Individual Financial
Statements 2018

STRABAG
SOCIETAS EUROPAEA

CONTENT

INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Balance sheet as at 31 December 2018

Assests	31.12.2018 €	31.12.2017 T€
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**1,055,293.52**	**981**
II. Financial assets:		
1. Investments in subsidiaries	2,558,859,447.27	2,558,390
2. Loans to subsidiaries	0.00	22,965
3. Investments in participation companies	25,401,039.23	22,012
4. Loans to participation companies	90,476,606.16	89,610
5. Other loans	21,255.09	21
	2,674,758,347.75	**2,692,998**
	2,675,813,641.27	**2,693,978**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	32,882.16	12
2. Receivables from subsidiaries	767,711,422.07	937,127
thereof with a remaining term more than one year	*250,000,000.00*	*250,000*
3. Receivables from participation companies	9,312,724.65	15,978
thereof with a remaining term more than one year	*2,193,570.13*	*4,070*
4. Other receivables and assets	32,657,620.52	29,308
thereof with a remaining term more than one year	*23,956,000.00*	*23,056*
	809,714,649.40	**982,426**
II. Cash assets, including bank accounts	**118,014.79**	**81**
	809,832,664.19	**982,508**
C. Accrual and deferrals	**838,942.00**	**1,433**
D. Deferred tax assets	**5,526,163.00**	**4,909**
Total	**3,492,011,410.46**	**3,682,828**

Equity and liabilities	31.12.2018 €	31.12.2017 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	478,249,596.81	500,432
	478,322,269.64	**500,505**
IV. Reserves for own shares	**7,400,000.00**	**7,400**
V. Unappropriated net profit	**143,000,000.00**	**143,000**
thereof profit brought forward	*9,620,000.00*	*7,030*
	2,883,369,399.60	**2,905,552**
B. Provisions:		
1. Provisions for severance payments	0.00	393
2. Provisions for taxes	615,000.00	615
3. Other provisions	28,645,700.00	29,131
	29,260,700.00	**30,139**
C. Accounts payable:		
1. Bonds	500,000,000.00	675,000
thereof with a remaining term up to one year	*100,000,000.00*	*175,000*
thereof with a remaining term more than one year	*400,000,000.00*	*500,000*
2. Bank borrowings	18,500,000.00	18,500
thereof with a remaining term up to one year	*18,500,000.00*	*0*
thereof with a remaining term more than one year	*0.00*	*18,500*
3. Trade payables	1,053,971.60	1,168
thereof with a remaining term up to one year	*1,053,971.60*	*1,168*
4. Payables to subsidiaries	19,917,093.82	35,398
thereof with a remaining term up to one year	*19,917,093.82*	*35,398*
5. Payables to participation companies	27,293,738.34	300
thereof with a remaining term up to one year	*27,293,738.34*	*300*
6. Other payables	12,616,507.10	16,771
thereof taxes	*1,265,602.67*	*1,303*
thereof social security liabilities	*19,703.76*	*19*
thereof with a remaining term up to one year	*12,616,507.10*	*16,771*
	579,381,310.86	**746,837**
thereof with a remaining term up to one year	*179,381,310.86*	*228,637*
thereof with a remaining term more than one year	*400,000,000.00*	*518,500*
Total	**3,492,011,410.46**	**3,682,528**

Income statement for the 2018 financial year

	2018 €	2017 T€
1. Revenue (Sales)	63,530,379.76	62,741
2. Other operating income	618,682.38	1,127
3. Cost of materials and services:		
a) Materials	-54,580.22	-64
b) Services	-17,065,868.54	-16,365
	-17,120,448.76	**-16,429**
4. Employee benefits expense:		
a) Salaries	-8,581,985.12	-8,118
b) Social expenditure	-717,351.00	-692
thereof severance payments and contributions to employee benefit plans	*-148,821.64*	*-80*
thereof social security contributions, as well as payroll-related and other mandatory contributions	*-375,960.44*	*-360*
thereof other social expenditure	*-192,568.92*	*-252*
	-9,299,336.12	**-8,809**
5. Depreciation	-29,533.65	-18
6. Other operating expenses:		
a) Taxes other than those included in item 15	-113,609.19	-711
b) Miscellaneous	-17,523,524.95	-16,910
	-17,637,134.14	**-17,621**
7. Subtotal of items 1 through 6 **(operating result)**	**20,062,609.47**	**20,991**
8. Income from investments	86,505,943.27	25,192
thereof from subsidiaries	*84,886,727.41*	*22,585*
9. Other interest and similar income	31,662,939.18	36,792
thereof from subsidiaries	*23,872,244.47*	*30,857*
10. Income from disposal and write-up of financial assets and marketable securities	243,353.00	4,163
11. Expenses related to financial assets:		
a) Depreciation from subsidiaries	*-3,542,000.00*	*-39,572*
b) Other depreciation	*-308,434.60*	*-156*
c) Other expenses from subsidiaries	*-10,604.71*	*-3*
d) Other	*-2,250,001.00*	*-1,500*
	-6,111,040.31	**-41,231**
12. Interest and similar expenses	-18,946,549.83	-26,616
thereof from subsidiaries	*0.00*	*4*
13. Subtotal of item 8 through 12 **(financial result)**	**93,354,645.31**	**-1,700**
14. Result before taxes	**113,417,254.78**	**19,291**
15. Taxes on income and gains	-2,219,679.71	-1,461
thereof income tax	*-952,947.12*	*-1,089*
thereof tax allocation	*-1,883,702.59*	*-2,728*
thereof deferred tax income	*616,970.00*	*2,355*
16. Income after taxes = net income for the year	**111,197,575.07**	**17,830**
17. Reversal of retained earnings (voluntary reserves)	22,182,424.93	118,140
18. Profit for the period	**133,380,000.00**	**135,970**
19. Profit brought forward	9,620,000.00	7,030
20. Unappropriated net profit	**143,000,000.00**	**143,000**

NOTES TO THE 2018 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 2018 in accordance with the Austrian Business Enterprise Code (UGB).

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

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

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

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

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

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

II. Accounting policies

GENERAL PRINCIPLES

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

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

The valuation premise adopted is that of a going concern.

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

The financial statements were prepared in accordance with the “principle of prudence” by only reporting profit which was realised on the balance sheet date. All recognisable risks and impending losses which occurred in 2018 or an earlier financial year were taken into consideration.

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

The previously applied accounting policies were kept.

NON-CURRENT ASSETS

Property, plant and equipment

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

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

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

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

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

Financial assets

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

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

Increases in non-current assets

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

CURRENT ASSETS

Accounts receivable and other assets

Trade and other receivables are reported at nominal value.

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

Individual value adjustments are made for recognisable risk.

Increases in current assets

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

DEFERRED TAXES

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

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

PROVISIONS

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

Provisions for severance payments

Last year the provisions for severance payments were calculated using recognised financial mathematical principles, an interest rate of 1.6 % and a retirement age of 62.

Previous year the actuarial interest on provisions for severance payments has been derived from the 10-year average interest rate as published by Deutsche Bundesbank less a planned salary increase of 2 %.

The interest expense on provisions for severance payments as well as the impact from a changed interest rate were recognised in the employee benefits expense.

Other provisions

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

LIABILITIES

Liabilities are valued at their settlement value.

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

III. Notes to the balance sheet

NON-CURRENT ASSETS

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

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

Of the loans, an amount of € 4,408,000.00 (previous year: T€ 27,373) is due within the next year.

Long-termed receivables from participation companies were reclassified from current financial assets to non-current financial assets in the business year 2018.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

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

The item "Other receivables and assets" includes income of € 469,392.69 (previous year: T€ 608) which will be cash effective after the balance sheet date.

DEFERRED TAX ASSETS

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

	31.12.2018	31.12.2017
	€	T€
Property, plant and equipment	3,950.00	-1
Financial assets	1,386,667.00	1,733
Remaining seventh from depreciation of participation	56,117,065.00	79,475
Provisions	18,550,000.00	19,393
Liabilities	664,571.00	963
Total	**76,722,253.00**	**101,563**
Resulting deferred taxes on 31.12. (25%)	**19,180,563.00**	**25,391**

The deferred taxes developed as follows:

	€	T€
Balance on 1.1.	**4,909,193.00**	**2,554**
Distribution according to Sec 906 (34) UGB	6,827,200.00	6,827
Change in profit or loss	-6,610,230.00	-4,472
Balance on 31.12.	**5,526,163.00**	**4,909**

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 € 10,612,238.78 (previous year: T€ 15,497) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

	31.12.2018	31.12.2017
	€	T€
Sureties	52,775,836.46	36,228
Declarations of patronage	60,062,565.00	28,173
Total	**112,838,401.46**	**64,401**
thereof with subsidiaries	66,840,052.00	32,558

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 € 654,091,573.11 (previous year: T€ 494,993) 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 € 7,281,421.44 (previous year: T€ 7,141) for the 2019 financial year. The sum of all obligations for the next five years is € 36,407,107.20 (previous year: T€ 35,706).

IV. Notes to the income statement

REVENUES (SALES)

	2018	2017
	€	T€
Domestic revenue	32,847,287.26	29,156
Foreign revenue	30,683,092.50	33,585
Total	**63,530,379.76**	**62,741**

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

EMPLOYEE BENEFITS EXPENSE

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

100 % of the expenses for severance payments were recognised for Management Board members.

The severance payment expenses include contributions to employee benefit plans in the amount of € 68,444.64 (previous year: T€ 65).

The salaries of the Management Board members in the 2018 financial year amounted to T€ 7,163 (previous year: T€ 6,773).

OTHER OPERATING EXPENSES

Supervisory Board member salaries in the period under review amounted to € 162,000.00 (previous year: T€ 162).[1]

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

No material events occurred after the balance sheet date.

1) The numbers differ from the data published in the year before because the Annual General Meeting of 15 June 2018 approved an increase of the annual compensation – retroactively for the year 2017.

APPROPRIATION OF NET INCOME

The Management Board proposes to pay out a dividend in the amount of € 1.30 per share for the 2018 financial year.

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 2019 financial year.

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to T€ 691 (previous year: T€ 689), of which T€ 61 (previous year: T€ 60) are for the audit of the financial statements, T€ 618 (previous year: T€ 562) for other audit services and T€ 12 (previous year: T€ 67) for miscellaneous services.
In addition, T€ 17 (previous year: T€ 30) were calculated for miscellaneous services to subsidiaries.

Villach, 5 April 2019

The Management Board

Dr. Thomas Birtel

Mag. Christian Harder

Dipl.-Ing. Dr. Peter Krammer

Dipl.-Ing. Siegfried Wanker

Dipl.-Ing. (FH) Alfred Watzl

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 2018

€		Acquisition and production costs			
	Balance 1.1.2018	Additions	Transfers[1]	Disposals	Balance 31.12.2018
I. Tangible assets:					
Other facilities, furniture and fixtures and office equipment	1,213,056.14	104,109.40	0.00	391.10	1,316,774.44
	1,213,056.14	**104,109.40**	**0.00**	**391.10**	**1,316,774.44**
II. Financial assets:					
1. Investments in subsidiaries	2,741,109,521.11	4,012,000.00	0.00	125.00	2,745,121,396.11
2. Loans to subsidiaries	22,965,000.00	0.00	0.00	22,965,000.00	0.00
3. Investments in participationcompanies	34,733,758.14	3,697,390.96	0.00	1.00	38,431,148.10
4. Loans to participation companies	89,610,152.59	7,187,486.85	3,756,066.72	10,077,100.00	90,476,606.16
5. Other loans	20,724.77	530.32	0.00	0.00	21,255.09
	2,888,439,156.61	**14,897,408.13**	**3,756,066.72**	**33,042,226.00**	**2,874,050,405.46**
Total	**2,889,652,212.75**	**15,001,517.53**	**3,756,066.72**	**33,042,617.10**	**2,875,367,179.90**

1 Reclassification from current financial assets to non-current financial assets

	Accumulated depreciation				Carrying values	
	Balance 1.1.2018	Additions	Disposals	Balance 31.12.2018	Carrying values 31.12.2018	Carrying values 31.12.2017
	232,338.37	29,533.65	391.10	261,480.92	1,055,293.52	980,717.77
	232,338.37	**29,533.65**	**391.10**	**261,480.92**	**1,055,293.52**	**980,717.77**
	182,719,948.84	3,542,000.00	0.00	186,261,948.84	2,558,859,447.27	2,558,389,572.27
	0.00	0.00	0.00	0.00	0.00	22,965,000.00
	12,721,674.27	308,434.60	0.00	13,030,108.87	25,401,039.23	22,012,083.87
	0.00	0.00	0.00	0.00	90,476,606.16	89,610,152.59
	0.00	0.00	0.00	0.00	21,255.09	20,724.77
	195,441,623.11	**3,850,434.60**	**0.00**	**199,292,057.71**	**2,674,758,347.75**	**2,692,997,533.50**
	195,673,961.48	**3,879,968.25**	**391.10**	**199,553,538.63**	**2,675,813,641.27**	**2,693,978,251.27**

List of participations (20.00 % interest minimum)

Name and residence of the company	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
T€			
Investments in subsidiaries:			
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau	100.00	2,891	2,812
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	306,592	26,232
"Strabag Azerbaijan" L.L.C., Baku	100.00	-2,865	871
"Strabag" d.o.o. Podgorica, Podgorica	100.00	6,670	1,359
Asphalt & Beton GmbH, Spittal an der Drau	100.00	6,187	645
Bau Holding Beteiligungs GmbH (formerly: Bau Holding Beteiligungs AG), Spittal an der Drau	65.00	1,158,985	109,710
BHG Bitumen d.o.o. Beograd, Belgrade	100.00	0	-4
BHG Sp. z o.o., Pruszkow	100.00	2,777	361
CML Construction Services AB, Stockholm	100.00	4	-1
CML Construction Services d.o.o. Beograd, Belgrade	100.00	15	13
CML CONSTRUCTION SERVICES d.o.o. , Zagreb	100.00	57	34
CML Construction Services GmbH, Cologne	100.00	316	253
CML Construction Services GmbH, Schlieren	100.00	76	14
CML Construction Services GmbH, Vienna	100.00	83	-22
CML CONSTRUCTION SERVICES s. r. o., Pruszkow	100.00	284	47
CML CONSTRUCTION SERVICES s.r.o., Bratislava	100.00	83	25
CML CONSTRUCTION SERVICES Sp. z o.o., Prague	100.00	40	14
CML CONSTRUCTION SERVICES SRL, Bucharest	100.00	33	9
CML Construction Services Zrt., Budapest	100.00	212	27
DC1 Immo GmbH, Vienna	100.00	173	-76
DRP, d.o.o., Ljubljana	100.00	-7,436	-805
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	6,878	331
Erste Nordsee-Offshore-Holding GmbH, Vienna	51.00	10,142	1
Facility Management Holding RF GmbH, Vienna	100.00	6	3
FLOGOPIT d.o.o. BEOGRAD, Novi Beograd	100.00	-245	27
Karlovarske silnice, a.s., Ceske Budejovice	100.00	2,550	6
KMG - KLIPLEV MOTORWAY GROUP A/S, Aarhus	100.00	1,693	269
Mazowieckie Asfalty Sp. z o.o., Pruszkow	100.00	-27[3]	-3[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	483[3]	284[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	5,005	1,779
OOO "CML", Moscow	100.00	341	49
Prottelith Produktionsgesellschaft mbH, Liebenfels	52.00	-890	1,572
PRZEDSIEBIORSTWO ROBOT DROGOWYCH SPOLKA Z OGRANICZONA ODPOWI W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE SRL, Cluj-Napoca	100.00	959	-221
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	330	241
SAT SLOVENSKO s.r.o., Bratislava	100.00	2,074	369
SAT Ukraine, Brovary	100.00	3,299[3]	951[3]
SF Bau vier GmbH, Vienna	100.00	-40	-7
STRABAG A/S, Aarhus	100.00	-19	-31
STRABAG AG, Schlieren	100.00	19,767	-5,674
STRABAG AG, Cologne	100.00	1,140,179	47,625
STRABAG Infrastruktur Development, Moscow	100.00	138	60
STRABAG Oy, Helsinki	100.00	167	-209
STRABAG Property and Facility Services a.s., Prague	100.00	3,407	-350
STRABAG Real Estate GmbH, Cologne	28.40	209,652	40,629
Strabag RS d.o.o., Banja Luka	100.00	-568[3]	-74[3]
STRABAG Sh.p.k., Tirana	100.00	[4]	[4]
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	94.00	3,273	-177
TOO STRABAG Kasachstan, Astana	100.00	-2,873[3]	-341[3]
TPA GmbH, Cologne	100.00	501	-11
Zweite Nordsee-Offshore-Holding GmbH, Vienna	51.00	-8,968	-4

1 according to Para 224 Sec 3 UGB
2 net income/loss of the year
3 Financial statements as of 31.12.2017
4 no statement according to Para 242 Sec 2 UGB

