3
Czech Republic	1	1	0	0
Hungary	0	1	-100	-1
Total	**8,107**	**7,827**	**4**	**280**

EBIT

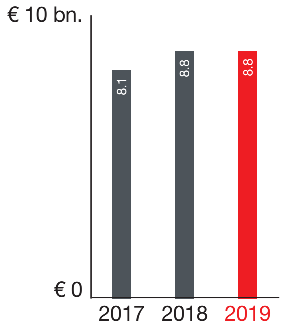


Strong development of the German infrastructure business

The North + West segment posted a 4 % higher output volume of € 8,106.93 million in 2019. This is due to the two largest countries in the segment – Germany and Poland – while the other markets, such as Benelux, Sweden and Denmark, showed small, inconsistent deviations.

The revenue, like the output, increased by 4 % and reached € 7,555.75 million. The EBIT nearly doubled to € 310.20 million thanks to strong growth in the German infrastructure business and a lower number of new loss-making projects in building construction and civil engineering compared to the previous year – and despite the strong cost inflation in Poland. The EBIT margin increased from 2.2 % to 4.1 %.

ORDER BACKLOG



Order backlog remains at a high level

The order backlog as at 31 December 2019 was at the unchanged high level of € 8,807.66 million. The decline in Sweden, Poland and Benelux caused by the working-off of large orders could be fully compensated by the increase in Germany, where the main projects included the modernisation of the main building at Bielefeld University, the realisation of the office building “Airsite West” at the airport in Munich and the construction of the airport connection to the new Stuttgart–Ulm rail line.

Employee numbers grow with output

The number of employees in Germany and Poland grew along with the output volume. Overall, the staff levels in the segment increased by 5 % to 25,386 employees.

Outlook[1]: Demand remains strong

In view of the continued expectations for high demand in the segment, the output volume in North + West should almost reach the previous year's level in 2020. The high level in **Germany** should remain the same. There also is no slowdown in the construction industry in sight yet in **Benelux** and **Scandinavia**.

The prices for subcontractors and suppliers in the **German building construction** business and for reinforcing steel are relaxing somewhat but remain at a relatively high level. STRABAG counteracts the capacity risk and price increase risk already in the cost estimation phase through the early inclusion of partner companies. At the same time, the group is strengthening its relationships with core subcontractors and suppliers.

There is also continuing demand in the regional business in the **German transportation infrastructures** sector. Given the still limited capacity for executing projects, this is causing a continued rise in prices for subcontractors and suppliers. While two significant orders helped push the order backlog with regard to large-scale transportation infrastructure projects to a higher level than the year before, competition in some areas remains strong.

The development of the **Polish construction industry** confirms the scenario that had been outlined so far: A high order backlog, in combination with rising costs from labour shortages, among other things, is leading to a reduction in profitability. Other developments observed include competition from Chinese companies as well as an increased cancellation of already decided public procurement procedures. In transportation infrastructures, many projects are not being awarded because the bidding prices often exceed the clients' budgets. Building construction is the only sector in Poland where STRABAG was able to increase its order backlog significantly.

SELECTED PROJECTS NORTH + WEST

Country	**Project**	**Order backlog in € mln.**	**as % of total group order backlog**
Poland	A1 Kamieńsk–Radomsko	94	0.5
Poland	S7 Strzegowo–Pieńki	88	0.5
Germany	S13 Troisdorf	86	0.5
Denmark	Carlsberg City District BA9	79	0.5
Netherlands	Combinatie Herepoort	79	0.5

SOUTH + EAST: GROWTH IN OUTPUT VOLUME, DECREASE IN EARNINGS

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

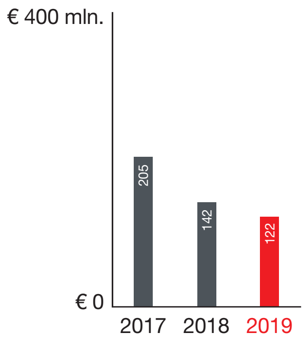
€ mln.	**2019**	**2018**	**Δ 2018–2019 %**	**Δ 2018–2019 absolute**
Output volume	4,915.79	4,639.26	6	276.53
Revenue	4,879.50	4,521.81	8	357.69
Order backlog	4,489.37	4,311.00	4	178.37
EBIT	121.97	142.03	-14	-20.06
EBIT margin (% of revenue)	2.5	3.1		
Employees (FTE)	19,850	18,729	6	1,121

1 This outlook does not take into account any impact from the coronavirus pandemic.

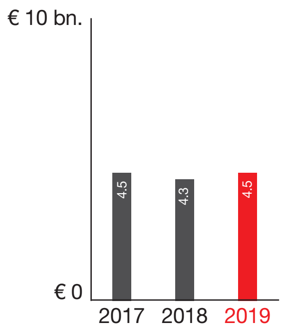
OUTPUT VOLUME SOUTH + EAST

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Austria	2,176	1,979	10	197
Hungary	677	545	24	132
Czech Republic	636	557	14	79
Slovakia	318	460	-31	-142
Switzerland	205	235	-13	-30
Romania	179	156	15	23
Germany	151	145	4	6
Serbia	146	109	34	37
Croatia	131	148	-11	-17
Rest of Europe	126	110	15	16
Russia	67	70	-4	-3
Slovenia	42	61	-31	-19
Bulgaria	36	37	-3	-1
Asia	17	15	13	2
Poland	3	0	n. a.	3
Benelux	3	8	-63	-5
Middle East	2	0	n. a.	2
Americas	1	4	-75	-3
Total	**4,916**	**4,639**	**6**	**277**

EBIT



ORDER BACKLOG



EBIT down in contrast to output due to provisions

The output volume in the South + East segment was up by 6 % to € 4,915.79 million in 2019. Increases were recorded mainly in Austria, Hungary, the Czech Republic and Serbia, while a decline was recorded in Slovakia, for example.

