Report of the Management Board

of

STRABAG SE

Villach, FN 88983 h,

on the

Authorisation of the Management Board, with approval of the Supervisory Board,

to acquire own shares over the counter and

to sell acquired own shares in a manner other than

on the stock market or through a public tender

(Agenda Item 7: Authorisation of the Management Board to acquire own shares)

The members of the Management Board, in accordance with Sec 65 Para 1b of the Austrian Stock Corporation Act (AktG) in connection with Sec 170 Para 2 AktG and Sec 153 Para 4 Sentence 2 AktG, submit to the 12th Annual General Meeting of STRABAG SE on 10 June 2016 the following report of the Management Board of STRABAG SE, Villach.

1. The share capital of STRABAG SE, based in Villach at the business address Triglavstraße 9, 9500 Villach and registered in the commercial register under FN 88983 h, currently amounts to EUR 114,000,000.00 divided into 113,999,997 no-par bearer shares and three no-par registered shares with the numbers 1, 2 and 3.

2. The Management Board of the company intends to propose, for approval by the 12th Annual General Meeting on 10 June 2016, the following resolution on **Agenda Item 7**:

   The Management Board is authorised, in accordance with Sec 65 Para 1 No 8 as well as Para 1a and Para 1b AktG, to acquire bearer or registered no-par shares of the company on the stock market or over the counter to the extent of up to 10 % of the share capital during a period of 13 months from the day of this resolution at a minimum price of € 1.00 per share and a maximum price of € 34.00 per share, also to exclusion of proportionate selling rights that may accompany such an acquisition (reverse exclusion of subscription rights). The purpose of the acquisition may not be to trade with own shares. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Sec 244 Para 2 UGB) or third parties acting on behalf of the company.

The Management Board of STRABAG SE can decide to acquire shares on the stock exchange but must inform the Supervisory Board following decision to do so. Over-counter-purchases require prior approval by the Supervisory Board.

The Management Board shall be authorised, for a period of five years from this resolution, to sell or assign its own shares, with approval by the Supervisory Board, in accordance with Sec 65 Para 1b AktG in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (reverse subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Sec 244 Para 2 UGB) or third parties acting on behalf of the company.

The authorisation is to be exercised by the Management Board in such a way that, under consideration of the already acquired number of shares, the maximum of 10 % of the share capital is not exceeded.

3. With regard to the possibility of the over-the-counter acquisition of own shares in accordance with Sec 65 Para 1 No 8 AktG as well as their sale in accordance with Sec 65 Para 1 No 8 AktG or, in accordance with Sec 65 Para 1b AktG, in a manner other than on the stock market or through a public tender, the Management Board must, in accordance with Sec 65 Para 1b AktG in connection with Sec 170 Para 2 AktG and Sec 153 Para 4 Sentence 2 AktG, present a written resolution concerning the reason for the exclusion of subscription rights or, in the event of over-the-counter acquisition, for the exclusion of proportionate selling rights (reverse exclusion of subscription rights).

4. The Management Board of the company must have prior approval of the Supervisory Board to acquire own shares over the counter, and it must have approval of the Supervisory Board to sell own shares acquired by the company in a manner other than on the stock market or through a public tender. The Management Board of STRABAG SE can decide to acquire shares on the stock exchange but must inform the Supervisory Board following decision to do so.

5. The price of STRABAG SE shares was still below the book value of the equity. Due to the low share price, it is also advantageous for the shareholders if the company again acquires own shares to raise the internal value of the individual shares and so increase the earnings per share. The Management Board believes that this measure will help to attain a higher share price level. This is also positive for the possible use of the own shares as acquisition currency, as a more attractive share price increases the willingness to accept the own shares as acquisition currency.

6. The own shares acquired in accordance with Sec 65 Para 1 No 8 and Para 1a and Para 1b AktG can be sold in a manner other than on the stock market or through a public tender if the sale of the shares represents payment for the acquisition of enterprises, business operations, separable parts of a business operation or shares in one or more companies, i.e. also through the transfer of investments, enterprises, business operations, separable parts of a business operation as non-cash contributions, both at home and abroad.

   Even if, since the last authorisation, no situation has arisen in which the own shares could be used as acquisition currency, the possibility of such a constellation occurring cannot be excluded.

   Even if no specific acquisition is recognisable at this time, it is advantageous for the company to acquire additional own shares if this has again become possible through the withdrawal of the own shares. The authorisation is intended to allow the Management Board to respond quickly and flexibly to any opportunities that may arise.

   The acquisition of enterprises, business operations or separable parts of a business operation may have the legal structure of a purchase of certain assets (and liabilities) of an enterprise, business operation or separable part of a business operation (*asset deal*) or it may take the form of an acquisition of interest in an enterprise (*share deal*). Both forms of acquisition of an enterprise or (partial) business operation, namely, *asset deal* and *share deal*, will hereinafter be referred to as enterprise acquisition.