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investment in participation companies:			
A-Lanes A15 Holding B.V., Nieuwegein	24.00	[4]	[4]
ASAMER Baustoff Holding Wien GmbH, Vienna	20.93	[4]	[4]
ASAMER Baustoff Holding Wien GmbH & Co.KG, Vienna	20.93	[4]	[4]
DYWIDAG Verwaltungsgesellschaft mbH, Munich	50.00	[4]	[4]
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH, Spittal an der Drau	30.00	[4]	[4]
MOSER & CO. S.R.L., Brunico	50.00	[4]	[4]
SHKK-Rehabilitations GmbH, Vienna	50.00	[4]	[4]
SIRIUS Beteiligungsgesellschaft m.b.H. in liquidation, Vienna	42.50	[4]	[4]
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	35.31	[4]	[4]
SRK Kliniken Beteiligungs GmbH, Vienna	25.00	[4]	[4]
Straktor Bau Aktien Gesellschaft, Kifisia	50.00	[4]	[4]
Syrena Immobilien Holding Aktiengesellschaft, Spittal an der Drau	50.00	[4]	[4]

1 according to Para 224 Sec 3 UGB
2 net income/loss of the year
3 Financial statements as of 31.12.2017
4 no statement according to Para 242 Sec 2 UGB

Management and Supervisory Board

Management Board:

Dr. Thomas B i r t e l (CEO)
Mag. Christian H a r d e r
Dipl.-Ing. Dr. Peter K r a m m e r
Mag. Hannes T r u n t s c h n i g (until 31.12.2018)
Dipl.-Ing. Siegfried W a n k e r
Dipl.-Ing. (FH) A l f r e d W a t z l (since 1.1.2019)

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)
Mag. Hannes B o g n e r (until 15.6.2018)
Dr. Andreas B r a n d s t e t t e r (since 15.6.2018)
Thomas B u l l
Mag. Kerstin G e l b m a n n
Dr. Oleg G . K o t k o v (since 15.6.2018)
William R. S p i e g e l b e r g e r (until 15.6.2018)

Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n é (works council)
Georg H i n t e r s c h u s t e r (works council)
Wolfgang K r e i s (works council)

MANAGEMENT REPORT

Important events

JANUARY

STRABAG subsidiary ZÜBLIN starts construction on Germany's first timber high-rise

Stadtsiedlung Heilbronn GmbH and STRABAG subsidiary Ed. Züblin AG are building the ten-storey SKAIO high-rise in Heilbronn based on a design by Berlin-based architectural firm Kaden+Lager. The 34 m building, being erected as part of the city exhibition for the BUGA 2019 horticulture show in Heilbronn, will be Germany's first timber high-rise. With an aboveground gross floor area of 5,685 m², it will offer space for 60 rental units with a total of 3,300 m² of living space.

Two additional sections of S7 in Poland for € 200 million

Two subsidiaries of STRABAG have been awarded the contract in Poland to design and build two sections of the S7 expressway north of Warsaw. The two orders have a total value of PLN 828 million, which is equivalent to approx. € 198 million. The project is scheduled for completion after a construction time of 34 months. One section leads from Strzegowo to Pieńki and is 22 km long, the second section has a length of 14 km and leads from Pieńki on to Płońsk. The S7 is being built as a four-lane facility. The contract also includes the construction of several junctions and rest areas as well as the illumination and drainage systems.

ZÜBLIN awarded € 85 million contract for "Sonnenhöfe im Sternenviertel"

Sonnenhöfe GmbH & Co. KG, a joint venture of EYEMAXX and DIE Deutsche Immobilien Entwicklungs AG, has hired ZÜBLIN as general contractor for the turnkey construction of 18 four- to five-storey buildings in Berlin Neu-Schönefeld, Germany. The € 85 million contract also includes the construction of two underground car parks. The plot to be built upon covers approx. 51,100 m² in the centre of Neu-Schönefeld north of the future Berlin Brandenburg Airport. Overall completion is scheduled for August 2021.

Buildings forming part of the project "Sonnenhöfe im Sternenviertel"

MARCH

ZÜBLIN conducts research with moss to ‘swallow up’ particulate matter

Modular wall systems to bind particulate matter and for noise abatement

European cities regularly exceed the established limits for fine particulate matter (PM). Congestion charges, speed limits or bans on diesel vehicles are often imposed to remedy the situation. ZÜBLIN is currently researching an alternative solution: moss-covered walls to “swallow up” particle pollution. Mosses have a large leaf surface to bind and degrade fine particulate matter, and they are very resistant. To best exploit the potential of moss walls, Ed. Züblin AG, Helix Pflanzen GmbH and DITF-German Institutes of Textile and Fiber Research Denkendorf have joined forces in the MoosTex research project.

STRABAG to build LEED-certified office tower in central Bucharest

STRABAG, through its Romanian subsidiary, has been awarded the contract to build a 110 m tall office tower in central Bucharest. The contract has a value of about € 39 million. Completion is scheduled for October 2019. Thanks to the use of innovative construction materials, the office building should receive the highest level of LEED certification, LEED Platinum, when it is completed.

Visualisation Ana Tower in central Bucharest

Tunnelling contract for North Yorkshire Polyhalite Project of Sirius Minerals

Sirius Minerals Plc. has hired STRABAG to build an approx. 13 km tunnel section for the underground transport system of the Woodsmith Mine near Whitby, England. The design-and-build contract was signed on 28 March 2018. The Woodsmith Mine will begin extraction of the world’s largest deposit of polyhalite, a mineral used in the production of fertilizer, in 2021. The section to be built by STRABAG is part of a 37 km tunnel with a diameter of 4.7 m for an environmentally friendly conveyor system to transport the mined polyhalite to Wilton for processing.

APRIL

Successful contract conclusion between STRABAG and ISS

Effective 1 July 2019, the facility management services for Deutsche Telekom AG and its subsidiaries in Germany will no longer be provided by the companies of the STRABAG Group but by ISS. Since the end of last year, STRABAG and ISS had negotiated on ways to continue to employ the more than 3,000 employees of STRABAG Property and Facility Services GmbH (STRABAG PFS) and STRABAG Facility Services GmbH (STRABAG FS) who are currently working on the Deutsche Telekom account. An agreement was concluded on 10 April 2018 covering the transfer of the employees affected by the change as of 1 July 2019.

STRABAG SE: Management Board appointed for the period 2019 to 2022

The Supervisory Board of STRABAG SE passed the resolutions regarding the appointment of the Management Board for the period from 2019 to 2022. The focus was on continuity: Dr. Thomas Birtel, a member of the Management Board since January 2006 and CEO since June 2013, was confirmed in his office. Also re-appointed were his colleagues, CFO Mag. Christian Harder as well as Dr. Peter Krammer and Dipl.-Ing. Siegfried Wanker. A new appointment resulted from the request of Mag. Hannes Truntschnig to retire after 23 years on the Management Board of STRABAG SE and its predecessor companies. Dipl.-Ing. (FH) Alfred Watzl was appointed as his successor to complete the five-member board effective 1 January 2019.

MAY

STRABAG takes on another section of Alto Maipo hydropower project in Chile – order plus of € 800 million

After the refinancing that was successfully concluded on 8 May 2018, STRABAG has taken on another construction section for the Alto Maipo hydropower complex in Chile. The new addition to the order books resulted in a plus of about € 800 million for STRABAG for a total contract value of approx. € 1.5 billion. In November 2012, STRABAG announced it had been awarded the contract to build a part of the Alto Maipo hydropower complex 50 km southeast of Santiago de Chile. Difficult technical conditions and the withdrawal of a contractor led the client, AES Gener, to conclude a new construction agreement with STRABAG S.p.A. of Chile on 19 February 2018. The agreement had been pending the bank financing and therefore became effective on 8 May 2018. With this construction contract, STRABAG S.p.A. is taking on another construction section, the Yeso/Volcán System, that had previously been the responsibility of the client or of third parties. The new total contract price is a lump sum that covers both the work that has already been rendered as well as all future work to be provided by STRABAG S.p.A. on the basis of the construction agreement.

ZÜBLIN to erect building complex in Copenhagen’s Carlsberg quarter

Carlsberg Byen P/S has commissioned ZÜBLIN with the construction of two new buildings in Copenhagen’s Carlsberg quarter. ZÜBLIN A/S will complete an 80 m high-rise as well as an adjoining building with five aboveground floors in the Danish capital by the year 2021. The project foresees the creation of apartments, offices, shops, cafés, restaurants and an underground car park for 200 cars and 1,000 bicycles on a total space of about 40,000 m².

JUNE

STRABAG reports new searches of its offices

Searches were conducted in June at five Austrian offices of STRABAG. The searches were in connection with those that had been conducted at several Austrian construction companies in May 2017. According to the public prosecutor’s office, the investigation centres on the suspicion of illegal price fixing. The focus is on projects from the years 2006 to 2015 in multiple regions of Austria, mostly in the field of transportation infrastructures, involving several Austrian construction companies. STRABAG is committed to completely clearing up the allegations made by the authorities. The company will, of course, continue to cooperate fully with the authorities in the investigation, and appropriate consequences will be taken in the event that fault is proven. The STRABAG Group has a comprehensive business compliance system in place that applies to its employees at all group companies. Its Code of Conduct commits all employees to correct and compliant conduct above and beyond the legal requirements. Price fixing is expressly prohibited.

Züblin Scandinavia AB to build FSE309 Lovö Interchange near Stockholm

Rendering of Lovö Interchange, Stockholm Bypass

Züblin Scandinavia AB has been awarded the contract by the Swedish Transport Administration (Trafikverket) to build FSE309 Lovö Interchange, a part of the Stockholm Bypass road project. The interchange is situated in a nature reserve with a sensitive historico-cultural background. The project, which has a contract value of SEK 505 million (approx. EUR 49 million), comprises, among other things, the construction of a new four-lane road with interchanges, pedestrian and cycle paths, rock tunnels, a service tunnel and concrete troughs.

ZÜBLIN to build "Project House for Future Technologies for Autonomous Driving"

IN-Campus GmbH, a joint venture of the city of Ingolstadt and AUDI AG, has hired Ed. Züblin AG to build the turnkey "Project House for Future Technologies for Autonomous Driving". The project is part of the new "IN-Campus" being developed on the former site of the Bayernoil refinery, an area in the east of Ingolstadt measuring about 100 soccer fields. ZÜBLIN as general contractor will be building four symmetrically arranged building modules in a U shape on the site. The design calls for approx. 47,300 m² to be developed as a hybrid building with office and workshop space including a conference area and bistro/restaurant spaces. The new structures will have up to seven storeys and provide space for teams of AUDI employees and other companies to develop new technologies. The contract value is in the double-digit million-euro range.

BPD Europe awards large project in Amsterdam to ZÜBLIN

ZÜBLIN is building a new commercial and residential building in the heart of Amsterdam with eleven aboveground floors and two underground levels. The project, called ODE, is named after the Oosterdokseiland neighbourhood of Amsterdam where it is being built. ZÜBLIN Nederland B.V. is realising ODE as main contractor on behalf of the Dutch project company OOA C.V., a subsidiary of BPD Europe. The tenant, Booking.com B.V., will open its new European headquarters at ODE and will occupy all of the office space. When it is completed in March 2021, ODE will have about 102,000 m² of space, including the Booking.com offices (approx. 65,000 m²) as well as 42 exclusive owner-occupied apartments (total of about 7,000 m²), 30,000 m² of parking on two underground levels, a café, a restaurant and 1,500 m² of retail space.

ZÜBLIN awarded contract for A44 motorway section at Boyneburg tunnel

DEGES (Deutsche Einheit Fernstraßenplanungs- und -bau GmbH) has awarded ZÜBLIN the contract for the approximately 6 km long third section of the A44 motorway between Kassel and Herleshausen. The A44 motorway is part of the German Unity Transport Project No. 15 and is intended to close the gap in the federal motorway network between the A7 at Kassel and the A4 at Wommen. The contract value for this section amounts to approx. € 183 million. The section starts east of the town of Wehretal-Oetmannshausen and extends southwards to the Sontra-West interchange. The project's centrepiece is the 1.7 km long Boyneburg tunnel which consists of two two-lane tunnel tubes.

JULY

STRABAG to realise “Triiiple” building construction project in Vienna: three 100 m residential towers

STRABAG was hired by SORAVIA and ARE DEVELOPMENT to build three residential towers in Vienna as part of the Triiiple building construction project for a contract value of € 110 million. The three 100 m towers near the city centre will house 480 owner-occupied flats in Towers 1 and 2 as well as 670 micro-apartments in Tower 3. Construction works are scheduled to be completed by summer 2021.

© ZOOM VP

Three residential towers near the Vienna city centre

EFKON enters Norwegian toll collection market

EFKON, the STRABAG subsidiary specialising in toll collection systems, will provide Norway’s two largest cities, Oslo and Bergen, with new toll collection solutions. EFKON has already implemented projects in Austria, Belgium, Germany and Ireland and is also active outside Europe in Malaysia, South Africa and India. These two projects have now paved the way for EFKON to enter the Norwegian market. A total of 100 toll collection stations will be constructed for the Norwegian Public Roads Administration (NPRA). The contract value amounts to approx. € 11 million (about NOK 100 million) and includes maintenance services for a period of eight years, which may be extended to a maximum of 17 years.

AUGUST

Contract for section of A1 in Poland

The Polish subsidiary of STRABAG will be part of a syndicate to build a 16 km section of the A1 motorway between Tuszyn and Bełchatów. The Polish General Directorate for National Roads and Motoways (GDDKiA) has awarded a design-and-build contract to the syndicate, which means that the construction companies will be responsible for both the planning and the subsequent execution of the plans. The contract value amounts to approx. € 111 million, STRABAG’s share accounting for 50 % thereof. The entire section will be constructed using concrete with two lanes going in each direction. The contract also covers two interchanges, 17 bridges, several intersections and access roads, noise barriers and wildlife crossings.

Large contract for the Oldenburg–Wilhelmshaven rail upgrade line

An internal consortium consisting of STRABAG AG, Ed. Züblin AG and STRABAG Rail GmbH has been hired by Deutsche Bahn AG to upgrade a 5.7 km railway line within the municipal limits of Sande, Lower Saxony. The contract is part of the Oldenburg–Wilhelmshaven rail upgrade line. The new track section will bypass Sande to the east of the municipality and comprises a 4 km long double-track new line as well as the addition of a second track to an existing 1.7 km section. The tracks within the municipality itself will be dismantled. The contract has a value of about € 115 million. The construction works are scheduled to last 3.5 years.

SEPTEMBER

€ 133 million contract for further section of A1 in Poland

Through its Polish subsidiary, STRABAG was awarded another contract for a section of the A1 motorway. STRABAG is leading a consortium (92 %) with Poland’s Budimex SA. The 17 km long Section C begins at the Kamieńsk interchange and ends at Radomsko, where a motorway interchange is also being built. The total value of the design-and-build contract amounts to € 133 million. Project handover scheduled after 32 months. The contract includes the construction of a motorway section with three lanes in each direction as well as 16 bridge objects and three rest areas.

STRABAG to build new REHAU production facility in Hungary for € 50 million

STRABAG-MML Kft., the Hungarian subsidiary of STRABAG Group, has been picked to build a new production facility for Swiss automotive supplier REHAU in Újhartyán. Work on the 63,000 m² facility started in September 2018 and is expected to be completed after 15 months of construction. The contract value amounts to € 50 million.

Increased stake in A8 motorway operator PANSUEVIA from 50 % to 100 %

STRABAG has acquired the 50 % stake in PANSUEVIA that had been held by HOCHTIEF, making it the 100 % owner of the concession company operating the Ulm–Augsburg section of the A8 motorway in Germany. The closing of the transaction took place 28 September 2019. The approximately 58 km long, partially widered, section of the A8 between Ulm and Augsburg was opened to traffic on schedule in September 2015 after slightly more than four years of construction. PANSUEVIA designed, financed and carried out the widening of the section to six lanes and took over the maintenance and operation of the section for a period of 30 years. Construction was carried out by a joint venture consisting of STRABAG Großprojekte GmbH, HOCHTIEF Infrastruktur GmbH and Ed. Züblin AG.

View of the A8 motorway

OCTOBER

ZÜBLIN awarded another large contract in Copenhagen

STRABAG, through its Danish subsidiary ZÜBLIN A/S, has signed another turnkey contract for the construction of a building ensemble in the Carlsberg quarter of Copenhagen. After the contract for the Dahlerup Tower that was awarded earlier this year, this is the second major contract that ZÜBLIN is building on behalf of Carlsberg Byen on the former brewery site in Copenhagen's Valby district. The new project, with a floor area of 49,000 m², is expected to be completed in 2021. The total value of the two contracts is more than DKK 1.2 billion (€ 161 million). The newly signed contract covers the construction of another tower block also with a height of 80 metres including two adjoining buildings.