The revenue increased by 8 % to € 4,879.50 million. Due to provisions, on the other hand, the EBIT fell by 14 % to € 121.97 million and the EBIT margin slipped from 3.1 % to 2.5 %.

Order backlog: Growth in the Czech Republic offsets declines in Hungary and Slovakia

Thanks to several large orders in the second half of the year, the order backlog grew to € 4,489.37 million, a plus of 4 % compared to the end of 2018. On the one hand, this figure fell back in two markets as expected: In Hungary, resources are currently being used primarily to work off the high order backlog. At the same time, however, another large-scale project – the renovation of the southern section of the M3 metro line in Budapest – was added to the books in 2019. And in Slovakia, bid evaluations on the client side are regularly delayed, sometimes for several years. On the other hand, these developments were compensated, among other things, by several modernisation orders from the railways in the Czech Republic.

Output-related increases in the number of employees

The same dynamic by country as with the output volume was evident in the number of employees, which also increased in total by 6 % to 19,850.

Outlook[1]: Inconsistent trends

A consistently high output volume is expected for the South + East segment in 2020. The home market of **Austria**, in particular, continues to be characterised by positive developments. The positive environment for building construction is no longer limited to the Vienna metropolitan area but can also be confirmed for the metropolitan areas of Graz and Linz. This applies to both residential construction as well as commercial and industrial construction. In the first quarter of 2019, STRABAG was commissioned with the construction of the Austrian headquarters of an international technology group. In **transportation infrastructures**, the

1 This outlook does not take into account any impact from the coronavirus pandemic.

development is also positive. The output volume and order backlog could be moderately increased here.

In **Hungary**, incoming orders for the industry as a whole fell in 2019, following the large number of large-scale public-sector projects that had been awarded until than, due to the EU funding period expiring in 2020. As a result, construction growth in this country far outpaced overall economic growth, a situation that is also expected for 2020.

The extremely strong competition with simultaneous cost increases and staff shortages in the **Czech Republic** and **Slovakia** continues. These risks are monitored on an ongoing basis, especially as STRABAG is handling a number of large railway construction contracts in the Czech Republic. In the building construction segments of both countries, STRABAG is working primarily on commercial projects for private clients, such as the automotive industry.

In **Switzerland**, construction activity picked up in 2019. Public-sector clients are preparing additional large-scale projects, but the price situation remains tense.

The situation in **South-East Europe** is characterised by strongly mixed trends. While the tendering activity can be described as active in transportation infrastructures in Croatia, few activities that would be attractive for STRABAG are currently taking place in Slovenia. Romania is experiencing political instability, lack of legal certainty and a low price level despite a large number of tenders and material price increases. What all markets have in common is a lack of qualified personnel, extremely high bitumen prices and increasing competition from Chinese companies. In building construction, some countries are exhibiting high demand, while activity is low in others.

The **environmental technology** business is gaining in importance in view of the current Europe-wide discussions concerning the reduction of CO_2 emissions. Here STRABAG not only has the technology for the production of biogas, but also the references in order to be able to meet the increasing demand – mainly from local governments and private project development companies. In the field of geothermal energy, projects in Germany, Romania and Croatia are being pursued together with the STRABAG Group's project development unit. In the highly fragmented market for landfill construction, the company is once again one of the few providers that can service the German market nationwide. The stricter requirements for the storage and recycling of soils and mineral building waste will form the basis for continued positive development in this business area.

Russia exhibits different trends depending on the construction sector. Demand in building construction in Moscow is generally high albeit dampened by legislative measures for project financing in those segments that are relevant for STRABAG. Large-scale projects that could be of interest to STRABAG are being planned in industrial construction.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Hungary	M30 Miskolc–Tornyosnémeti	108	0.6
Czech Republic	Modernisation of Veselí–Soběslav railway line	80	0.5
Croatia	Pelješac access road	64	0.4
Austria	Triiiple Residential Towers, Vienna	60	0.4
Hungary	Metro M3 – modernisation of five stations	55	0.3

INTERNATIONAL + SPECIAL DIVISIONS: EXPECTED LOSS OF A LARGE ORDER IN THE PROPERTY & FACILITY SERVICES BUSINESS

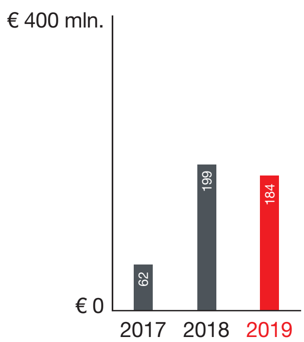
The International + Special Divisions segment includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where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

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	3,450.57	3,740.30	-8	-289.73
Revenue	3,216.67	3,437.82	-6	-221.15
Order backlog	4,110.77	3,782.41	9	328.36
EBIT	183.97	198.69	-7	-14.72
EBIT margin (% of revenue)	5.7	5.8		
Employees (FTE)	25,219	26,279	-4	-1,060