During enterprise acquisitions, payment may take the form not only of money but also of shares in the acquiring enterprise. This may be both in the interest of STRABAG as buyer or in the interest of the seller. Enterprise acquisitions in which the seller transfers the enterprise (or shares in the enterprise) to STRABAG SE as non-cash contribution in exchange for new shares – in this case from the approved capital – result in an increase in the share capital (and with it the equity capital) of STRABAG. While the purchase of an enterprise through payment of a cash purchase price can result in a high liquidity outflow from the company, enterprise acquisitions by means of non-cash contributions show no liquidity outflow from the acquiring company (STRABAG); on the contrary, there is an increase in equity capital. There can also be cases in which, for strategic reasons, it becomes necessary and appropriate for the seller of the enterprise to acquire a small share in STRABAG or for the seller to demand an investment in the company as payment.

The restrictions on the acquisition of own shares – to a total of 10 % of the share capital of the company for nearly all cases in accordance with Sec 65 of the Austrian Stock Corporation Act – prevent a seller from acquiring a significant interest in STRABAG in this way. If the company acquired the own shares at an earlier date and the share price has risen since, the result of using own shares as payment for an enterprise acquisition is a savings for the company; when measuring the payment for the enterprise acquisition, the own shares offered as (part of the) payment are usually accounted for at the current (average) share price or, at most, the higher intrinsic value, but not with the lower historic cost of purchase.

An enterprise acquisition in which the enterprise or shares in the enterprise are transferred to the company in exchange for non-cash contributions, with the exclusion of the subscription rights of the remaining shareholders, is generally accepted as objective justification for the exclusion of the subscription rights. With regard to STRABAG’s planned growth, STRABAG has an interest in allowing enterprise acquisitions through non-cash contributions while excluding subscription rights and protecting the company’s liquidity. Payment in own shares allows the company to act with the necessary speed and flexibility in such transactions.

The sale of own shares in a manner other than on the stock market or through a public tender is necessary during enterprise acquisitions because it is the only way the company can guarantee the acquisition of an enterprise in exchange for non-cash contributions without liquidity outflows and because sellers is often only prepared to transfer the company or shares thereof if they receive an investment in the company that is of equivalent value. From STRABAG’s point of view, it may, for strategic or organisational reasons, be necessary to include the seller in the group as shareholder. With enterprise acquisitions in exchange for non-cash contributions, sellers, in the capacity of non-cash contributor, can only achieve the desired level of investment if they alone receive the new shares; sellers want to achieve a (percentage) investment in STRABAG which corresponds to the proportional value of their company in relation to the enterprise value of STRABAG and which gives them adequate voting rights (and rights of participation) in the company.

In the end, the exclusion of subscription rights and the sale of own shares in a manner other than on the stock market or through a public tender is proportionate because there exists a regular special interest on the part of STRABAG to acquire the enterprise or shares of the enterprise in question. The interests of the existing shareholders are secured by the fact that enterprise acquisitions involve a proportionate granting of shares – as a rule, after conclusion of a business valuation. The value of the enterprise to be transferred or of the shares of this enterprise is compared to the value of STRABAG; the non-cash contributor receives acquired own shares from the company in this proportion. The existing shareholders participate in the profits of the acquired enterprise, which, as a rule, should increase as a result of synergies with STRABAG.

When selling own shares acquired in accordance with Sec 65 Para 1 No 8 and Para 1a and Para 1b AktG in a manner other than on the stock market or through a public tender, the Management Board must publish a report justifying, among other things, the sales price of the shares (Sec 65 Para 1b in connection with Sec 171 Para 1 AktG) no later than two weeks before the resolution of the Supervisory Board (which must approve the sale in a manner other than on the stock market or through a public tender).

The Management Board is to be given flexibility when buying back own shares to allow for swifter action during future enterprise acquisitions. For this purpose, it may be required to have the necessary cash for growth at one's disposal quickly and to acquire packages of own shares over the counter. The quick availability of cash for growth in the form of own shares for the purposes described above in this report represent the objective justification for the reverse exclusion of subscription rights, i.e. the exclusion of the shareholders' proportionate selling rights.

In closing, it must be mentioned that granting authorisation to the Management Board to acquire own shares over the counter with prior approval of the Supervisory Board or to sell acquired own shares with approval of the Supervisory Board in a manner other than on the stock market or through a public tender for the purpose of issuing shares as payment for an enterprise acquisition is a usual and widely accepted business practice among many publicly listed Austrian (and German) companies. This is also reflected in Sec 5 Para 2 No 7 of the Austrian Disclosure Regulations (VeröffentlV), according to which the disclosure to be made at the given time must include the type and purpose of the buyback and/or sale of own shares, including but not limited to whether the buyback and/or sale of own shares is to take place on the stock exchange and/or over the counter.

As described above, it should be again pointed out that the sale of own shares as well as the over-the-counter acquisition in a manner other than on the stock market or through a public tender is only possible with approval of the Supervisory Board. In such cases, the Management Board of STRABAG cannot decide alone.

In summary, the Management Board of STRABAG concludes that the granting of authorisation to the Management Board of the company to acquire own shares over the counter or to sell own shares acquired in accordance with Sec 65 Para 1 No 8 and Para 1a and Para 1b AktG with approval of the Supervisory Board in a manner other than on the stock market or through a public tender fully complies with the legal requirements.

Vienna, April 2016

The Management Board

Dr. Thomas Birtel

Mag. Christian Harder	Dipl.-Ing. Dr. Peter Krammer
Mag. Hannes Truntschnig	Dipl.-Ing. Siegfried Wanker