NOVEMBER

Contract to build school centre in Nuremberg

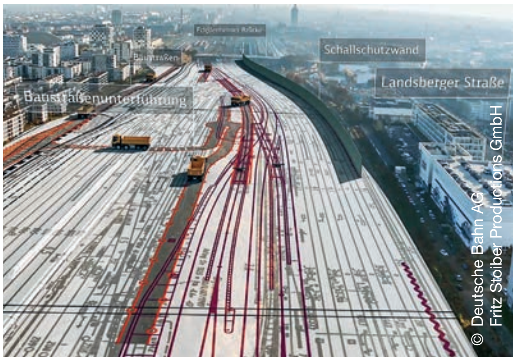
Rendering of the Bertolt Brecht School educational centre in Nuremberg

ZÜBLIN was awarded the contract to design and build the Bertolt Brecht School in Nuremberg, Germany, after a one-year tender procedure. The preliminary contract value amounts to € 108 million, with a project schedule from November 2018 to November 2021. The cooperative school centre consists of a Gymnasium, a Realschule and a Mittelschule. The school building was designed as a low-energy building with a very high coverage of its own needs through renewable energies.

DECEMBER

Deutsche Bahn awards first contracts for main construction works on Munich's second rapid transit core route

Deutsche Bahn has awarded the first two contracts for the main construction works on Munich's second core rapid transit route. The companies Wayss & Freytag Ingenieurbau AG, Ed. Züblin AG, Max Bögl Stiftung & Co. KG and Bauer Spezialtiefbau GmbH, in a joint bidding consortium, were awarded the contracts for the main construction works covering the above-ground area from the Munich-Laim station to Donnersberger Brücke as well as the area around the main station including the tunnel from Donnersberger Brücke to Marienhof. Both contracts together have a value of approximately € 865 million.



Rendering of the site preparation at section "Oberirdisch West"

Milan court denies injunction request by STRABAG consortium for "Pedemontana" project in Italy in the first instance

The legal dispute involving a consortium led by Austria's STRABAG AG in connection with the Pedemontana motorway project in northern Italy led the client on 2 March 2018 to invoke a guarantee. The consortium saw this invocation as unjustified and on 15 March 2018 filed a request with the competent court in Milan to issue an injunction against this recourse. The request was denied in a written decision served on 6 December 2018. The consortium lodged an appeal against the decision. Negotiations are continuing with the client side. The bank guarantee has not been paid out to date. In the event that the guarantee amount of up to about € 260 million has to be paid out provisionally, the consortium believes that a claim for restitution exists that is to be capitalised in full. This claim is (also) to be asserted in the pending legal disputes related to the construction delays and the accompanying considerable cost overruns. The possible payout of the guarantee will not influence the legal position of the consortium in these pending court proceedings.

Residential construction contract worth about € 80 million for ZÜBLIN in Berlin

Rendering of the residential complex "Stadtquartier Südkreuz" in Berlin-Schöneberg, Germany

ZÜBLIN has received the turnkey construction contract for a residential complex in Berlin-Schöneberg, Germany. The client of the Stadtquartier Südkreuz project at Tempelhofer Weg is Rondus Erste Immobilienbesitz GmbH & Co. KG, represented by Hines Immobilien GmbH. For a contract value of about € 80 million, ZÜBLIN will build eleven turnkey residential buildings with a total of 665 apartment units, an underground car park and approximately 14,600 m² of outdoor facilities. The building construction works are scheduled to start in late January 2019 with the handover of the building excavation and will last approximately 21 months.

Expansion of services in digital surveying

The STRABAG Group is concentrating its expanded range of services in digital surveying at its new, highly modern office facilities in Regensburg, Germany. Besides the core business of efficient drone surveying for all important areas of application, the service repertoire now also includes mobile mapping with two high-performance scanners for detailed corridor surveying even at high speeds. The offerings in both business fields are complemented by extensive 3D data processing services for every purpose, from point cloud classification to digital terrain modelling (DTM) and the vectorisation of 3D data.

Digital surveying with drones

STRABAG PFS acquires FM service provider Caverion Polska

STRABAG PFS Austria GmbH on 18 December 2018 signed the agreement for the acquisition of 100 % of the shares of Caverion Polska Sp. z o.o. of Warsaw, a Polish specialist in the field of technical facility management (TFM). The previous owner, Finland's Caverion Oyj, has chosen to withdraw from this market. Caverion Polska, founded in 1993, has about 170 employees and in 2017 generated an output volume of around PLN 50 million (approx. € 12 million). Of this amount, approximately 70 % are accounted for by TFM and 30 % by plant engineering.

Contract for modernisation of D1 motorway in the Czech Republic

A consortium including STRABAG's Czech subsidiary STRABAG a.s. has been awarded the contract for the modernisation of the D1 motorway in the Czech Republic. The contract, which has a total value of CZK 1.88 billion (approx. € 72.7 million), comprises the complete renewal of the cement concrete surface of the D1 motorway between Velký Beranov and Měřín. The total section to be modernised measures 14.8 km in length. The project is scheduled to be completed within three years.

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 another record output volume of € 16.3 billion in the 2018 financial year, which was even higher than expected due to weather conditions. This represents an increase of 12 % over the previous year. Increases in all major markets of the group contributed to this growth. In the Americas region, the output volume also rose due to an order extension for a major project in Chile – the group's largest project. Only in smaller markets, such as Switzerland, Denmark and Russia, did the output volume decline.

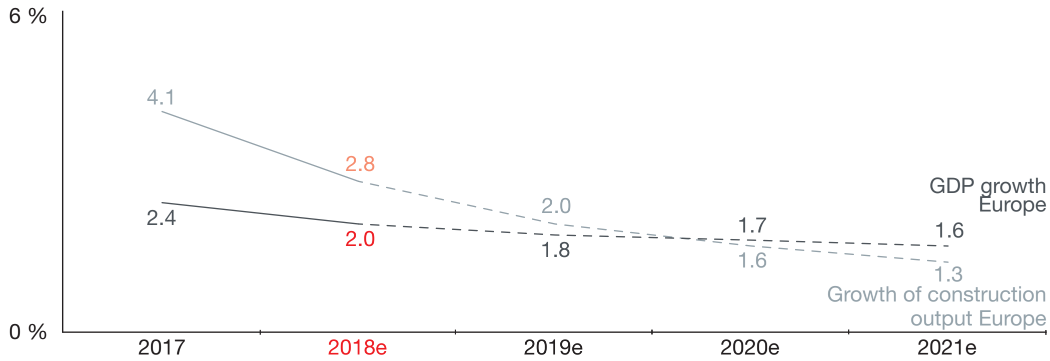
OUTPUT VOLUME BY COUNTRY

€ mln.	2018	% of total output volume 2018	2017	% of total output volume 2017	Δ %	Δ absolute
Germany	7,877	48	6,960	48	13	917
Austria	2,542	16	2,333	16	9	209
Poland	975	6	848	6	15	127
Hungary	714	4	551	4	30	163
Czech Republic	706	4	629	4	12	77
Americas	667	4	385	3	73	282
Slovakia	515	3	528	4	-2	-13
Benelux	351	2	295	2	19	56
Rest of Europe	275	2	277	2	-1	-2
Switzerland	273	2	320	2	-15	-47
Middle East	206	1	303	2	-32	-97
Romania	197	1	183	1	8	14
Sweden	178	1	162	1	10	16
Croatia	163	1	120	1	36	43
Asia	162	1	99	1	64	63
Serbia	111	1	113	1	-2	-2
Denmark	92	1	159	1	-42	-67
Russia	78	1	143	1	-45	-65
Italy	74	1	67	0	10	7
Slovenia	68	0	53	0	28	15
Africa	57	0	48	0	19	9
Bulgaria	42	0	45	0	-7	-3
Total	**16,323**	**100[1]**	**14,621**	**100[1]**	**12**	**1,702**

1 Rounding differences are possible.

ECONOMIC GROWTH LOSES MOMENTUM[1]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



After a promising start, the **economic momentum slowed** gradually in 2018. Political issues, in particular, put a lasting strain on the mood of companies and private households, causing a moderation in investment growth, exports and private consumption. As a result, the forecasts for the coming years are also subject to much higher uncertainties.

The International Monetary Fund still reports growth of 3.7 % for the global economy in 2018, but forecasts for the coming years have been revised downwards due to increasing risks. Growth in the Chinese economy has already slowed significantly in 2018, driven mainly by trade sanctions and the devaluation of the renminbi. Thanks to massive fiscal measures such as tax relief and deregulation in the reporting period, the US economy still grew at the similarly high rate as in the previous year. Euroconstruct, however, expects the positive impact of these measures to diminish over the coming years and that a more restrictive US Federal Reserve monetary policy will further dampen the upward trend.

In the 19 Euroconstruct countries, economic growth slowed significantly in 2018, but according to current estimates, economic growth is still expected to have reached a total of 2.0 %. The economy in Ireland and in the countries of Central and Eastern Europe developed significantly above the European average, while Germany was in the European midfield. The economic development in the EU countries is currently mainly driven by domestic consumption, while exports, which are very important for the eurozone, are already losing momentum. At the same time, purchasing power declined, as higher oil prices drove inflation higher. Geopolitical risks, increasing protectionism and a shortage of the production factors capital and labour also set growth limits. Euroconstruct therefore forecasts a growth rate of 1.8 % for the eurozone in 2019 and a slight slowdown to +1.7 % in 2020. The political uncertainty surrounding Brexit is causing many companies to postpone investment decisions into the future. The unemployment rate is likely to continue its general downward trend, at the same time that it is becoming more difficult for companies across Europe to find suitable professionals.

CONSTRUCTION SECTOR AGAIN BETTER THAN OVERALL ECONOMY

With solid growth of 2.8 %, the **construction industry** in the 19 Euroconstruct countries **grew for the fifth consecutive year** in 2018, thus growing faster than the economy as a whole. With the exception of the United Kingdom, all member states recorded positive rates of increase. The growth of the construction sector – in a consolidated view – should continue to develop in parallel with the general economy in the coming years. The current Euroconstruct forecasts for the period 2019–2021 range between +2.0 % and +1.3 %.

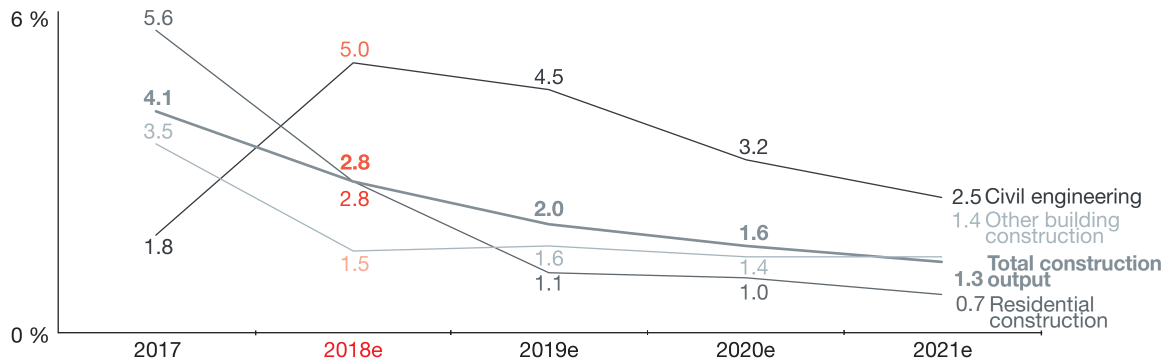
In a country-by-country comparison, the development continued to be heterogeneous. With double-digit growth rates, Hungary, Poland and the Czech Republic posted stronger-than-average growth. Likewise, construction output in Portugal, the Netherlands, Ireland and Spain grew at a strong rate of between 7.6 % and 5.7 %. Germany and France in turn – together accounting for about one third of total European construction output – were in the lower midfield with growth rates of 1.3 % and 3.2 %, respectively. While Euroconstruct predicts a gradual slowdown

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 2018 reports. The indicated market share data are based on the data from the year 2017.

in construction growth to 1.0 % for Western European countries by 2021, Eastern European countries are forecast to grow significantly by an average 9.1 % in 2019 as well. In 2020, the plus is expected to stabilise at a still strong 3.9 %, before rising again to 6.0 % in 2021.

CIVIL ENGINEERING OUTPERFORMS RESIDENTIAL CONSTRUCTION AND OTHER BUILDING CONSTRUCTION

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



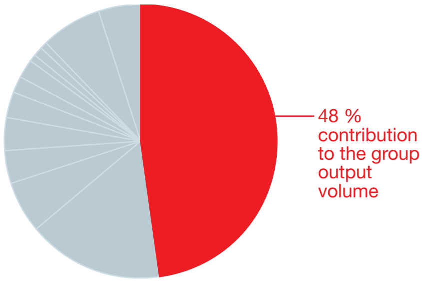
In a sector-by-sector comparison, European civil engineering recorded the strongest upward trend with a plus of 5.0 % in the past year, followed by residential construction with +2.8 %. Other building construction contributed below-average growth of 1.5 %.

Residential construction, which accounts for almost half of total European construction output, grew by 2.8 % in 2018. In absolute terms, France and Germany were again at the top, followed by the United Kingdom and Italy. The largest growth rates were recorded in Hungary, Ireland, Slovakia, Portugal, the Czech Republic, Poland and Spain. In 2019, however, the growth of the sector will likely continue to weaken to a total of 1.1 %. Above-average growth rates are predicted for Ireland, which has ranked among the leaders for years, and above all for Portugal, Hungary, the Czech Republic and Poland. In Germany, the development is likely to stagnate.

The forecasts for **other building construction** – in 2018, almost one third of the European construction volume was attributable to it – had to be revised downwards several times in the course of the year, in contrast to the previous year. Ultimately, it increased by only 1.5 % in the 19 Euroconstruct countries. By country, Hungary, the Czech Republic, Poland, the Netherlands and Portugal recorded the highest growth. Ireland declined the most, albeit after peaking in previous years, followed by Slovakia and the United Kingdom. While Euroconstruct is forecasting moderate declines in this sector for Germany over the coming years, the United Kingdom is expected to achieve growth of 0.4 % and 1.6 % in 2020 and 2021, respectively, after a slight decline of 2.1 % in the Brexit year.

Civil engineering, which accounts for around 20 % of European construction volume, showed a highly mixed picture in 2018 but, with a plus of 5.0 %, was well above forecasts overall. The strongest growth was recorded in Hungary, Poland, Slovakia and Norway, while Germany, with a plus of 0.7 %, was just barely developing positively. For the future, Euroconstruct sees a more consistent picture and expects solid growth of 4.5 % in 2019. This development is to be supported above all by the high level of dynamism in the Eastern European countries and in Norway. For Germany, the largest market by volume, Euroconstruct forecasts a slight decline from 2019 to 2021.

GERMANY



Overall construction volume: € 332.0 billion
GDP growth: 2018e: 1.6 % / 2019e: 1.7 %
Construction growth: 2018e: 1.3 % / 2019e: 0.1 %

The German economy was in its fifth year of economic upswing in 2018. The projected 1.6 % GDP growth resulted primarily from the further increase in private consumption, though it has lost some of its momentum in the meantime. German consumption was boosted by secure jobs and low savings interest rates. At the same time, the economic situation is characterised by optimal capacity utilisation and the interplay of three key factors: high employment, a surplus in the household budget and the greater investment propensity of businesses. In the medium term, the robust global economy and the high German export ratio continue to provide good conditions for stable growth.

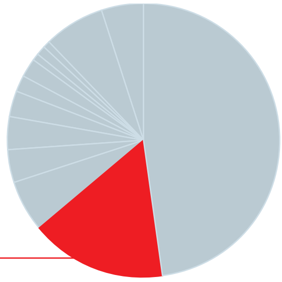
The German construction industry potentially reached a provisional high in 2018 with further growth of 1.3 %. The residential construction is being stimulated by low lending rates and rising real wages. In the next few years, this sector, which still represents more than half of the total German construction volume, will likely be characterised by a slight downward trend. For the entire construction sector, Euroconstruct expects stagnation (+0.1%) for 2019 and a slight decline of -0.6 % and -0.9 % for 2020 and 2021, respectively.

Other building construction remained high with a plus of 0.9 % in 2018 due to the generally strong economic development. In the medium term, however, rising energy prices, the growing importance of foreign manufacturing, the trend towards a service economy, and the triumphal march of online commerce, which is dampening demand for new business premises, are expected to result in a slight decline in this sector.

Civil engineering was revitalised primarily by federal and state measures, notably investment programmes for rail and road infrastructure as well as the expansion of broadband network coverage by the telecommunications industry. While the sector still achieved an increase of 1.4 % in 2018, it also faces a modest correction phase in the coming years, despite increased public-sector investment in road infrastructure.

With a market share of 2.1 %, the STRABAG Group is the market leader in Germany. At 16.4 %, the share of the German road construction sector is significantly higher than that of the market as a whole. With € 7,876.65 million, around 48 % of STRABAG's total group output volume was generated in Germany in 2018, as in the previous year. 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:	€ 41.0 billion
GDP growth:	2018e: 3.0 % / 2019e: 2.0 %
Construction growth:	2018e: 2.3 % / 2019e: 1.5 %

With expected GDP growth of 3.0 % in 2018, Austria was again significantly above the EU average and the average development of its neighbouring countries. In addition to a rise in private consumption and a favourable labour market situation, industrial production also rose sharply, while the inflation rate remained relatively stable at 2.1 %. In addition, the positive trade balance had a favourable effect in Austria's comparatively small and open economy.