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Germany	1,207	1,464	-18	-257
Americas	678	652	4	26
Austria	448	506	-11	-58
Rest of Europe	168	180	-7	-12
Asia	162	147	10	15
Hungary	158	163	-3	-5
Middle East	142	198	-28	-56
Czech Republic	140	144	-3	-4
Poland	119	74	61	45
Africa	62	50	24	12
Slovakia	47	52	-10	-5
Romania	29	27	7	2
Benelux	29	36	-19	-7
Sweden	23	8	188	15
Croatia	19	14	36	5
Slovenia	6	7	-14	-1
Bulgaria	5	4	25	1
Russia	3	6	-50	-3
Denmark	3	4	-25	-1
Switzerland	2	3	-33	-1
Serbia	1	1	0	0
Total	**3,451**	**3,740**	**-8**	**-289**

EBIT

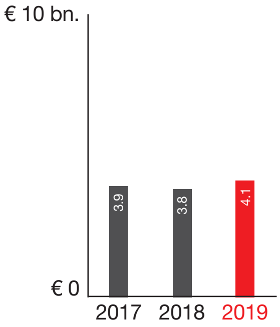


Continued very high EBIT margin

The International + Special Divisions segment generated an output volume of € 3,450.57 million in 2019. This corresponds to an already expected 8 % decline resulting from the cancellation of a major property & facility services order in the middle of the year.

The revenue fell at a somewhat lower rate than the output, slipping by 6 % to settle at € 3,216.67 million. Starting from a high level, the EBIT dropped slightly to € 183.97 million (2018: € 198.69 million) while the EBIT margin weakened a bit to 5.7 % (2018: 5.8 %). The continued positive environment in real estate development and a capital gain from the sale of a facility management investment in Hungary had a positive impact on the figures. This was contrasted by the loss of the large order in the property & facility services business.

ORDER BACKLOG



Order backlog driven by major order in the UK

The order backlog increased by 9 % compared to 31 December 2018. The numerous new large-scale projects were able to significantly overcompensate for the reduction in order backlog in the home markets of Germany and Austria. The order expansion for the North Yorkshire Polyhalite Project in the UK contributed especially to boosting the order backlog. In Chile, the contracts for the Candelaria open-pit and underground mine were extended and the group received two new long-term contracts for the Nuevo Nivel Mina project at the El Teniente mine in Rancagua. In Qatar, a wastewater pumping station plant is being designed and built by a group subsidiary. And the tolling specialist EFKON expanded its presence on the Norwegian and Indian markets with further projects.

Capacity shift from core markets to international markets and the UK

In view of the relatively large size of the individual projects in the International + Special Divisions segment, the number of employees in the various countries is subject to very strong fluctuations. In general, we can see a shift of capacities from European core markets to international markets and the United Kingdom. In total, staff levels fell by 4 % to 25,219 people.

Outlook[1]: Slightly lower output volume expected in 2020

The output volume in the International + Special Divisions segment for the 2020 financial year is expected to reach a level slightly below that of the previous year. The strong impact from large projects in this segment must be taken into account.

Both the booming real estate markets and the existing project pipeline make us optimistic that the **real estate development** business will continue to contribute positively to our earnings. Several properties were sold in Germany in 2019, such as the hotel in MesseCity Cologne, two sites in Freiburg and the Haus der Höfe in Bonn, in addition to project handovers in Hanover and Böblingen. Numerous rental successes were also registered. The continuing low interest rate level and the further high demand for both commercial and residential real estate are fostering a generally friendly environment for this business segment. Against the backdrop of rising land prices, however, it became challenging to initiate new project developments with a long-term profit. STRABAG's acquisition focus in Germany is therefore also on "B cities" as well as on geographic markets such as Poland, Romania and individual projects in other Central and Eastern European countries. Alone in Warsaw, Poland, the group acquired for redevelopment the centrally located ATRIUM property, sold the STRABAG-developed ASTORIA Premium Offices, and handed over to the operator the first Motel One Hotel in Poland in 2019. In Austria, the group continues to offer the entire range of residential construction from subsidised to affordable to privately financed housing, primarily in the large cities, supplemented by real estate with residential use – e.g. student housing – and commercial project developments.

A number of milestones were also achieved in the field of **property & facility services**. The transfer of the Deutsche Telekom account to a competitor on 30 June 2019 proceeded according to plan, and the further diversification of the customer portfolio was successful with new accounts including HANSAINVEST Real Assets. In addition, STRABAG is focusing on acquisitions that round off the existing business. In April 2019, for example, the group took over the property management business and employees of CORPUS SIREO Real Estate GmbH. This was followed in June by the purchase of PORREAL Polska sp. z o.o. of Warsaw, and PORREAL Česko s.r.o. of Prague, which provide services in technical and infrastructural facility management.

Compared to real estate development and the property & facility services business, the current market conditions in **infrastructure development** are much more challenging. This applies especially to public-private partnerships (PPP) in the core European markets, which is why projects must be chosen very selectively. Nevertheless, some successes were recorded in 2019, such as the conclusion of the long-term financing for the Autopista al Mar 1 concession project in Colombia and the sale of investments in the two motorway project companies DirectRoute (Fermoy) Holdings Ltd. and DirectRoute (Limerick) Holdings Ltd. in Ireland.

The environment in **tunnelling** also remains a difficult one. Although there are numerous projects on the market, there is no end in sight to the extremely strong competition for the time being. The group therefore remains selective in

1 This outlook does not take into account any impact from the coronavirus pandemic.

this market, pursuing projects in the UK and in the international mining sector.