Euroconstruct also attests significant growth rates to the Austrian construction industry in 2018. The revival of the economy – primarily driven by the construction of new office and commercial buildings in the greater Vienna area – especially boosted the field of building construction, while at the same time providing financial scope for investments in infrastructure. In total, the Austrian construction output grew by 2.3 % in 2018. The upward curve is expected to flatten somewhat in the coming two years, however, before it consolidates in 2021 with growth of 1.1 %.

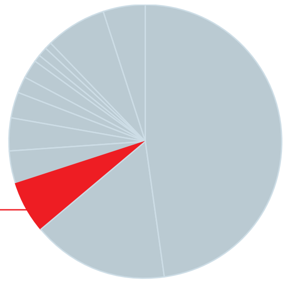
According to estimates by Euroconstruct, Austrian residential construction recorded considerable growth of 2.5 % in 2018. As for the construction industry as a whole, however, a slight slowdown in growth is expected over the next few years until the plus settles at 0.6 % in 2021.

The other building construction sector was also able to benefit from the positive economic development with growth of 2.2 %. The construction of office real estate was particularly strong at + 3.3 %. The outlook for other building construction remains positive until 2021, but growth rates are likely to decline to 1.2 % over the coming years.

Even civil engineering increased by 2.0 % in 2018, primarily due to investments – in the form of public-sector subsidies – in transportation infrastructures. The further expansion of the road and in particular of the rail network will continue to occupy a fixed place in the Austrian budget in the coming years. In this sector, the growth rate should therefore remain at an average value of 1.9 % over the next three years.

The STRABAG Group once again generated a total of 16 % of the total group output volume in its home market of Austria in 2018. Austria thus continues to be one of its top three markets along with Germany and Poland. The output reached a volume of € 2,541.50 million in 2018. With a share of 5.8 %, STRABAG defended its position as market leader in the country. In road construction, the market share stands at 36.3 %.

POLAND



Overall construction volume: € 55.5 billion
GDP growth: 2018e: 4.6 % / 2019e: 4.2 %
Construction growth: 2018e: 12.9 % / 2019e: 10.1 %

Building on the positive development of recent years, the Polish economy was again able to record a stable increase of 4.6 % in 2018, and similarly high growth is forecast for the coming years. Rising consumption, which in turn is boosted by the good situation on the job market, should also shape the next few years, especially since households will have more money available thanks to the increased child allowance. But massive public-sector investment in key infrastructure projects co-financed by EU funding programmes is also contributing to the positive development.

Following strong fluctuations in recent years, the Polish construction industry recorded a record year with growth of 12.9 % in 2018. Euroconstruct is forecasting an increase of 10.1 % for 2019, before growth is expected to stabilise at a solid 4.7 % in 2020. The lack of domestic labour, on the other hand, is proving to be a bottleneck.

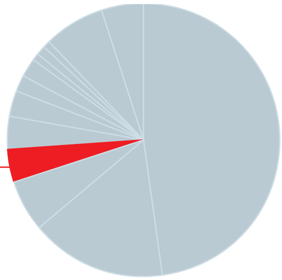
The boom in residential construction, which had already delivered a sizeable plus of 9.2 % to this sector in the previous year, reached its expected peak in 2018 – supported by low lending and mortgage rates – with growth of 10.2 %. The rising demand for residential property can be attributed, among other factors, to the positive development of private income in relation to real estate prices. For the year 2018, Euroconstruct still forecasts that the sector will experience above-average growth of 6.8 %, though it is likely to stabilise at 4.5 % by 2020.

A peak of +10.5 % was also achieved in other building construction in 2018. In addition to massive orders from the public sector, investments by foreign companies in new production facilities provided a high level of dynamism. As part of the modernisation of the rail network, the renovation of 200 railway stations is also planned in the next few years. Euroconstruct therefore forecasts the sector to grow by 7.4 % in 2019, before the plus falls slightly to 3.7 % and 4.2 % in 2020 and 2021, respectively.

By far the strongest growth in Poland in 2018 was recorded in civil engineering with a plus of 18.8 %. In addition to the good development of the economy as a whole, this is mainly due to the EU funding programmes. Under the EU's 2014–2020 Infrastructure and Environment Programme, for example, thousands of co-financing agreements were signed for investment projects by 2018 alone, more than half of them funded with EU money. The largest increases were recorded in rail construction, followed by harbour installations and waterways, leisure facilities and roads. Against this background, Euroconstruct predicts a further strong increase of 16.5 % in Polish civil engineering in 2019; growth should again consolidate at 6.0 % and 7.0 % in 2020 and 2021, respectively.

As the number three in the construction sector in Poland, STRABAG realised a construction volume of € 975.35 million here in 2018, representing 6 % of the group's total output volume (2017: 6 %). Poland thus represents the third-largest market of the STRABAG Group. Its market share in the entire Polish construction market was 1.7 % and its share of road construction was 9.2 %.

HUNGARY



Overall construction volume:	€ 13.5 billion
GDP growth:	2018e: 4.4 % / 2019e: 3.5 %
Construction growth:	2018e: 24.7 % / 2019e: 10.3 %

The Hungarian economy picked up significantly in 2018, posting a very solid performance of 4.4 %. Rising household incomes and higher mandatory wages with a simultaneously decreasing unemployment rate greatly boosted domestic consumption. The main driver of the high economic growth, however, was the increase in EU funding for the period 2014–2020 and the resulting public procurement, especially in the construction sector. At the same time, rising foreign demand and the export strength of the Hungarian economy resulted in a high trade surplus in 2018. Against this backdrop, Euroconstruct forecasts further strong GDP growth of 3.5 % in 2019.

The Hungarian construction industry once again registered a massive upturn of 24.7 % in 2018. The positive development was largely driven by above-average momentum in the residential construction and civil engineering segments. For 2019, Euroconstruct forecasts a further 10.3 % increase in the sector, before growth will slow to 1.7 % in 2020 with the expiry of the current EU financial framework and will consolidate back to 5.6 % in 2021.

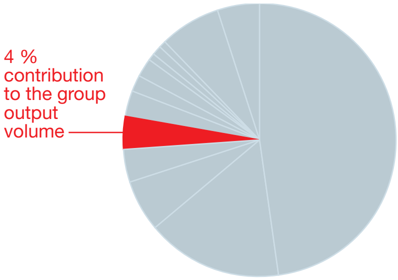
As the most successful segment, residential construction posted an outstanding result of +42.1 % in 2018. Thanks to persistently low interest rates and a generous fiscal policy, which seeks to increase the living standards of young families in particular with subsidies and special loans, the market for new buildings boomed here. At the same time, the revival of the tourism industry triggered a massive renovation and modernisation boom in the hotel sector. For 2019, Euroconstruct forecasts an increase of 9.3 %, though the beginning of a correction phase with declines of -9.7 % and -2.1 % is expected for 2020 and 2021, respectively.

Stimulated by massive public investment and the availability of new EU funds, other building construction also achieved a remarkable increase of 13.6 % in the reporting period. On the one hand, investments by small and medium-sized enterprises increased significantly thanks to EU subsidies. On the other hand, foreign investors invested heavily in new industrial facilities. Hungary already has 193 industrial parks with a total of more than 3,400 companies; 18 science and technology parks cooperate with universities and private enterprises. From 2018 to 2020, between 200,000 and 250,000 m^2 of new office space is to be created annually in large cities alone. At the same time, the government is investing in urban and village renewal programmes and the renovation of historic buildings in the cultural sector. For the period 2019 to 2021, Euroconstruct therefore continues to forecast average growth of 7.4 % a year in other building construction.

Civil engineering also recorded a big plus of 24.3 % in 2018. One of the primary objectives of the Hungarian catching-up process is the creation of modern infrastructure for the exchange of goods and services as well as for passenger transport and telecommunications. In the reporting year, sufficient EU funds were also available for major projects in road and rail construction. Euroconstruct therefore expects that the growth trend in civil engineering should – albeit at a slightly weaker rate – continue until 2021.

The STRABAG Group generated € 713.89 million, and thus 4 % of its output, in Hungary in 2018 (2017: 4 %). This puts STRABAG in first place in the Hungarian construction market. Its share of the total market reached 5.1 %, that in road construction 19.9 %.

CZECH REPUBLIC



Overall construction volume: € 19.5 billion
GDP growth: 2018e: 3.2 % / 2019e: 3.1 %
Construction growth: 2018e: 10.0 % / 2019e: 6.9 %

After a very good year in 2017, with GDP growth of 4.3 %, the Czech economy consolidated to a stable plus of 3.2 % in the period under review. The sustained positive development is supported by temporarily effective factors such as EU subsidies and a very positive employment situation. In 2017, the unemployment rate had already reached its lowest level since 1993 at 2.9 % and is expected to have declined even further to 2.2 % in 2018. As positive changes are also expected in the coming years, above all with rising industrial production and an increase in private consumption and public investment, Euroconstruct continues to expect moderate growth rates of around 3.0 % p. a.

After several years of volatile development, the Czech construction sector recorded strong growth of 10.0 % in 2018, with all three subsegments posting sensational results. For 2019 and 2020, Euroconstruct predicts solid growth rates of 6.9 % and 4.3 %, respectively, for the Czech construction industry as a whole. As funds from the new EU financial framework 2021–2027 will begin to flow in 2021, the experts predict that the country will have a construction boom in this year with a growth rate of 10.0 %.

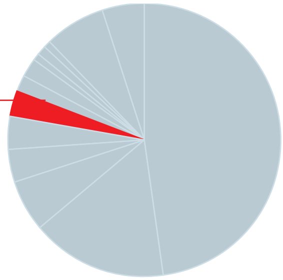
Residential construction was buoyed by the high demand for new apartments and single-family homes, boosted by the low mortgage rates, with growth of 11.6 % in 2018. After real estate developers had already reached their limits in recent years in finding suitable building sites and obtaining building permits for them, two amendments to Czech construction law helped to considerably ease tensions in 2018. The number of building permits issued in residential construction increased by 31.5 % in 2018 and increases of 44.6 % and 45.1 % are expected by for 2020 and 2021, respectively. Against this backdrop, Euroconstruct continues to forecast considerable growth of 9.1 % for residential construction in 2019. In the following year, the value is expected to drop to a still solid 6.9 % before returning to 11.6 % in 2021.

Other building construction also recorded strong growth of 11.1 % in 2018 after the sector had already recovered from a multi-year recession the year before. Investments in industrial and logistics centres as well as the construction of shopping centres and large office buildings are expected to add 6.9 % to this sector in 2019 and, after muted growth of 2.7 % in 2020, to return it to a solid +8.3 % in 2021.

With a plus of 6.3 %, Czech civil engineering also recovered significantly in 2018. Similar to other building construction, growth rates of 4.8 % are also forecast here for the next two years. In addition to investments already initiated in sewage systems, sewage treatment plants and flood protection structures, overdue rail and road construction projects as well as the expansion of two airports are also planned for the coming years. With the start of funding under the new EU financial framework 2021–2027, Euroconstruct is forecasting a new civil engineering boom in 2021 with a plus of 11.6 %.

STRABAG is the number two on the market in the Czech Republic. With an output volume of € 706.44 million in 2018, around 4 % of the group's total output (2017: 4 %) was generated in the country. The market share in the entire construction market is 3.6 % and in road construction even amounts to 21.2 %.

SLOVAKIA



Overall construction volume:	€ 5.2 billion
GDP growth:	2018e: 4.1 % / 2019e: 4.5 %
Construction growth:	2018e: 5.9 % / 2019e: 3.7 %

The upturn in the Slovak economy continued in 2018, with GDP growth of 4.1 % thanks to net exports and high levels of consumer spending by private households. Despite an expected decline in public investment, Euroconstruct also forecasts significant growth of between 4.5 % and 3.3 % for the Slovak economy over the next three years. Among other factors, this forecast is based on the good order situation of the car manufacturers Jaguar Land Rover and Volkswagen, which have operations here.

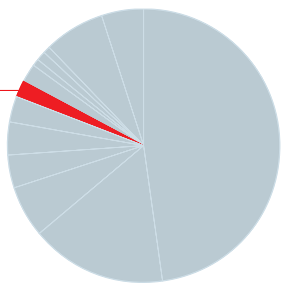
The Slovak construction industry, following strong fluctuations in the years before, recorded solid growth of 5.9 % in 2018. According to Euroconstruct, however, this value is likely to weaken significantly in the coming years and will return to a minus of 0.7 % in 2021. Residential construction, which grew by 12.5 % in 2018, again benefited from the low lending rates. This effect should only be regarded as temporary, however, and Euroconstruct predicts a decline in the growth momentum to below the zero line for the next few years.

Despite the positive general economic data, other building construction in Slovakia contracted by 4.3 % in 2018, even though large-scale investments by the automotive industry in the expansion of their production capacity still had a positive effect on the sector and retailers also demanded modern logistics centres and warehouses. The construction of several large shopping centres and the construction of a new national football stadium should provide somewhat better capacity utilisation in 2019 (+1.2 %) and 2020 (+1.0 %), according to Euroconstruct, before the curve flattens down again to +0.2 % in 2021.

Civil engineering, which experienced an extreme fluctuation range between +53.4 % and -25.1 % in 2015 and 2016, achieved a solid plus of 14.0 % in 2018. Contributing to this upward trend has been public investment in transport infrastructures co-financed by EU funds. In the next two years, according to estimates by Euroconstruct, such projects should still lead to positive growth rates of 5.5 % and 1.3 %, respectively, before the sector eases slightly again at -0.5 % in 2021.

With a market share of 10.7 % and an output volume of € 514.49 million in 2018, STRABAG continues to lead the market in Slovakia. In road construction, STRABAG's share is 17.1 %. In 2018, Slovakia contributed 3 % to the group's total output volume (2017: 4 %).

BENELUX (BELGIUM AND NETHERLANDS)



BELGIUM

Overall construction volume:	€ 45.7 billion
GDP growth:	2018e: 1.5 % / 2019e: 1.5 %
Construction growth:	2018e: 2.3 % / 2019e: 1.8 %

NETHERLANDS

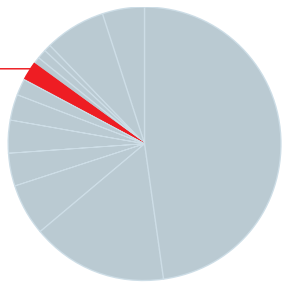
Overall construction volume:	€ 79.9 billion
GDP growth:	2018e: 2.8 % / 2019e: 2.6 %
Construction growth:	2018e: 6.3 % / 2019e: 4.6 %

The economy in the Benelux countries developed moderately dynamic, albeit at different levels, in 2018. The low yet stable GDP growth of 1.5 % in Belgium and somewhat higher growth of 2.8 % in the Netherlands are due to slightly higher household incomes, a somewhat lower unemployment and rising corporate investments. The **Belgian construction industry** achieved a plus of 2.3 % in the reporting period, with civil engineering in particular posting a disproportionate increase of 10.4 %. Large infrastructure projects and the expansion of the regional rapid transit network contributed to this positive development. For 2019, Euroconstruct predicts a moderate increase of 2.8 % for this sector and another peak of +9.8 % in 2020. In 2021, however, growth should slow back down to 1.6 %. Although the other building construction, which had been flagging in recent years, slid into negative growth with -2.6 %, Euroconstruct expects growth rates of between 1.4 % and 4.5 % over the next three years, thanks to various measures taken by the public sector. Residential construction, which had benefited in recent years above all from temporary tax concessions and a significant expansion of building permits, grew at a moderate rate of 3.3 % in 2018. Due to upcoming energy efficiency promotion programmes, however, Euroconstruct is forecasting growth of between 1.7 % and 2.8 % for the next three years.

The **construction industry in the Netherlands** was much stronger in 2018, surpassing the very positive result of the previous year (+4.2 %) with a plus of 6.3 %. The main pillar of this development continues to be residential construction with a growth of 6.0 % – once again it is the new buildings that gained significantly with +9.0 %. Thanks to the combination of historically low lending rates and tax incentives for housing renovation, Euroconstruct is forecasting solid growth of between 2.9 % and 3.6 % for the coming years. In other building construction, a significant expansion of building permits in 2018 led to an increase of 6.4 %. The focus was on industrial buildings, warehouses and buildings for the educational sector. In 2019, new retail and healthcare buildings and new office space should contribute to further strong growth of 4.1 %; for 2020 and 2021, Euroconstruct also predicts growth of 4.5 % and 3.3 %, respectively. In civil engineering, which grew by a respectable 6.8 % in 2018, substantial public investment in ports, roads, rail and climate protection is expected to keep growth more or less stable at 6.7 % in 2019 after years of austerity, before slipping to 3.0 % in 2020 and stagnating with a value of 0.0 % in 2021.

STRABAG achieved an output volume of € 350.76 million in the Benelux countries in 2018. This corresponds to a 2 % share of the group output volume (2017: 2 %).

SWITZERLAND



Overall construction volume:	€ 63.9 billion
GDP growth:	2018e: 2.9 % / 2019e: 1.7 %
Construction growth:	2018e: 2.5 % / 2019e: 1.0 %

Stimulated by the general economic upswing of its trading partners, the Swiss economy returned to solid growth in 2018 for the first time since the so-called “Swiss franc shock” with an expected GDP plus of 2.9 %. By normalising its fiscal policy, Euroconstruct is forecasting a positive development for Switzerland over the period 2019–2021, with an annual average increase of 1.9 %.

The Swiss construction industry grew by 2.5 % in 2018. While residential construction had been the main engine of growth in recent years, momentum is now more likely to come from civil engineering. For 2019, Euroconstruct forecasts an overall increase of 1.0 % for the Swiss construction industry due to extensive infrastructure projects, before growth is again expected to slow down slightly to 0.5 % and 0.7 % in 2020 and 2021, respectively.

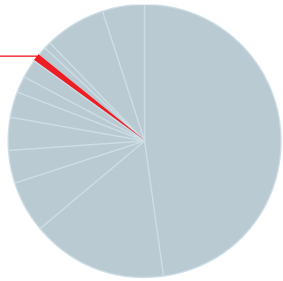
Swiss residential construction proved to be the weakest segment of the industry in 2018, with an increase of only 0.3 %. Strong market saturation combined with rising real estate prices and high vacancy rates prompt Euroconstruct to forecast that the sector will decline for the next few years (2019: -2.7 %, 2020: -2.4 %).

Thanks to the good state of the economy, on the other hand, Swiss companies have more flexibility for investing in corporate real estate. The moderate growth of 2.2 % in other building construction was due primarily to large construction projects by biotechnology and pharmaceutical companies. Not least due to planned investments in the health and education sectors, Euroconstruct predicts growth rates of around 3.0 % in this sector for the next two years.

While residential construction performed weakly last year, civil engineering, with a plus of 8.1 %, was, as already mentioned, the growth engine and is expected to continue to grow significantly in 2019 and 2020 with expected increases of 6.0 % and 3.0 %, respectively. This development is supported, for example, by a nationwide railway infrastructure programme. Likewise, the National Road and Agglomeration Transport Fund foresees annual investments of CHF 4.3 billion.

In 2018, Switzerland contributed € 273.21 million or 2 % (2017: 2 %) to the total output volume of the STRABAG Group.

ROMANIA



Overall construction volume:	€ 17.5 billion
GDP growth:	2018e: 3.6 % / 2019e: 3.8 %
Construction growth:	2018e: 5.9 % / 2019e: 5.7 %

The Romanian economy showed a solid upward movement in 2018 with a plus of 3.6 %, although the GDP growth originally projected by EECFA at 4.5 % had to be revised downwards slightly. Primarily, the growth dynamic resulted from the further increase in private consumption despite it having lost some of its momentum. Positive influences also came from the growth in industrial production and retail sales. The cumulative effect of these factors should continue over the next two years, leading to growth rates of 3.8 % and 3.6 %, respectively, in 2019 and 2020.

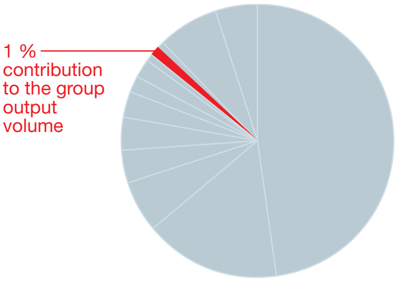
The Romanian construction industry posted positive growth of 5.9 % in 2018 and is expected to increase by 5.7 % in 2019, before the curve flattens slightly to +3.1 % in 2021. Buoyed by rising wages and low lending rates, residential construction once again posted strong growth of 9.8 % in 2018, mainly driven by new buildings. Rising real estate prices and lending rates – in some places coupled with an oversupply – dampen expectations of growth to just 3.7 % for the sector in 2019 before nearly stagnating at +0.9 % in 2020.

Other building construction also recorded a strong increase of 8.3 % in 2018, supported in particular by investments by international real estate developers in new office buildings. But investments in industry and trade also contributed to the positive performance. Foreign corporations took advantage of the comparatively lower wage and, at the same time, high qualification level of Romanian labour. Against this backdrop, EECFA also forecasts strong growth of 7.2 % and 6.4 %, respectively, for the next two years.

Civil engineering developed negatively in the year under review, with a slight decline of 0.8% in the third year. A key factor in this development was the low call for funds from the new EU funding programmes, in particular for infrastructure investments in the road sector. Due to new EU funding, however, EECFA is forecasting a new upswing in the sector with +6.8 % in 2019; in 2020, the growth should remain at a solid 2.9 %.

With an output volume of € 197.37 million in 2018 and a market share of 1.1 % (2017: 1.4 %), the STRABAG Group will continue to occupy the position of market leader in the Romanian construction market. In Romanian road construction, the share of the market stands at 5.1 % (2017: 2.9 %).

SWEDEN



Overall construction volume:	€ 44.4 billion
GDP growth:	2018e: 2.4 % / 2019e: 1.9 %
Construction growth:	2018e: 2.0 % / 2019e: -3.8 %

The Swedish economy grew by 2.4 % in 2018. In addition to an expansionary fiscal policy and private investments, this growth was supported not least by falling unemployment and rising real wages and the resulting higher domestic consumption. Euroconstruct's medium-term forecast, however, remains unchanged: High private household debt and the expected decline in public investments are expected to lead to a slight reduction in GDP growth to 1.9 % per annum over the next three years.

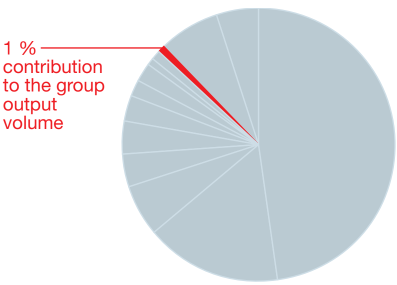
The upswing in the Swedish construction industry, which had been very dynamic in previous years, slowed significantly in 2018 with growth of only 2.0 %. Euroconstruct even expects construction output to decline by 3.8 % in 2019 and foresees drops of -0.7 % and -2.4 % in 2020 and 2021, respectively. In residential construction, the previous construction boom had already come to a standstill in autumn 2017 as a result of the entry into force of new financial regulations for private households. After a slight increase of 2.0 % in 2018, this sector is predicted to see a massive decline of -12.3 % in 2019, which should continue in the following two years with negative growth of -3.5 % and -6.1 %, respectively.

After several years of dynamic growth, other building construction also entered a period of consolidation in 2018 with a minus of 1.4 %. The main reason for this is the weak Swedish currency, as a result of which the role of growth engine passed from the Swedish construction sector to the country's export industry. The forecasts are not overly optimistic either: According to Euroconstruct, the momentum in other building construction should continue to cool slightly to -0.3 % and -0.5 % in 2019 and 2020, respectively, before declining significantly in 2021 with -4.7 %.

By contrast, Swedish civil engineering grew at an above-average rate of 6.2 % in 2018. Public-sector investments in rail infrastructure and public transport, as well as the implementation of several major projects in Stockholm and Gothenburg, provided significant impetus here, some of which goes beyond the year under review. Euroconstruct is therefore expecting solid growth rates in civil engineering for the coming years (2019: +7.0 %, 2020: +3.2 % and 2021: +5.0 %).

The output volume of the STRABAG Group in Sweden amounted to € 178.34 million in 2018.

CROATIA



Overall construction volume:	€ 3.5 billion
GDP growth:	2018e: 2.8 % / 2019e: 2.8 %
Construction growth:	2018e: 4.9 % / 2019e: 2.8 %

The Croatian economy has overcome the crisis of previous years and, with a plus of 2.8 %, was well above the EU average in 2018. This development was supported not only by private consumption but also by strong investment momentum and flourishing tourism. Another reason for the positive development is the better use of EU funding for infrastructure and utilities projects. For example, EU funding totalling € 10.8 billion is available to the country during the 2014–2020 funding period. EECFA therefore expects largely stable GDP growth rates for the coming years as well.

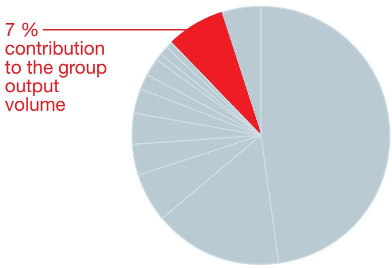
An increase of 4.9 % in 2018 once again confirmed the upward trend in the Croatian construction sector. The strongest and most welcome growth at 15.2 % was in residential construction. However, this trend will weaken significantly in the next few years due to rising construction costs and the massive emigration of well-trained young workers to other European countries. EECFA estimates that growth will stagnate at +0.2 % and -0.2 % in 2019 and 2020, respectively.

The other building construction also showed solid growth with a plus of 3.1 % in the year under review. Output in warehousing and industrial construction grew as strongly as in health and education buildings, while the mixed picture in the office sector reflected the more cautious attitude in real estate development. Hotel construction also fell slightly short of expectations. Overall, EECFA predicts increases in other building construction in the coming years of 3.1 % (2019) and 2.3 % (2020).

Croatian civil engineering declined again in 2018 with a minus of 3.9 %. For 2019, however, EECFA is forecasting a strong plus of 5.7 % for the sector and a further 4.5 % for 2020. In addition to the optimised use of EU subsidies, the main driving forces are large-scale infrastructure projects for rail and shipping traffic as well as water collection and treatment plants.

The STRABAG Group generated € 162.81 million in the Croatian market in 2018. It is the country's largest market participant.

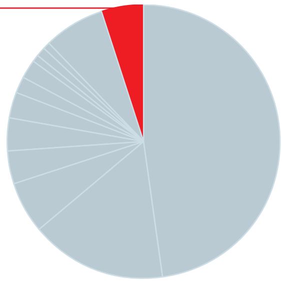
AMERICAS, MIDDLE EAST, ASIA, AFRICA



In order to be as independent as possible from the economic development of individual countries, STRABAG spreads its country risk by also operating outside its main European markets. As a rule, the company acts as a main contractor in direct export. In this sense, the group has been present in Africa and Asia, Canada, Chile and the Middle East for many years – often even decades. STRABAG focuses on areas in which high technological expertise is required: civil engineering, industrial and infrastructure projects as well as tunnelling. The 2018 milestones included the contract extension for the "Alto Maipo" hydropower project in Chile, which made this project the largest in the group.

In 2018, the STRABAG Group generated a total of € 1,091.96 million, or 7 % of its total output outside Europe (2017: 6 %). The activities in non-European countries are – with a few exceptions – assigned to the International + Special Divisions segment.

SERBIA, DENMARK, RUSSIA, ITALY, SLOVENIA, BULGARIA AND REST OF EUROPE



RUSSIA

Overall construction volume:	€ 134.3 billion
GDP growth:	2018e: 1.8 % / 2019e: 1.3 %
Construction growth:	2018e: 0.5 % / 2019e: -0.8 %

ITALY

Overall construction volume:	€ 168.4 billion
GDP growth:	2018e: 1.2 % / 2019e: 1.0 %
Construction growth:	2018e: 1.7 % / 2019e: 2.1 %

SERBIA

Overall construction volume:	€ 2.7 billion
GDP growth:	2018e: 4.3 % / 2019e: 3.9 %
Construction growth:	2018e: 12.7 % / 2019e: 8.0 %

DENMARK

Overall construction volume:	€ 32.0 billion
GDP growth:	2018e: 1.6 % / 2019e: 1.6 %
Construction growth:	2018e: 2.7 % / 2019e: 2.6 %

SLOVENIA

Overall construction volume:	€ 2.8 billion
GDP growth:	2018e: 4.4 % / 2019e: 3.7 %
Construction growth:	2018e: 10.8 % / 2019e: 7.0 %

BULGARIA

Overall construction volume:	€ 6.2 billion
GDP growth:	2018e: 3.5 % / 2019e: 3.7 %
Construction growth:	2018e: 7.4 % / 2019e: 7.0 %

Serbia

With GDP growth of 4.3 %, the Serbian economy continued its upswing in 2018. The construction industry also made significant contributions following the approval of several projects across all sectors. In addition to higher employment figures and rising wages, investments by industry and commerce also boosted the economy. GDP forecasts of +3.9 % (2019) and +4.5 % (2020) therefore seem quite realistic.

Serbia's construction industry grew by a healthy 12.7 % in 2018 and all signs continue to point to growth. Residential construction again exceeded all expectations in the period under review, with an increase of 12.0 % following a very strong prior-year figure (+25.4 %). The reform of the procedure for building permits in other building construction also had a positive effect (+10.4 %). In particular, shopping centres, hotel buildings and industrial buildings contributed to the construction boom, while the business with office space was only slowly catching up. Civil engineering (+14.1 %), which also accounts for the largest share of the Serbian construction volume, developed most strongly in 2018. For the coming years, EECFA forecasts increases in the total Serbian construction industry of 8.0 % (2019) and 4.9 % (2020).

The STRABAG Group generated an output volume on the Serbian market of € 111.03 million in 2018.

Denmark

With fundamentally good health, the Danish economy posted GDP growth of 1.6 % over the period under review. This development was supported by private consumption, new residential construction and the positive trade balance. The considerable wealth of the private sector and the Maastricht-compliant public debt give reason to expect modest but steady growth over the next few years.

The Danish construction sector even outperformed the economy as a whole with a plus of 2.7 % in 2018, and Euroconstruct predicts similarly high growth rates for the next few years (2019: +2.6 %, 2020: +2.2 %). Residential construction grew most strongly, up 3.3 % in the period under review, a trend that is expected to continue over the next few years (2019: +3.5 %, 2020: +2.9 %). For other building construction, which increased by 2.9 % in 2018, new impulses can be expected from a comprehensive programme for hospital buildings over the next five to ten years. Here, Euroconstruct expects growth of 2.3 % for 2019 and 2.0 % for 2020. The civil engineering sector recorded the lowest growth, with 1.1 % in 2018. In the run-up to the parliamentary elections of 2019, political priorities regarding major infrastructure investments are shifting, and several major projects have been completed. In view of the uncertainties involved, Euroconstruct is only venturing a cautious growth forecast of 1.0 % for this sector in each of the years 2019 and 2020.

The output volume of the STRABAG Group in Denmark amounted to € 91.71 million in 2018.

Russia

After the turnaround in the previous year, the Russian economy confirmed its tentative upward trend at +1.8 % in the reporting period. The continuing sanctions of the West, however, as well as the low rouble exchange rate, continued to dampen the development noticeably. Another negative factor was a significant decline in the agricultural sector, a low propensity for investments and stagnating domestic demand. For 2019, therefore, EECFA is again forecasting a slightly weaker growth rate of 1.3 %. By 2020, however, momentum should pick up again at +2.0 %.

The construction industry, as always, is reacting to the general economic development with a time lag and differently depending on the sector. Overall, however, the Russian construction industry also turned positive with a plus of 0.5 % after three years of recession. Although EECFA is forecasting another decline of -0.8 % for 2019, the sector is likely to pick up slightly again at +1.1 % in 2020.

The decline of -2.5 % recorded in residential construction in 2018 is mainly due to the low purchasing power of private households. This sector is likely to still end negative (-1.0 %) in 2019 before state housing programmes take hold in 2020 (+2.4 %). Other building construction also suffered a minus of 0.1 % in the year under review and can only expect tentative growth rates of 0.1 % and 0.8 % for the next two years, not least thanks to austerity measures by the public sector. Stimulated by extensive gas pipeline projects and massive investments in the road network, Russian civil engineering, on the other hand, posted strong growth of 3.8 %. For 2019 and 2020, however, EECFA is also forecasting a decline of -0.8 % and -0.1 % in this sector.

The STRABAG Group generated an output volume of € 77.46 million in Russia in 2018. In the region, STRABAG is active almost exclusively in building and industrial construction.

Italy

With an increase of 1.2 % in 2018, the Italian economy reflects the uncertainty of the markets in response to the government's lack of budgetary discipline. Despite a higher employment rate, domestic consumption remained well below expectations due to a lack of confidence in a recovery.

The Italian construction industry performed slightly above the moderate overall economic growth in 2018. The 1.7 % gain confirms the tentative upturn that had begun in 2016 after nearly a decade of negative momentum. Residential construction was stable at 1.3 % in 2018, albeit at a low level. By contrast, other building construction and civil engineering, with growth rates of 2.3 % and 2.0 %, showed slightly more dynamic growth which is likely to continue at a similarly high level over the next three years. For the entire construction sector, Euroconstruct forecasts stable annual growth rates of 2.0 % for the next two years.

The output volume of the STRABAG Group amounted to € 74.24 million in Italy in 2018. STRABAG is mainly active in tunnelling and road construction in the north of the country and the output volume is therefore assigned largely to the segment International + Special Divisions.

Slovenia

The Slovenian economy again grew significantly above the EU average in 2018, with GDP growth of 4.4 %. A new Investment Promotion Act, which equates domestic and foreign investment, is stimulating both the production and the services sector. Together with a very good employment situation, rising real wages and a positive development of exports, EECFA estimates that this will give the country solid GDP growth of 3.7 % and 3.4 % over the next two years.