The **international business**, i.e. the business that STRABAG conducts in countries outside of Europe, is showing inconsistent performance. For many years now, the focus has been on parts of Africa, the Middle East and successful specialities such as test track construction. The competition – in part from Chinese providers – is increasing in the international area as well.

The development of the **construction materials business** is essentially linked to that of the construction sector. Here we should point out that the bitumen price has risen sharply in 2019.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
United Arab Emirates	Hatta Pumped Storage Power Plant, Dubai	117	0.7
Chile	Candelaria Norte	113	0.7
Israel	5th Line Water Supply, Jerusalem	85	0.5
Canada	Pumping station, Toronto	74	0.4
Austria	Koralmtunnel 2	69	0.4

OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

This segment encompasses the group's internal central divisions and central staff divisions.

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	144.68	115.84	25	28.84
Revenue	16.65	19.78	-16	-3.13
Order backlog	3.68	2.15	71	1.53
EBIT	0.87	0.86	1	0.01
EBIT margin (% of revenue)	5.2	4.3		
Employees (FTE)	6,464	6,230	4	234

Risk management

The STRABAG Group is subject to a number of risks in the course of its business activities. These risks are systematically identified and assessed using an active risk management system and dealt with using an appropriate risk management policy. This risk management policy is an integral part of the management system. It describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories.

RISK MANAGEMENT AS A CORE TASK OF MANAGEMENT

Risk management is a core task of the management. The identification and assessment of risks is the responsibility of the respective management level. The risk controlling process includes the integrated quality management system with internal group directives and complementary business, process and technical instructions for the workflow in the operating units, supportive central divisions and central staff divisions with technical, legal and administrative service and consulting activities, and the internal audit department as neutral and independent auditing entity.

Responsibility for the implementation of the project risk management systems in the divisions was transferred to the commercial division management. The central division Project Risk Management System/Organisational Development/International BRVZ Coordination handles the continuous improvement and development of the risk management system for the procurement and execution of construction projects.

All STRABAG management employees, within the scope of their duties and responsibilities, and according to the Rules of Procedure and relevant company regulations, are obliged to

- work with the employees to set risk identification measures,
- monitor the risks,
- introduce countermeasures, and
- pass on relevant information about risks to other units or levels within the company. This requirement especially applies to all employees of the STRABAG Group.

The STRABAG SE Management Board prohibits engaging in business transactions whose realisation could endanger the company's existence.

RISK MANAGEMENT USING DEFINED RISK GROUPS

The group's internal risk report defines the following central risk groups:

- External risk
- Operating and technical risks
- Financial risks
- Ethical risks
- Human resource risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to work safety, environmental protection, quality, business continuity and supply chain. These are described in separate policies within the management system. The rules for proper business behaviour are conveyed by the ethics and business compliance system.

Following ISO 31000 and the Committee of Sponsoring Organisations of the Treadway Commission (COSO), our risk management system forms part of our integrated management system. We deal with the risks identified by us as follows:

EXTERNAL RISKS COUNTERED THROUGH DIVERSIFICATION

The entire construction industry is subject to **cyclical fluctuations** and reacts to varying degrees depending on region and sector. Overall economic growth, development of the construction markets, the competitive situation, the conditions on the capital markets and technological changes in construction can all result in risks. These risks are continually observed and monitored by the central departments and operating units. Changes in external risks lead to adjustments in STRABAG's organisation, market presence and range of services as well as the adaptation of strategic and operating planning. STRABAG further responds to market risk with geographic and product-related **diversification** in order to keep the influence on the company's success exerted by an individual market or by the demand for certain services as low as possible. To avoid bearing the risk of rising prices, STRABAG makes efforts at signing **cost escalation clauses** and **cost-plus-fee contracts** in which the client pays a previously agreed margin on the costs of the project.

OPERATING AND TECHNICAL RISKS REDUCED THROUGH BINDING MINIMUM STANDARDS

These risks primarily include the complex risks regarding project selection and execution along with the technical risks that need to be assessed for each project, e.g. site, geology, construction method, technology, materials, equipment, design, work planning, etc. An integral part of the project risk management system are minimum standards with group-wide validity for the procurement and execution of construction projects (common project standards). These comprise clearly defined criteria for the evaluation of new projects, a standardised process for preparing and making bids, as well as integrated internal control systems serving as filters to avoid loss-making projects. Business transactions requiring consent are reviewed and approved by business unit and subdivision managers or by division managers according to internal rules of procedure. Principally, bids must be analysed by **internal commissions** and reviewed for their technical and economic feasibility. The construction and project teams can contact the experts at the central divisions BMTI, TPA and Zentrale Technik for assistance in assessing the technical risks and working out innovative solutions for technical problems. Project execution is managed by the construction or project team on-site using documented procedures and controlled by monthly target/performance comparisons. At the same time, our central controlling provides constant commercial office support for these projects, ensuring that risks of individual projects do not endanger the continuity of the company.

FINANCIAL RISKS: ACTIVE LIQUIDITY AND RECEIVABLES MANAGEMENT

Under financial risks, STRABAG understands risks in financial matters and in accounting, including instances of manipulation. Special attention is paid to the liquidity and receivables management, which is secured through continuous financial planning and daily status reports. Compliance with internal commercial guidelines is guaranteed by the central accounting and controlling departments, which are also responsible for internal reporting and the periodic planning process. Risks from possible instances of manipulation (acceptance of advantages, fraud, deception or other infringements of the law) are monitored by all business areas in general and by the **internal audit** department in particular.