The good economic situation was also reflected in the Slovenian construction industry, which posted a pleasingly positive result in 2018 with a plus of 10.8 %. This trend is likely to continue in the next two years with significant increases of 7.0 % and 4.6 %. Residential construction grew at a much higher rate of 5.1 % in the reporting period than in the previous year, driven mainly by the construction of new single-family homes. Other building construction developed even more dynamically with an increase of 10.1 %. It was buoyed by the establishment of new shopping and business centres in the capital but also by the good development in tourism. Due to the generally favourable economic conditions, EECFA predicts a high growth rate for the sector (+8.7 %) for 2019 before the curve flattens again slightly in 2020 (+2.6 %). Civil engineering saw the strongest growth of 16.5 % in 2018. Thanks to new public-sector infrastructure projects, growth rates of 5.8 % and 4.8 % should also be possible here in 2019 and 2020, resprectively.

The STRABAG Group achieved an output volume of € 68.34 million in Slovenia in 2018.

Bulgaria

The Bulgarian economy once again proved to be very robust in 2018 with a plus of 3.5 %. The growth was driven by a good employment situation with rising real wages and the resulting higher private consumption. Stable fiscal conditions and the favourable development of the state budget allow EECFA to predict GDP growth of 3.7 % and 3.6 %, respectively, for the next two years.

Following the dramatic slump in 2016 (-40.2 %), the Bulgarian construction industry continued its upswing for the second year in a row with a plus of 7.4 % in 2018. The development was mainly supported by residential construction (+14.9 %), which benefited primarily from favourable mortgage rates and rising real wages. In view of government programmes to improve energy efficiency, EECFA also predicts high growth rates of 14.1 % and 9.0 % in this sector for 2019 and 2020, respectively. Other building construction, whose development has been very volatile for years, recorded solid growth of 7.3 % in 2018. Especially in the capital of Sofia, investments by foreign companies in 2018 pushed the demand for modern office space noticeably higher. Civil engineering (+3.9 %) benefited from numerous large projects in rail and road construction and the expansion of gas grid connections to neighbouring states. These developments also suggest growth rates of 5.3 % and 6.8 % for the next two years.

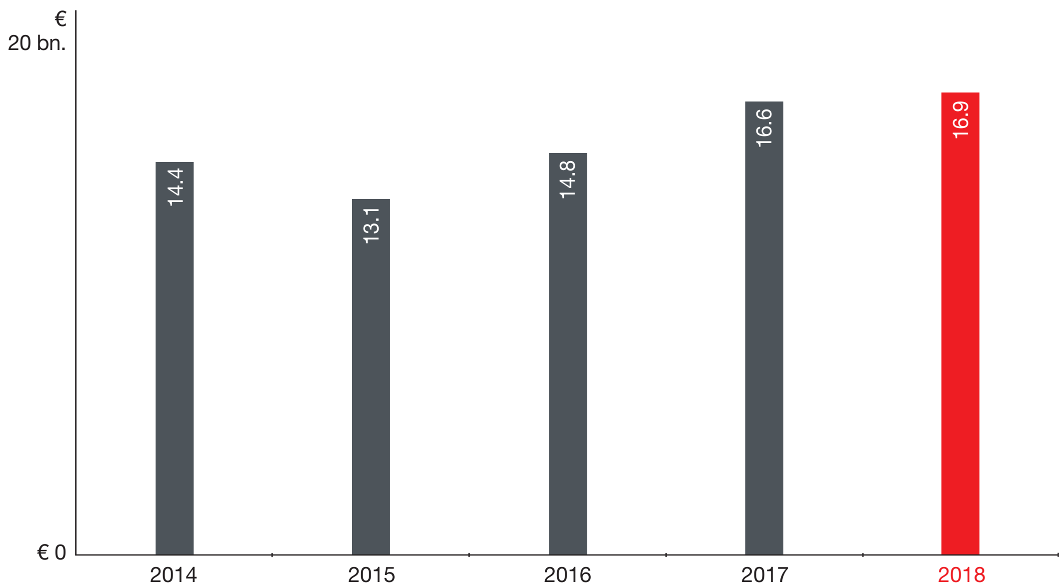
The STRABAG Group generated € 42.10 million on the Bulgarian market in 2018.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2018

€ mln.	Total 2018	North + West	South + East	International + Special Divisions	Other	Total 2017	Δ total %	Δ total absolute
Germany	7,178	6,010	135	1,032	1	6,929	4	249
Austria	2,056	20	1,637	399	0	1,986	4	70
Poland	1,632	1,615	0	17	0	1,416	15	216
Americas	1,134	14	1	1,119	0	786	44	348
Hungary	967	0	932	35	0	1,225	-21	-258
Benelux	567	557	5	5	0	573	-1	-6
Czech Republic	454	0	437	16	1	376	21	78
Rest of Europe	431	30	107	294	0	218	98	213
Asia	398	0	15	383	0	513	-22	-115
Sweden	390	335	0	55	0	383	2	7
Slovakia	262	0	249	13	0	476	-45	-214
Denmark	211	208	0	3	0	63	235	148
Romania	187	4	179	4	0	138	36	49
Switzerland	181	9	171	1	0	197	-8	-16
Middle East	173	1	0	172	0	327	-47	-154
Africa	125	1	0	124	0	148	-16	-23
Italy	115	0	9	106	0	273	-58	-158
Serbia	108	0	108	0	0	74	46	34
Bulgaria	105	0	105	0	0	95	11	10
Croatia	92	0	87	5	0	153	-40	-61
Russia	84	0	84	0	0	187	-55	-103
Slovenia	50	0	50	0	0	56	-11	-6
Total	**16,900**	**8,804**	**4,311**	**3,783**	**2**	**16,592**	**2**	**308**

DEVELOPMENT OF ORDER BACKLOG



Numerous orders in the group's largest markets, above all in Germany, Austria and Poland, again raised the order backlog to a record level at the end of the year. The aforementioned contract extension for the "Alto Maipo" tunnelling project in Chile with a value in the triple-digit million euro range was also characteristic. With the working-off of large projects, the order backlog declined, for example in Hungary, Slovakia and Russia, coming to rest at € 16.9 billion, just 2 % above the record level of the previous year.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2018

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.)	9,423	81	1,576	9
Medium-sized orders (€ 1–15 mln.)	1,864	16	3,559	21
Large orders (€ 15–50 mln.)	292	2	3,978	24
Very large orders (>€ 50 mln.)	128	1	7,788	46
Total	**11,707**	**100**	**16,900**	**100**

Part of the risk management

The total order backlog is comprised of 11,707 individual projects. More than 9,400 of these, or 81 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 19 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 128 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 2018 added up to 14 % of the order backlog, the same as at the end of 2017.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2018

Country	Project	Order backlog € mln.	as % of total order backlog
Chile	Alto Maipo power plant	680	4.0
Singapore	Deep Tunnel Sewerage System	279	1.7
United Kingdom	North Yorkshire Polyhalite Project – Drive 1	250	1.5
Germany	Stuttgart 21, underground railway station	237	1.4
Germany	Second core rapid transit route Munich	203	1.2
Germany	A44 Tunnel Boyneburg	171	1.0
Chile	Candelaria Norte	163	1.0
Germany	Messe-City 1–4, Cologne	163	1.0
Germany	New Office Düsseldorf	143	0.8
Sweden	Expansion of Södertälje Canal	132	0.8
Total		**2,420**	**14.3**

Financial performance

The consolidated **group revenue** for the 2018 financial year amounted to € 15,221.83 million. This corresponds to a plus of 13 % – similar to the output volume. The ratio of revenue to output increased slightly to 93 % after spending several years at 92 %. The operating segments North + West contributed 48 %, South + East 30 % and International + Special Divisions 22 % to the revenue.

The **changes in inventories** involve mainly the real estate project development business; under the new provisions of IFRS 15, this now only applies to projects without an external investor. Although the business remained as active as before, new developments were overcompensated by project sales. The **own work capitalised** increased from a low level due to the construction 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, remained unchanged at 90 % – the same as in previous years.

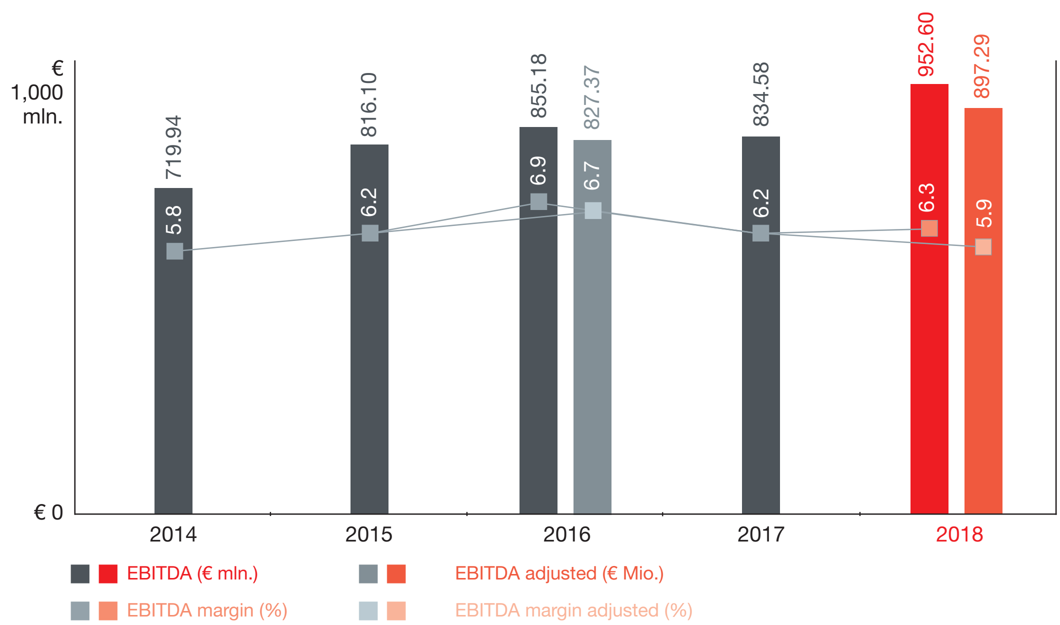
1 Rounding differences

EXPENSES

€ mln.	2018	2017	Δ %
Construction materials, consumables and services used	10,125.77	8,839.87	15
Employee benefits expense	3,618.94	3,367.17	7
Other operating expenses	854.89	842.79	1
Depreciation and amortisation	394.39	386.22	2

Lower earnings from joint ventures led to a reduction by around one third of the **share of profit or loss of equity-accounted investments**. This item also includes a non-recurring, 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; however, the increase is primarily due to the negative earnings development in a single project during the previous year.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN[1]



In total, the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) increased by 14 % to € 952.60 million with slight growth of the EBITDA margin from 6.2 % to 6.3 %. Adjusting the EBITDA for the aforementioned non-operating step-up profit results in an EBITDA margin of 5.9 % and EBITDA growth of 8 %. The **depreciation and amortisation** increased by 2 %.

The **earnings before interest and taxes** (EBIT) increased by 25 % to € 558.21 million, which corresponds to an EBIT margin of 3.7 % after 3.3 % in 2017. Even when adjusted for the non-operating step-up profit, the EBIT grew by 12 % with an EBIT margin of 3.3 %. The earnings improvement is attributable to the International + Special Divisions segment. The property and facility services and real estate development businesses continued to make very positive contributions to the earnings, while burdens from large, loss-making projects in the international area were absent.

The **net interest income** was comparable to that of the previous year. Although a positive exchange rate result of € 4.65 million was achieved with regard to exchange rate differences, an exchange rate loss of € -9.40 million had still been reported in the previous year. This was, however, cancelled out by a lower income from interest, resulting, among other things, from the first-time consolidation of the aforementioned German concession project.

Effective tax rate: 31.7 %

In the end, the **earnings before taxes** grew by 26 %. The income tax rate stood at 31.7 %, slightly higher than in the previous year (2017: 30.6 %). The **net income** amounted to € 362.78 million, an increase of 24 % compared to 2017.

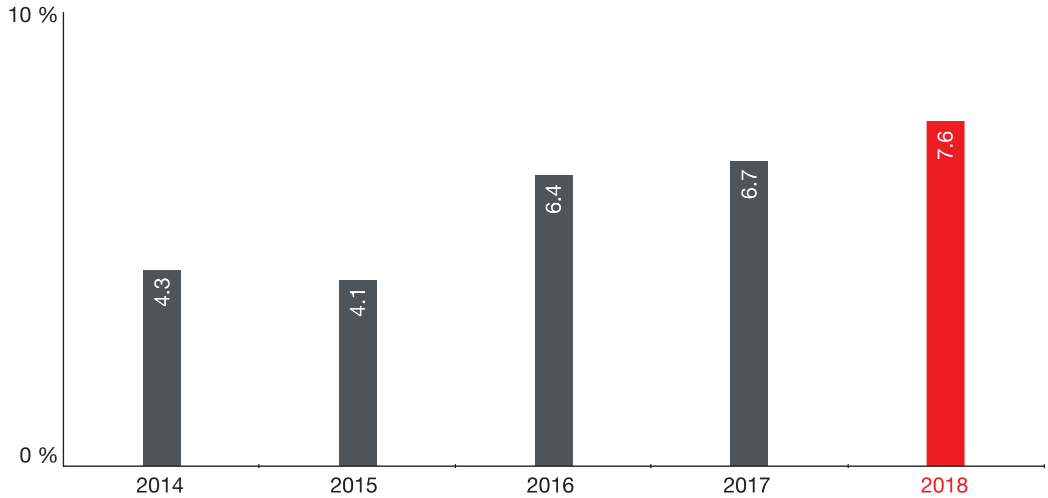
1 2016 adjusted for non-operating income in the amount of € 27.81 million
2018 adjusted for a non-operating step-up profit in the amount of € 55.31 million

Earnings per share: € 3.45

The earnings owed to minority shareholders amounted to € 9.25 million. On the one hand, 2018 was the first year in which no minority shareholders had to be considered at STRABAG AG, Germany. On the other hand, projects in the successful real estate development business are at times performed with partner companies. The **net income after minorities** for 2018 stood at € 353.53 million – an increase of 27 %. The **earnings per share** amounted to € 3.45 (2017: € 2.72).

The **return on capital employed** (ROCE)[1] increased from 6.7 % to 7.6 %. It reached a high again.

DEVELOPMENT OF ROCE



Financial position and cash flows

BALANCE SHEET

€ mln	31.12.2018	% of balance sheet total[2]	31.12.2017	% of balance sheet total
Non-current assets	4,829.76	42	4,095.74	37
Current assets	6,791.69	58	6,958.38	63
Equity	3,653.77	31	3,397.72	31
Non-current liabilities	2,380.03	20	2,145.36	19
Current liabilities	5,587.65	48	5,511.04	50
Total	**11,621.45**	**100**	**11,054.12**	**100**

The balance sheet, due to the increased shareholding in PANSUEVIA from 50 % to 100 % and the subsequent full consolidation, grew from € 11.1 billion on 31 December 2017 to € 11.6 billion. This also explains the growth of the non-current financial liabilities. For the first time, the balance sheet includes the items “Contract assets” and “Contract liabilities”, which, in accordance with IFRS 15, report receivables and payables from construction contracts. Despite the balance sheet growth, the **equity ratio** increased from 30.7 % to 31.4 %.

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

KEY BALANCE SHEET FIGURES

	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Equity ratio (%)	30.6	31.0	31.5	30.7	31.4
Net debt (€ mln.)	-249.11	-1,094.48	-449.06	-1,335.04	-1,218.28
Gearing ratio (%)	-7.9	-33.0	-13.8	-39.3	-33.3
Capital employed (€ mln.)	5,357.82	5,448.01	5,258.17	5,242.91	5,552.09

Net cash position of more than € 1.2 billion

As usual, a **net cash position** was reported on 31 December 2018. This figure fell in the face of higher investments and the repayment of bank borrowings from € 1.3 billion to € 1.2 billion.

CALCULATION OF NET DEBT[1]

€ mln.	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Financial liabilities	1,609.92	1,579.75	1,426.08	1,293.98	1,363.33
Severance provisions	97.66	96.13	110.02	111.10	114.68
Pension provisions	505.94	451.50	457.48	440.11	420.31
Non-recourse debt	-538.61	-489.53	-439.38	-389.78	-730.77
Cash and cash equivalents	-1,924.02	-2,732.33	-2,003.26	-2,790.45	-2,385.83
Total	**-249.11**	**-1,094.48**	**-449.06**	**-1,335.04**	**-1,218.28**

The **cash flow from operating activities** fell despite the higher cash flow from earnings from € 1,345.19 million to € 736.18 million due to the weaker working capital decrease as compared to the previous year. The expectation of a significant reduction in advance payments in 2018 and a concomitant increase in working capital to familiar levels thus did not materialise. The **cash flow from investing activities**, at € -587.93 million, was 76 % more negative, due in part to the higher investments in property, plant and equipment and because of the PANSUEVIA transaction. The repayment of a bond and the cash outflow related to the acquisition of the minority shares of the now delisted German subsidiary STRABAG AG influenced the **cash flow from financing activities**, which reached a value of € -534.17 million after € -234.52 million in the previous year.