STRABAG is subject to interest, currency, credit and liquidity risks related to its assets, liabilities and planned transactions. The goal of financial risk management is to minimise these risks through ongoing financial activities. The basics of the financial policy are set by the Management Board and monitored by the Supervisory Board. The implementation of the financial policy and responsibility for the risk management are the domain of the group treasury. Detailed information can be found in the Notes under item 32 Financial Instruments.

ETHICAL RISKS COUNTERED WITH AN ETHICS AND BUSINESS COMPLIANCE SYSTEM

Business Compliance

As corruption and anti-competitive behaviour pose risks in the construction industry, STRABAG has implemented a set of tools that have proved effective in combating these problems. The rules for proper business behaviour are conveyed by the ethics and business compliance system. These have group-wide validity. The STRABAG business compliance model is based on the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and the personnel structure of the STRABAG business compliance model, consisting of the group business compliance coordinator, the regional business compliance representatives, the internal ombudspersons and the external ombudsperson. Details on the ethical risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a of the Austrian Commercial Code (UGB).

People & Workplace

HUMAN RESOURCE RISKS: COUNTERMEASURES WITH CENTRAL HUMAN RESOURCE MANAGEMENT AND NEEDS-ORIENTED HUMAN RESOURCE DEVELOPMENT

Material human resource risks, such as recruiting bottlenecks, skilled labour shortages, fluctuation and labour law risks, are countered with a **central human resource administration and long-term, needs-oriented human resource development**. Human resource risks are to be reduced as far as possible through the targeted recruiting of qualified skilled workers and managers, extensive training activities, performance-based pay based on binding compliance with labour law provisions, as well as early succession planning. Additionally, systematic potential management is in place to ensure the development and career planning of company employees. Complementary initiatives to promote employee health, improve employment conditions and raise employee satisfaction further contribute to the company's attractiveness and prestige. Details on the human resource risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

IT RISKS: IT USAGE GUIDELINES AND CONTINUOUS REVIEW OF SECURITY CONCEPTS TO COUNTER CYBERCRIME

With the increasing threat of IT risks, different measures are being implemented in the form of multistep security and anti-virus concepts, user access rights, password-controlled access, appropriate backups and independent power supply. The company is also working together with professional **specialty service providers** to ensure an efficient defence against cybercrime and is constantly reviewing its security concepts. By issuing IT usage guidelines and repeatedly informing on the necessity of risk awareness when working with information and communication technologies, we aim to ensure the security, availability, performance and compliance of the IT systems. Project ideas to improve and develop IT-related processes and control systems are evaluated and prepared by nominated IT committees using a structured business process management (BPM) approach.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

The shares in mixing companies typically involve **minority interests**, as is **usual in this sector**. With these companies, economies of scope are at the fore.

LEGAL RISKS AVOIDED THROUGH EXTENSIVE RISK ANALYSIS

The central division CML Construction Services supports the risk management of the operating divisions with regard to construction industry questions or in the analysis of risks in the construction business in all project phases (contract management) and provides, organises and coordinates legal advice (legal services). Its most important tasks include comprehensive reviews and consultation in project acquisition – e.g. analysis and clarification of tender conditions, performance specifications, pre-contract agreements, tender documents, draft contracts and framework conditions – as well as support in project management.

POLITICAL RISK: INTERRUPTIONS AND DISPOSSESSION POSSIBLE

The group also operates in countries which experience political instability. Interruptions of construction activity, restrictions on ownership interests of foreign investors, and even dispossession or expropriations are among the possible consequences of political changes which could have an impact on the group's financial structure. These risks are analysed during the tendering phase and assessed by internal committees.

People & Workplace

MANAGEMENT SYSTEM FOR WORK SAFETY AND HEALTH IN PLACE

In order to control the risks related to employee safety and health, STRABAG is implementing a work safety and health management system in accordance with **OHSAS 18001** (ISO 45001 in the future) and/or **SCC**. Moreover, the company works to maintain this system and ensures a suitable emergency organisation. Persons with designated responsibility make sure that the group-wide work safety standards are followed. The aspects of work safety and health also form part of the evaluation of subcontractors and suppliers. Details on the risks related to employee safety and health are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

Environmental Responsibility

CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM DESIRED

STRABAG works at reducing the negative environmental impact from its activities as far as this is technically possible and economically feasible. The company implements an environmental and energy management system based on **ISO 14001** and/or **ISO 50001**, maintains this system and – wherever possible – minimises the use of natural resources, avoids waste and promotes recycling. Details on the environmental risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

QUALITY MANAGEMENT AS COMPONENT OF THE INTEGRATED MANAGEMENT SYSTEM

In concordance with its vision and values, it is the company's aim to realise **construction projects on schedule, of the highest quality** and **at the best price**. This helps to ensure the quality of the company's processes, services and products at any time. In this process, quality management forms a component of an integrated management system. This system is documented in the Management Manual, in group directives and in subordinated provisions.