REPORT ON OWN SHARES

On 31 December 2018, 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

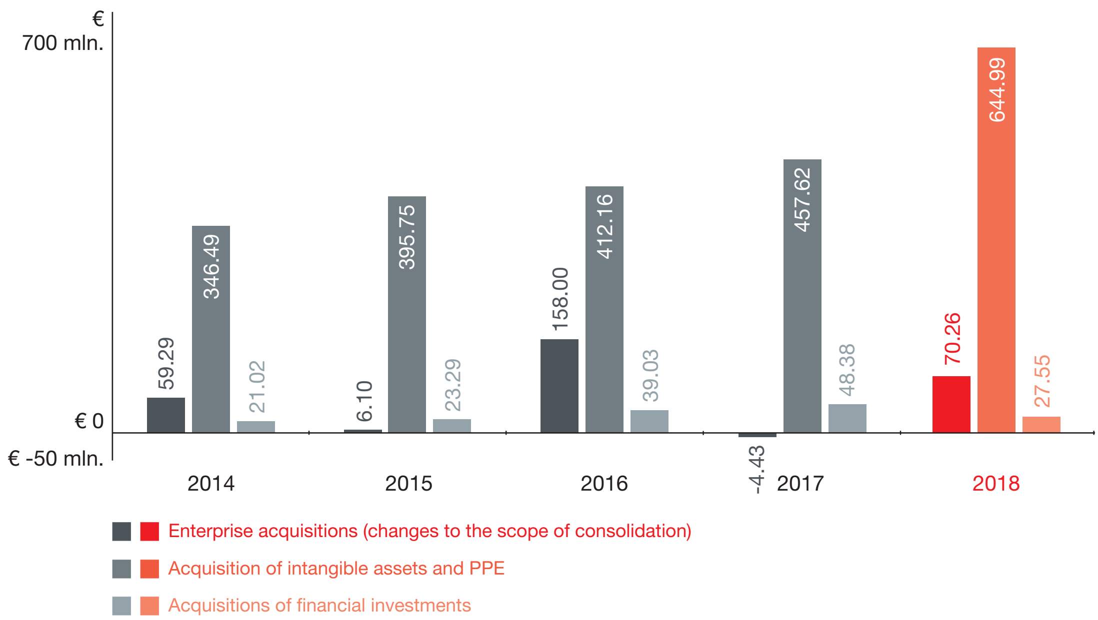
STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 550 million for the 2018 financial year. In the end, they totalled € 587.93 million.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 742.80 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 644.99 million, the **purchase of financial assets** in the amount of € 27.55 million and € 70.26 million from **changes to the scope of consolidation**. Maintenance expenditures in 2018 were made primarily in Germany, Austria, Poland and the Czech Republic.

Noteworthy was the high percentage of capital investments, which at times greatly exceeded the maintenance expenditures in markets like Austria, Croatia and Hungary. This can be explained by the general expansion of the permanent business and of the raw materials network.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against depreciation and amortisation in the amount of € 394.39 million. The goodwill impairment of € 1.73 million is almost unchanged from the previous year.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2014	2015	2016	2017	2018
Interest and other income (€ mln.)	82.17	82.07	73.90	46.90	38.62
Interest and other expense (€ mln.)	-108.37	-106.49	-77.68	-74.05	-66.05
EBIT/net interest income (x)	-10.8	-14.0	-112.4	-16.5	-20.4
Net debt/EBITDA (x)	-0.3	-1.3	-0.5	-1.6	-1.3

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 2018, STRABAG SE had three bonds with a total volume of € 500 million on the market. One bond with a volume of € 100 million is scheduled to mature in 2019.

In order to diversify the financing structure, STRABAG SE had placed its first **bonded loan** in the amount of € 140.00 million in the 2012 financial year. The variable interest portion of the bonded loan, in the amount of € 108.50 million, was refinanced at better conditions in 2015. This long-term debt financing instrument is in many ways similar to a bond, with an important difference being that bonded loans are issued directly to institutional investors without using an organised capital market, i.e. an exchange. In 2017, € 13.00 million of the fixed interest portion were paid off on schedule; the variable interest portion was paid off in full ahead of time, leaving an outstanding volume of € 18.50 million as at 31 December 2018.

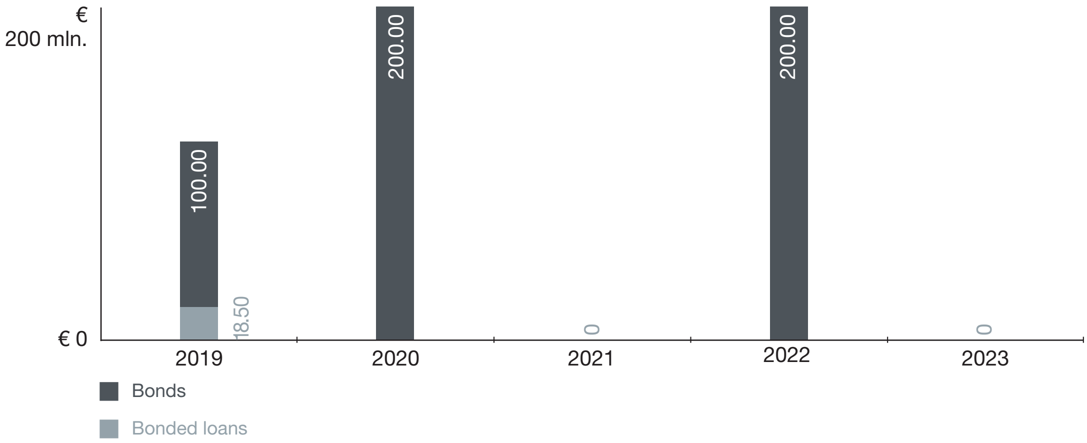
The existing liquidity of € 2.4 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.8 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until 2024. 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 July 2018. S&P sees STRABAG SE's strengths above all in the stable margins in an otherwise quite cyclical market environment, in the effective risk management, in the strategic access to construction materials and in the strong market positions.

PAYMENT OBLIGATIONS

€ mln.	Book value 31.12.2018
Bonds	500.00
Bank borrowings	863.33
Total	**1,363.33**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



MANAGEMENT REPORT

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

FINANCIAL PERFORMANCE

The revenue of the company increased slightly in comparison with the previous year, growing by € 0.79 million from € 62.74 million to € 63.53 million.

	2018	2017
Revenue in T€ (sales)	63,530	62,741
Earnings before interest and taxes in T€ (EBIT)	100,701	9,115
Return on sales in % (ROS)[1]	>100.0	14.5
Return on equity in % (ROE)[2]	3.9	0.7
Return on investment in % (ROI)[3]	2.8	0.2

The earnings before interest and taxes (EBIT) increased considerably versus the previous year, gaining € 91.58 million from € 9.12 million to € 100.70 million. The growth resulted primarily from the improvement in the net income from investments.

The operating earnings for the 2018 financial year amount to € 20.06 million, just € 0.93 million below the previous year's level (€ 20.99 million), as, like in 2017, no extraordinary expenses or income arose during the reporting period.

The considerable increase of the financial earnings by € 95.05 million from € -1.70 million to € 93.35 million was achieved through substantially higher dividends of the subsidiaries. Another positive effect on earnings was the significantly lower expenses for financial assets compared to the previous year. In the previous year, impairment of investments had had a negative impact on earnings.

The interest income reached a positive total of € 12.72 million (2017: € 10.18 million). The figure is based on the interest income for financing provided to subsidiaries and from the external financing costs for the interest-bearing borrowings.

Overall, the company generated a net profit of € 111.20 million for the 2018 financial year (2017: € 17.83 million).

The improvement of the earnings is also reflected positively in the profitability figures.

FINANCIAL POSITION AND CASH FLOWS

The balance sheet total of STRABAG SE decreased to € 3.5 billion in 2018 (2017: € 3.7 billion), with substantial changes among only a few balance sheet items.

The development of financial assets is characterized by the repayment of the loan to STRABAG AG, Cologne. The significant decline in receivables from subsidiaries mainly relates to receivables from cash clearing.

The decline in liabilities results from a bond repayment of € 175 million.

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

	2018	2017
Net debt in T€[1]	115,795	63,627
Working capital in T€[2]	41,675	-6,835
Equity ratio in %	82.6	78.9
Gearing ratio in %[3]	4.0	2.2

The net debt of € 115.80 million as at 31 December 2018 results from the reduction in cash and cash equivalents due to the bond repayment and the dividend payment for the 2017 financial year. The working capital increased in the 2018 financial year by € 48.52 million from € -6.84 million in 2017 to € 41.68 million. The basis for this was the increase in receivables from profit and loss transfers.

The equity ratio of 82.6 % grew from 78.9 % in the previous year as a result of the reduced balance sheet total and remains at a very high level.

T€	2018	2017
Cash flow from operating activities	32,454	105,572
Cash flow from investing activities	20,775	29,390
Cash flow from financing activities	-280,790	-218,970

The cash flow from operating activities of € 32.45 million, based on the cash flow from earnings, is characterized by a strong increase of the working capital, which has a negative impact.

The cash flow from investing activities saw an inflow of cash and cash equivalents totalling € 28.59 million in the year under report, thereof € 22.97 million from the repayment of the loan to STRABAG AG, Cologne, € 5.38 million from the reduction of financial receivables and € 0.24 million from disposals of financial assets. This figure is offset by the application of funds for additions to financial assets in the amount of € 7.81 million. In total, the cash flow from investing activities amounted to € 20.78 million.

The payment of the dividend for the 2017 financial year in the amount of € 105.79 million and the bond repayment in the amount of € 175.00 million led to an outflow of € 280.79 million in the cash flow from financing activities in 2018.

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

Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

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

The segments are comprised as follows[1]:

NORTH + WEST
Management Board responsibility[2]: Peter Krammer
Germany, Poland, Benelux, Scandinavia, Ground Engineering

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

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility[2]: Hannes Truntschnig
International, Tunnelling, Services, Real Estate Development, Infrastructure Development, Construction Materials

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

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

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

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

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

1 Services may be performed in more than one segment. The activities and countries below have been assigned to those segments in which the most significant portion of the services was provided. Details are available in the table.
2 Until 31 December 2018

NORTH + WEST PROFITS FROM GERMANY

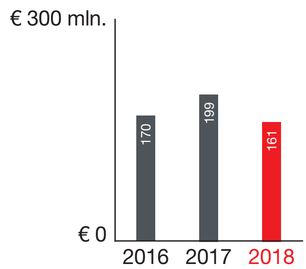
The North + West segment executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Output volume	7,827.48	6,843.36	14	984.12
Revenue	7,242.42	6,377.91	14	864.51
Order backlog	8,804.15	8,138.06	8	666.09
EBIT	161.40	199.25	-19	-37.85
EBIT margin (% of revenue)	2.2	3.1		
Employees (FTE)	24,222	23,366	4	856

OUTPUT VOLUME NORTH + WEST

€ Mio.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Germany	6,221	5,315	17	906
Poland	895	787	14	108
Benelux	305	273	12	32
Sweden	169	156	8	13
Denmark	87	152	-43	-65
Rest of Europe	59	67	-12	-8
Switzerland	28	32	-13	-4
Austria	25	20	25	5
Romania	13	9	44	4
Americas	9	8	13	1
Middle East	7	11	-36	-4
Africa	7	3	133	4
Czech Republic	1	0	n. a.	1
Hungary	1	10	-90	-9
Total	**7,827**	**6,843**	**14**	**984**

EBIT

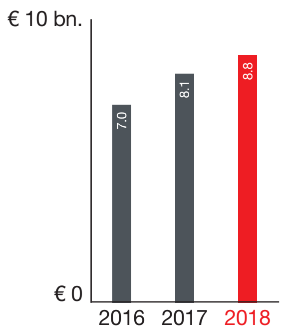


Excellent weather conditions in Germany

The output volume in the North + West segment was up by 14 % in 2018 compared to the previous year. This is attributable to the high order backlog in Germany and Poland and the excellent weather conditions. Especially in Germany, hardly any restrictions were noticed during the winter months. In Denmark, the output declined as new large-scale projects did not immediately follow up on the working-off of the current order backlog.

The revenue increased, like the output, by 14%, while the EBIT declined by 19 % to € 161.40 million. This is due to provisions for individual large-scale projects in several countries in the segment.

ORDER BACKLOG



Order backlog driven by Germany, Poland and Denmark

The order backlog climbed up by 8 %. This growth was primarily driven by increases in Germany, Poland and Denmark. New orders acquired in Germany in 2018 included the projects “Sonnenhöfe im Sternenviertel” near the new Berlin Brandenburg Airport; “Stadtquartier Südkreuz” in Berlin; the INC “Project House for Autonomous Driving” in Ingolstadt; SKAIO, the first timber high-rise in the country; the Oldenburg–Wilhelmshaven rail upgrade line; and the contracts for main construction works on Munich’s second rapid transit core route from Deutsche Bahn AG. In Poland, STRABAG was commissioned with two additional sections of the S7 motorway north of Warsaw and with several sections of the A1 motorway. Order successes were also recorded in the northern European countries and Scandinavia, for example with regard to several buildings in the Copenhagen Carlsberg quarter, Denmark, the FSE309 interchange Lovö in Stockholm, Sweden, and the business and residential building ODE in Amsterdam, the Netherlands, which Booking.com B.V. will use, among others.

Employee numbers grow with output

The number of employees increased by 4 %, growing less strongly than the output in part because, for capacity reasons, work was awarded to subcontractors to a greater extent than previously. Here, too, Germany and Poland posted growth, while the number of employees in the other markets fell.

Outlook: Equally stable at a high level

For the 2019 financial year, the North + West segment is expected to generate a somewhat lower output volume than in the previous year, with business stabilising at a high level. The **German building construction and civil engineering business** should continue to make a positive contribution to both output volume and earnings. The situation in the subcontractor and supplier markets, which remains very tense in the light of the construction boom, will be counteracted by binding these partners with the client side prior to concluding the contract or by calculating corresponding risk premiums for expected price increases during project execution.

The **transportation infrastructures business in Germany** posted an excellent year in 2018. The situation was defined by a lasting low interest rate, unusually mild weather, high tax revenues and the long-standing investment backlog in public infrastructure. A limiting factor for further expansion of the business, however, remains staff and limited capacities among subcontractors.

The general environment in **Poland** remained bleak. There is a shortage of skilled workers, construction materials and capacities in general to meet the enormous demand in the industry. In the past two years, this had led to double-digit increases in the cost of labour, construction materials and subcontractor prices. At the same time, in view of budget overruns, tenders are being cancelled more frequently even before they are awarded. However, the very high order backlog allows for a greater selection of projects for which tenders are placed. A still satisfactory result should therefore be achieved nonetheless.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Netherlands	Oosterdokseiland Amsterdam	108	0.6
Germany	Berthold Brecht School, Nuremberg	107	0.6
Germany	Sande rail upgrade line	107	0.6
Germany	New Axel Springer building, Berlin	106	0.6
Poland	A1 Kamieńsk–Radomsko	105	0.6

SOUTH + EAST: STRONG AT A HIGH LEVEL

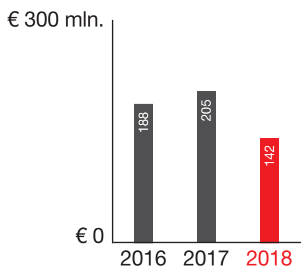
The geographic focus of the South + East segment is on Austria, the Czech Republic, Slovakia, Hungary, South-East Europe, Russia and Switzerland. The environmental engineering activities are also handled within this segment.

€ mln.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Output volume	4,639.26	4,241.60	9	397.66
Revenue	4,521.81	4,073.31	11	448.50
Order backlog	4,311.00	4,504.75	-4	-193.75
EBIT	142.03	204.61	-31	-62.58
EBIT margin (% of revenue)	3.1	5.0		
Employees (FTE)	18,729	17,916	5	813

OUTPUT VOLUME SOUTH + EAST

€ mln.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Austria	1,979	1,775	11	204
Czech Republic	557	506	10	51
Hungary	545	404	35	141
Slovakia	460	467	-2	-7
Switzerland	235	266	-12	-31
Romania	156	148	5	8
Croatia	148	107	38	41
Germany	145	122	19	23
Serbia	109	111	-2	-2
Rest of Europe	99	145	-32	-46
Russia	70	80	-13	-10
Slovenia	61	45	36	16
Bulgaria	37	41	-10	-4
Asia	15	7	114	8
Italy	11	9	22	2
Benelux	8	6	33	2
Americas	4	0	n. a.	4
Middle East	0	1	-100	-1
Africa	0	2	-100	-2
Total	**4,639**	**4,242**	**9**	**397**

EBIT

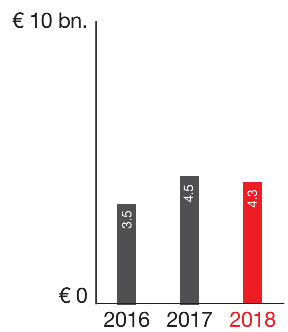


EBIT margin lower than usual

The output volume in the South + East segment was up 9 % year-on-year in 2018 at € 4,639.26 million. Increases were recorded mainly in the home market of Austria as well as in Hungary and the Czech Republic, while the output declined in Switzerland.