BUSINESS CONTINUITY: RIGOROUS INCLUSION OF GROUP CENTRAL DIVISIONS

The failure of equipment and production facilities, of subcontractors and suppliers, of human resources, of the IT system, of office buildings and accommodation must not be allowed to threaten the company's existence. For this reason, precautions are being made under a business continuity management system to make sure that incidents or **disasters only temporarily interrupt business activity** – if at all. This includes the rigorous inclusion of the group's own specialised central divisions. These are capable of procuring, for example, equipment, accommodation, IT systems or staff on short notice, they build up long-term strategic partnerships with selected subcontractors and suppliers, and they have emergency scenarios audited in the IT division.

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY CHAIN

In the interest of quality and profitability, STRABAG not only taps its own skills and resources to work off its orders, but also relies on the support of proven subcontractors and suppliers. The company focuses on long-term partnerships, a clear, transparent and complete description of the services and products to be procured, and an agreement on acceptance criteria for the products and services. STRABAG also systematically **evaluates** subcontractors, service providers and suppliers as part of its **decision-making foundation** for **future orders**.

A review of the current risk situation reveals that there were no risks which jeopardised the company's existence, nor were there any visible future risks

REPORT ON KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

Introduction

The control structure as defined by COSO (Committee of Sponsoring Organisations of the Treadway Commission) provides the basis for the description of the key features of the internal control and risk management systems in relation to the financial reporting process in the management report. The COSO framework consists of five related components: control environment, risk assessment, control activities, information and communication, and monitoring. On this basis, the STRABAG Group set up a company-wide risk management according to generally accepted principles. The aim of the internal control system is to support management in such a way that it is capable of assuring internal controls in relation to financial reporting which are effective, and which are improved on an ongoing basis. The system is geared to the compliance with rules and regulations and to creating conditions which are conducive to performing specific controls in key accounting processes.

Control environment

The corporate culture determines the control environment in which management and employees operate. STRABAG is constantly working to improve its communication and to convey its corporate values as defined in its Code of Conduct and its Business Compliance Guidelines in order to guarantee moral standards, ethics and integrity within the company and in its dealings with others. The implementation of the internal control system in relation to the financial reporting process is done on the basis of internal rules and guidelines. Responsibilities for internal control were adapted to fit the corporate organisation. The internal audit department carries out periodic, announced as well as unannounced inspections of all relevant business units as part of its responsibility for monitoring compliance with the law and corporate guidelines in the technical and commercial areas. The internal audit department also monitors the effectiveness of business compliance. During these inspections, the internal audit department analyses the legality and correctness of individual actions. The department also conducts regular, independent reviews of compliance with internal guidelines in the area of accounting. The head of the internal audit department reports directly to the CEO. The effectiveness of the work of the internal audit department is reviewed periodically by the financial auditor. After the most recent review in 2015, a renewed audit was commissioned in 2019.

Risk assessment

The management identifies and monitors risks relating to the financial reporting process, with a focus on those risks that are typically considered to be material.

The preparation of the financial statements requires regular forecasts, with the inherent risk that the actual future development will deviate from the forecast. This especially affects the following matters/items of the Consolidated Financial Statements: assessment of unfinished construction projects, recognition and measurement of provisions (including social capital), the outcome of legal disputes, the collectability of receivables as well as the recoverability of investments and goodwill. In individual cases, external experts are called in or publicly available sources are considered in order to minimise the risk of a false assessment.

Control activities

All control activities are applied in the current business process to ensure that errors or deviations in financial reporting are prevented or detected and subsequently corrected. The control activities range from a review of the period results to specific monitoring of accounts and cost centres to the analysis of ongoing accounting processes. It is the responsibility of the Management Board to design the levels of hierarchy in such a way that an activity and the control of that activity are not performed by the same person **(four-eyes principle)**. This separation of functions encompasses a separation between decision-making, implementation, inspection and reporting. The organisational units of the BRZV central division support the Management Board in this task.

Processes which are relevant to financial reporting are increasingly automated. **IT security** control activities therefore represent a cornerstone of the internal control system. The separation of sensitive activities is supported by a restrictive approach to IT access authorisation. For its accounting and financial reporting, the company mainly uses self-developed software which reflects the unique features of the construction sector. The effectiveness of the financial reporting system is further assured through automated IT controls included in the system.

Information and communication

The management regularly updates the rules and regulations for financial reporting and communicates them to all employees concerned. In addition, regular discussions regarding the financial reporting and the rules and regulations in this context take place in various committees. These **committees** are composed of the corporate management as well as the department head and senior **staff from the accounting department**. The committees' work aims, among other things, at guaranteeing compliance with accounting rules and regulations and at identifying and communicating weak points and potential areas for improvement in the financial reporting process. Accounting employees receive regular **training** regarding new methods of national and international financial reporting in order to identify risks of unintended misreporting at an early stage.

Monitoring

The Management and Supervisory Boards bear responsibility for the ongoing company-wide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process.

The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the Chief Financial Officer before being passed on to the Supervisory Board's Audit Committee.

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing environment. It is in this context that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing crossover between industries – driven by increasing societal demands, by the fast pace of technological progress, particularly in information and communications technology, and by customer demands – confront the company with ever more rapidly shifting challenges.

To take a more active role in shaping this change, and to use it for its own benefit, the STRABAG Group gave itself a more **technological focus**, represented by the organisationally established, **systematic innovation management** that has been in place since 2014. The aim is to support the exchange of experience and information with regard to the development activities between the employees and the decision-makers – after all, the diversity of the STRABAG Group is reflected as much in the number of different competencies as in the different demands placed upon it. At the beginning of 2020, the topic was anchored at the executive level with the new Management Board position for Digitalisation, Innovation and Business Development, which underlines the importance of this task.

The cooperation among the various divisions facilitates and promotes new developments across the individual business units. A special focus in 2019 was on the digitalisation of processes. The **platform-based** tracking of prefabricated parts, such as stairs or façade elements, is becoming increasingly widespread. In transportation infrastructures, the focus is also on the logistics chain in order to continuously optimise delivery to the major corridor construction sites. Countless time-consuming, error-prone surveys on paper forms during construction – in terms of work safety inspections, workstations, concrete deliveries and reinforcement performance levels – are now handled in an app-based manner. The data are entered on mobile end devices suitable for construction sites: Protocols and target/actual comparisons are generated automatically and made available to the participating construction offices and back offices. This significantly reduces the time required for administrative tasks related to the construction.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have also been a routine part of the group's daily activities for years. In overall charge of the planning and execution of these projects within the STRABAG Group are the two central divisions **Zentrale Technik** (ZT) and **TPA Gesellschaft für Qualitätssicherung und Innovation GmbH** (TPA), each of which report directly to a member of the Management Board.

ZT is present at **34 locations with over 1,000[1] highly qualified employees**. It provides services in the areas of tunnelling, ground civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to construction design and site management, ZT offers innovative solutions with regard to construction materials technology, construction management, building physics, and software solutions. Central topics for innovation activities are digitalisation, sustainable construction, renewable energy and, as of recent, additive processes (3D printing). Among other things, the employees at ZT develop methods and tools to optimise construction activity from the digital design to the impact on the environment. The specialist Development and Innovation staff department oversees the systematic networking of people and relevant topics, promotes new ideas and helps to drive innovation.

TPA is the group's competence centre for asphalt, concrete, earthworks, geotechnics and environmental engineering, quality management and materials-related research and development with a focus on road construction and transportation infrastructures. Its main tasks include ensuring the quality of the construction materials, structures and services, the safety and improvement of the processes, as well as developing and reviewing standards for the handling and processing of construction materials.

The research focus in 2019 included the development and the first installation of ClAir® asphalt in cooperation with STRABAG BMTI. The photocatalytic granulate with titanium dioxide used in road construction breaks down toxic nitrogen oxides and converts them into harmless substances. In this way, the new road surface is designed to contribute to nitrogen dioxide reduction. In addition, a number of projects in the field of cement/concrete were carried out around issues related to raising process safety and thus

1 Head count

the quality of the buildings. TPA has about **950[1] employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON GmbH – a subsidiary of STRABAG – is active in the research and development of intelligent traffic telematics systems, especially with regard to electronic toll collection and enforcement – a business field that requires intensive research, development and innovation activities. The focus last year was on the introduction of complex toll systems that blend unobtrusively into the cityscape. The implementation in Bergen, Norway, is particularly noteworthy. The slim device developed by EFKON, equipped with laser, high-resolution camera and radar, identifies and classifies vehicles in up to two lanes and at speeds of up to 160 km/h. With this system, traffic flows can also be optimised in historic city districts to ensure the implementation of environmental zones.

The STRABAG Group spent about € 17 million on research, development and innovation activities during the 2019 financial year (2018: about € 14 million).

The majority of the **development activity** is triggered by **construction projects** in all our business areas. Here challenges or specific questions regularly arise that require a technologically new process or an innovative solution on site. In many cases, support is offered by the aforementioned central divisions. Some issues require medium-term research and development projects, often with partner organisations.

Website Corporate Governance Report

The STRABAG SE Consolidated Corporate Governance Report is available online at www.strabag.com > Investor Relations > Corporate Governance > Corporate Governance Report.

Disclosures under Sec 243a Para 1 UGB

one share - one vote

1. The share capital of STRABAG SE amounts to € 110,000,000 and consists of 110,000,000 fully paid-in, no-par value shares with a pro rata value of € 1 per share of the share capital. 109,999,997 shares are bearer shares and are traded in the Prime Market segment of the Vienna Stock Exchange. Three shares are registered shares. Each bearer share and each registered share accounts for one vote (one share – one vote). The nomination rights associated with registered shares No. 1 and No. 2 are described in more detail under item 4.

2. The Haselsteiner Group (Haselsteiner Familien-Privatstiftung, Dr. Hans Peter Haselsteiner), the Raiffeisen Group (Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H, BLR Baubeteiligungs GmbH, "GULBIS" Beteiligungs GmbH), the UNIQA Group (UNIQA Insurance Group AG, UNIQA Beteiligungs-Holding GmbH, UNIQA Österreich Versicherungen AG, UNIQA Erwerb von Beteiligungen Gesellschaft m.b.H.) and MKAO "Rasperia Trading Limited"[2] (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the coordination of voting during the Annual General Meeting, (3) restriction on the transfer of shares and (4) joint development of the Russian market as a core market. The Haselsteiner Group, the Raiffeisen Group together with the UNIQA Group, and MKAO "Rasperia Trading Limited" each have the right to nominate two members of the Supervisory Board. The syndicate agreement also requires the syndicate partners to exercise their voting rights from syndicated shares unanimously at the Annual General Meeting of STRABAG SE. The syndicate agreement further foresees restrictions on the transfer of shares in the form of mutual pre-emptive rights as well as a minimum shareholding on the part of the syndicate partners. In accordance with Sec 65 Para 5 of the Austrian Stock Corporation Act (AktG), all rights were suspended for 7,400,000 no-par shares (6.7 % of the share capital) effective 31 December 2019 as these shares are held by STRABAG SE as own shares as defined in Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG).

1 Head count
2 The shareholder Rasperia Trading Limited, Cyprus, moved its headquarters to the Russian Federation and is now called MKAO "Rasperia Trading Limited".

3. To the knowledge of STRABAG SE, the following shareholders held a direct or indirect interest of at least 10.0 % of the share capital of STRABAG SE on 31 December 2019:

   - Haselsteiner Group .... 26.4 %
   - Raiffeisen Group .... 13.2 %
   - UNIQA Group.................................... 14.3 %
   - MKAO “Rasperia Trading Limited” .....25.9 %

   The company itself held 7,400,000 no-par shares on 31 December 2019, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency. The remaining shares of STRABAG SE, amounting to about 13.5 % of the share capital, are in free float.

4. Three shares are – as mentioned under item 1 – registered shares entered in the shareholder register. Registered shares No.1 and No. 2 require the consent of the Supervisory Board for their full or partial sale and pledging. Registered shares No. 1 and No. 3 are held by the Haselsteiner Group and registered share No. 2 is held by MKAO “Rasperia Trading Limited”. Registered shares No. 1 and No. 2 allow their bearers to nominate a member each to the Supervisory Board of STRABAG SE.

5. No employee stock option programmes exist.

6. No further regulations exist beyond items 2 and 4 regarding the nomination and recall of members of the Management and Supervisory Boards or regarding changes to the Articles of Association which do not result directly from relevant law and legislation.

7. With the exception of the agreements over a syndicated surety loan and a syndicated cash credit line, there exist no significant agreements to which STRABAG SE is party and which would become effective, change or end due to a change of ownership in STRABAG SE following a takeover offer.

8. No compensation agreements exist between STRABAG SE and its Management and Supervisory Board members or employees in the event of a public takeover offer.

Related parties

Business transactions with related parties are described in item 34 of the Notes.

Outlook

STRABAG SE expects to be able to maintain an output of over € 16 billion in the 2020 financial year. This assumption is well-supported by the high order backlog. From today’s perspective, no significant changes in the output volume should be observed in any of the three segments North + West, South + East and International + Special Divisions.

The planned EBIT margin (EBIT/revenue) of more than 3.5 % for the 2020 financial year represents another step toward the medium-term target of 4.0 % in 2022. The planning for 2020 is based, among other things, on the expectation that the earnings contributions from the traditionally strong specialty business fields of real estate development and property and facility services will weaken somewhat, but that at the same time further progress will be made in project risk management and that the strong demand in the construction sector in markets such as Poland or Germany will be reflected in market-driven building prices in the construction sector.

The net investments (cash flow from investing activities) in 2020 are not expected to exceed the value of € 500 million.

The effects of the ongoing coronavirus pandemic on output volume, revenue and earnings in the 2020 financial year could not yet be taken into account here, as it was not yet possible to quantify the impact by the beginning of April 2020.

Events after the reporting period

The material events after the reporting period are described in the item V. of the Notes.

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Staff Divisions
and Central Divisions BMTI,
TPA as well as CML Construction Services

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Klemens Haselsteiner
Responsibility Central Divisions Digitalisation,
Innovation and Business Development as well as
Zentrale Technik, Responsibility
Subdivision NN Russia

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment South + East
(except Subdivision NN Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment
International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

STRABAG SE,
Villach, Austria,

which comprise the Balance Sheet as at 31 December 2019, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of investments in affiliated companies and receivables from affiliated companies

Refer to note Annex I/5.

Risk for the Financial Statements

Investments in and receivables from affiliated companies represent a major portion of the assets reported in the annual financial statements of STRABAG SE as of 31 December 2019.

Investments in and receivables from affiliated companies are tested for impairment annually and whenever there is an indication that the assets may be impaired. In a first step, the carrying amount of the investments in affiliated companies is compared with the proportionate share in equity at the reporting date. In case the carrying amount exceeds the proportionate share in equity, a valuation of the investment based on discounted cashflows, which significantly depend on future revenue and margin projections, and on discount rates, is performed in a further step. This valuation is subject to significant uncertainty.

Our Response

We have evaluated the valuation of investments in affiliated companies as well as the receivables from affiliated companies as follows:

- We reconciled the revenues and margins on which the valuation of shares in and receivables from affiliated companies are based, with the current budgets of the Group, approved by the Supervisory Board.

- In order to assess the appropriateness of the planning figures, we gained an understanding of the planning process und compared the assumptions with current industry specific market expectations and discussed these with the Management Board and representatives of the respective company divisions.

- In addition, we evaluated the appropriateness of the discount rates used as well as the underlying calculation and by means of sensitivity analyses, assessed whether the tested book values were still covered by their respective valuation in the event of possible realistic changes in these assumptions.

- We further assessed the appropriateness and completeness of the Company's disclosures and explanations in the notes regarding investments in and receivables from affiliated companies.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

Management Report

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

Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

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

Statement

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

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report. We expect the annual report to be provided to us after the date of the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the financial statements or any apparent material misstatement of fact.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 28 June 2019 and were appointed by the supervisory board on 28 June 2019 to audit the financial statements of Company for the financial year ending on that date.

We have been auditors of the Company, without interruption, since the financial statements at 31 March 1999.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mr Mag. Ernst Pichler.

Linz, 8 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Ernst Pichler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.