The revenue increased by 11 %. The competition – above all for personnel and subcontractor services – also intensified in the Central and Eastern European markets, which pushed margins from an exceptionally high level to a lower level. With an EBIT of € 142.03 million, an EBIT margin of only 3.1 % was achieved.

ORDER BACKLOG



Order backlog: Declines in Hungary and Slovakia outstrip growth in Austria

The order backlog fell by 4 %. In Hungary and Slovakia, this figure dropped down from an exceptionally high level at the beginning of 2018, while in Austria, the order backlog continued to increase. Newly acquired projects include a production facility in Hungary for the Swiss automotive supplier REHAU, the "Triiiple" residential construction project in Vienna, Austria, and the modernisation of the D1 motorway in the Czech Republic.

Order-related increases in the number of employees

The number of employees grew in line with the output volume, gaining 5 % to 18,729. Particularly noteworthy are the increases in Austria, Hungary, Serbia and Croatia.

Outlook: Output growth and attractive margins expected

The output volume in the 2019 financial year should increase slightly, with margins expected to remain at an attractive level. The general situation in the majority of the markets is defined by a strong inflation of costs due to high demand coupled with a shortage of skilled labour.

The situation in the home market of **Austria** remains positive. New large-scale building construction projects in the cities are continually restocking the order backlog as similar projects reach completion.

In the **Czech Republic** and **Slovakia**, the margins have been falling for several years. The climate in the construction industry is getting tenser, as has been expected. In Slovakia, tenders are mostly for transportation projects with EU financing, including several railway projects, though the situation here is characterised by fierce competition, a labour shortage and volatile prices for construction materials. In the Czech Republic, the focus previously had been on building construction for the automobile industry as well as commercial centres and office buildings for industrial clients. Now STRABAG has bid for several infrastructure projects that have also come up for tender.

In **Hungary**, the challenge in the coming months and years will be to work off the high order backlog. The company is therefore being selective with regard to the acquisition of new contracts. The entire Hungarian construction industry is currently in an unusually active phase.

The markets of **South-East Europe** are developing quite differently. On the one hand, an increasing number of large projects are coming up for tender. At the same time, however, competition and political risks are again on the rise in individual countries of the region.

The **environmental engineering** business is developing very positively.

The business in **Switzerland** is going as expected. Demand is stagnating at a high level, yet the competition among the market participants is usually carried out over the price. STRABAG will therefore focus on infrastructure projects here in the future.

In **Russia**, the state budget situation is easing in response to the increased price of oil. The policy focus is on reducing the negative impact from the sanctions. The construction industry has probably passed through the lowest point. Given the fact that the market volume remains high, STRABAG continues to bid mainly for large residential projects in Moscow and increasingly also in St. Petersburg. Financing problems have had a dampening effect on project realisation, however.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Hungary	JV M30 motorway Miskolc–Tornyosnémeti	121	0.7
Austria	Triiiple, Vienna	86	0.5
Hungary	Modernisation of M0 motorway	71	0.4
Hungary	JV M2 motorway Budapest–Vác	58	0.3
Slovakia	JV D3 motorway Čadca–Svrčinovec	53	0.3

INTERNATIONAL + SPECIAL DIVISIONS: EARNINGS GROWTH AFTER A NUMBER OF DIFFERENT EFFECTS

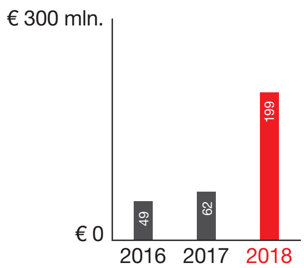
The International + Special Divisions segment includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where 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.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Output volume	3,740.30	3,403.53	10	336.77
Revenue	3,437.82	3,029.34	13	408.48
Order backlog	3,782.41	3,943.73	-4	-161.32
EBIT	198.69	62.40	218	136.29
EBIT margin (% of revenue)	5.8	2.1		
Employees (FTE)	26,279	25,618	3	661

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2018	2017	Δ 2017–2018 %	Δ 2017–2018 absolute
Germany	1,464	1,459	0	5
Americas	652	377	73	275
Austria	506	502	1	4
Middle East	198	291	-32	-93
Hungary	163	135	21	28
Asia	147	92	60	55
Czech Republic	144	117	23	27
Rest of Europe	117	65	80	52
Poland	74	57	30	17
Italy	63	58	9	5
Slovakia	52	60	-13	-8
Africa	50	43	16	7
Benelux	36	15	140	21
Romania	27	24	13	3
Croatia	14	12	17	2
Sweden	8	4	100	4
Slovenia	7	8	-13	-1
Russia	6	60	-90	-54
Bulgaria	4	3	33	1
Denmark	4	7	-43	-3
Switzerland	3	14	-79	-11
Serbia	1	1	0	0
Total	**3,740**	**3,404**	**10**	**336**

EBIT

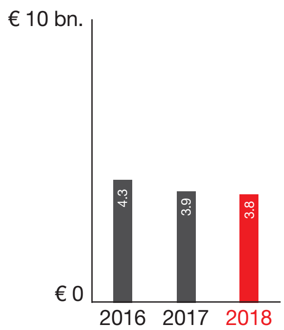


Absence of prior-year earnings burdens

The International + Special Divisions segment closed 2018 with a plus of 10 % in output volume, attributable especially to the completion of a large project in the Americas. The other markets were mixed.

With a plus of 13 %, the revenue grew slightly more strongly than the output volume. This development is attributable to the sales of real estate project developments and to the changed presentation of such projects under IFRS 15 applicable as of this year. The EBIT more than tripled from € 62.40 million in the year 2017 to € 198.69 million. The absence of prior-year earnings burdens from international construction contracts and the continued strong contributions to earnings from the property & facility services and real estate project development businesses had a particularly strong positive impact.

ORDER BACKLOG



Order backlog lower despite new projects in the UK and expansion in Chile

The order backlog was down by 4 %. Difficult technical conditions at the “Alto Maipo” hydropower project in Chile and the withdrawal of a contractor led the client to conclude a new construction agreement with STRABAG S.p.A. of Chile on 19 February 2018. The agreement had been pending the bank financing and became effective on 8 May 2018. With the contract, STRABAG took on another construction section of this large project, adding approximately € 800 million to the order volume for a total contract value of about € 1.5 billion.

This contract extension and an increase in the United Kingdom stand in contrast to a reduction in Austria, Italy and Asia, among other places. New large-scale contracts this year involve the construction of an approximately 13 km tunnel section for the underground conveyor system at the Woodsmith Mine in the United Kingdom and the 1.7 km Boyneburg tunnel, consisting of two tunnel tubes, in Germany.

Staff increased for Alto Maipo project in Chile

The number of employees was 3 % higher. The increase in the Americas region due to the contract extension for the Alto Maipo project in Chile exceeded the decrease in Germany.

Outlook: Slightly lower output volume and earnings at about 2018 levels expected

In the 2019 financial year the International + Special Divisions segment is expected to generate a slightly lower output volume and the earnings are expected to remain on the same level as the previous year. The **real estate development** business should continue to make very positive earnings contributions, as the ongoing low interest rates and the continuously high demand for commercial and residential real estate are responsible for a generally good framework for this business field. Against the backdrop of rising property prices and, above all, significantly higher construction costs, it is becoming increasingly more difficult to initiate new project developments with a sustainable profit given the circumstance that real estate prices currently remain largely stable and are growing – if at all – only slightly and in specific sectors. STRABAG's acquisition focus in Germany is therefore also on locations outside of the major cities and on the recently established field of development services, where project developments are performed other than for own account, as well as on geographic markets such as Romania, Poland, Hungary, the Czech Republic, Slovakia and Slovenia. The countries of Central and Eastern Europe offer above-average growth rates and an increasing level of prosperity – but also an increasing lack of skilled labour with a corresponding rise in wage costs. The already available property reserves, however, form the foundation for new project developments. In Austria, the group continues to offer the entire range of residential construction from subsidised to affordable to privately financed housing as well as related uses – such as student housing – and commercial project developments.

Although the market for concession projects remains a difficult one, the income from existing public-private partnerships (PPP) should also help the **infrastructure development** business to another significant earnings contribution. In the third quarter of 2018, STRABAG increased its previous stake of 50 % in PANSUEVIA, the operator of the German A8 motorway, to 100 %. With the exception of a few lighthouse projects in Germany, Poland and the Czech Republic, however, no new PPP tenders are expected in the field of road construction in the group's core countries at this time. For this reason, the company is also focusing on selected markets in Latin America and Southeast Africa.

The **international business** – i.e. the business that STRABAG conducts in countries outside of Europe – has for several years been focused on this part of Africa, where larger investments in the fields of infrastructure, energy and water are expected. In the Middle East, traditionally an important market for the group, the relatively low price of oil had brought the construction markets to a standstill. Although the forecasts predict another recovery of the oil price and tender activity is up again for projects in the infrastructure and tourism fields, the general environment is unlikely to improve in the short term. Because the competition in the aforementioned regions remains intense, the group is only pursuing projects here in which it can contribute its know-how and its technical expertise in a way to generate value. This includes specialities such as test track construction. The focus in new markets is on projects in the infrastructure sector that are financed by international organisations and have a clear contract structure.

In **tunnelling**, on the other hand, new markets are not a focus at this time. Besides its core European markets, the group is also especially active in tunnelling in Canada, Chile, the United Kingdom and Singapore at technically very challenging projects. While the harsh competition on the home markets is unlikely to improve even in the medium term, opportunities are expected especially in the United Kingdom, in Canada, and in the mining sector in Chile.

In the field of **electrotechnical tunnel equipment**, intense competition can be observed in Austria. Potential contracts are to be found among expected tenders in Germany and large-scale projects in northern Europe. In the market for **tolling systems**, group subsidiary EFKON has expanded its radius to Norway with the contract to deliver a tolling solution for the cities of Oslo and Bergen.

In the field of **property & facility services**, the signing of a contract with the service provider ISS eliminated a factor that had been the cause of some uncertainty. As reported, effective 1 July 2019, the facility management services for Deutsche Telekom AG and its subsidiaries in Germany will no longer be provided by the companies of the STRABAG Group but by ISS. Since the end of last year, STRABAG and ISS had negotiated on ways to continue to employ the more than 3,000 employees of STRABAG Property and Facility Services GmbH (STRABAG PFS) and STRABAG Facility Services GmbH (STRABAG FS) who are currently working on the Deutsche Telekom account. On 10 April 2018, an asset purchase agreement was concluded which foresees the transfer of the affected employees as at 1 July 2019. In light of the continued stable order situation at Deutsche Telekom and the volume of new orders, the earnings development in property and facility services is expected to remain at an attractive level. STRABAG PFS further diversified its client portfolio in 2018 and more than doubled the volume of new orders year on year. The new acquisitions include companies like Airbus, Deutsche Bahn, Esprit, Hahn Gruppe, HypoVereinsbank, Immofinanz, Nordex and Orsay. In addition, STRABAG PFS is expanding its geographical radius. On 18 December 2018, STRABAG PFS Austria GmbH signed an agreement to acquire 100 % of the shares of Caverion Polska Sp. z o.o. of Warsaw, a Polish specialist in the field of technical facility management (TFM). The company, with around 170 employees, in 2017 generated an output volume of around PLN 50 million (approx. € 12 million).

Overall, the **construction materials business** is again showing a very positive trend. The market positions can be maintained especially in the core markets of Austria, Germany, Hungary, the Czech Republic and Poland. Only in Romania, due to the fiercely competitive market and the very low price level, the business development is below expectations and is putting pressure on margins. The dense network of construction material operations, however, including construction material-based services, remains an important basis for self-supply within the group and thus a foundation for greater competitiveness.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	**Project**	**Order backlog in € mln.**	**as % of total group order backlog**
Chile	Chuquicamata, underground mine	131	0.8
Austria	JV Koralm Tunnel 2	108	0.6
Israel	JV 5th Line Water Supply Jerusalem	104	0.6
Colombia	JV Autopista al Mar 1	100	0.6
Germany	A44 Tunnel Boyneburg	97	0.6

OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

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

€ mln.	**2018**	**2017**	**Δ 2017–2018 %**	**Δ 2017–2018 absolute**
Output volume	115.84	132.40	-13	-16.56
Revenue	19.78	28.16	-30	-8.38
Order backlog	2.15	5.33	-60	-3.18
EBIT	0.86	0.67	28	0.19
EBIT margin (% of revenue)	4.3	2.4		
Employees (FTE)	6,230	6,004	4	226

Risk management

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

RISK MANAGEMENT AS A CORE TASK OF MANAGEMENT

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

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

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

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

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

RISK MANAGEMENT USING DEFINED RISK GROUPS

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

- External 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.

REDUCE OPERATING AND TECHNICAL RISKS WITH BINDING MINIMUM STANDARDS

These risks primarily include the complex risks regarding project selection and execution along with the technical risks that need to be assessed for each project, e.g. site, geology, construction method, technology, materials, equipment, design, work planning, etc. An integral part of the project-related risk management system are minimum standards with group-wide validity for the procurement and execution of construction projects (common project standards). These comprise clearly defined criteria for the evaluation of new projects, a standardised process for preparing and making bids, as well as integrated internal control systems serving as filters to avoid loss-making projects. Business transactions requiring consent are reviewed and approved by business unit and subdivision managers or by division managers according to internal rules of procedure.

Principally, bids must be analysed by **internal commissions** and reviewed for their technical and economic feasibility. The construction and project teams can contact the experts at the central divisions BMTI, TPA and Zentrale Technik for assistance in assessing the technical risks and working out innovative solutions for technical problems. Project execution is managed by the construction or project team on-site using documented procedures and controlled by **monthly target/performance comparisons**. At the same time, our central controlling provides constant commercial office support for these projects, ensuring that risks of individual projects do not endanger the continuity of the company.

FINANCIAL RISKS: ACTIVE LIQUIDITY AND RECEIVABLES MANAGEMENT

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

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

Business Compliance

COUNTERING ETHICAL RISKS WITH ETHICS AND BUSINESS COMPLIANCE SYSTEM

As corruption is a risk in the construction industry, STRABAG has in place a number of proven instruments to fight corruption within the company. The rules for proper business behaviour are conveyed by the ethics and business compliance system. These have group-wide validity. The STRABAG business compliance model is based on the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and the personnel structure of the STRABAG business compliance model, consisting of the group business compliance coordinator, the regional business compliance representatives, the internal ombudspersons and the external 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 and are approved for implementation by the Steering Committee for Digitalisation (SCD).

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.

AVOIDING LEGAL RISKS THROUGH EXTENSIVE RISK ANALYSIS

The central division CML Construction Services supports the risk management of the operating divisions with regard to construction industry questions or in the analysis of risks in the construction business in all project phases (contract management) and provides, organises and coordinates legal advice (legal services). 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.

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

CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM DESIRED

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

QUALITY MANAGEMENT AS COMPONENT OF THE INTEGRATED MANAGEMENT SYSTEM

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

BUSINESS CONTINUITY: RIGOROUS INCLUSION OF GROUP CENTRAL DIVISIONS

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

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY CHAIN

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

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

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

Introduction

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

Control environment

The corporate culture determines the control environment in which management and employees operate. STRABAG is constantly working to improve its communication and to convey its corporate values as defined in its Code of Conduct and its Business Compliance Guidelines in order to guarantee moral standards, ethics and integrity within the company and in its dealings with others.

The implementation of the internal control system in relation to the financial reporting process is done on the basis of internal rules and guidelines. Responsibilities for internal control were adapted to fit the corporate organisation.

Internal audit report in the Consolidated Corporate Governance Report

The internal audit department carries out periodic, announced as well as unannounced inspections of all relevant business units as part of its responsibility for monitoring compliance with the law and corporate guidelines in the technical and commercial areas. The internal audit department also monitors the effectiveness of business compliance. During these inspections, the internal audit department analyses the legality and correctness of individual actions. The department also conducts regular, independent reviews of compliance with internal guidelines in the area of accounting. The head of the internal audit department reports directly to the CEO. The effectiveness of the work of the internal audit department is reviewed periodically by the financial auditor. The most recent review was performed in the first quarter of 2015.

Risk assessment

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

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

Control activities

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

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

Information and communication

The management regularly updates the rules and regulations for financial reporting and communicates them to all employees concerned. In addition, regular discussions regarding the financial reporting and the rules and regulations in this context take place in various committees. These **committees** are composed of the corporate management as well as the department head and senior **staff from the accounting department**. The 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 environment that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing 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.

The cooperation among the various divisions facilitates new developments across the individual business units. A special focus in 2018 was on the **digitalisation** of the construction sites in building construction. 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 now 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 office personnel. 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), both of which report directly to the CEO.

ZT is present **at 21 locations with over 1,000[1] highly qualified employees**. It provides services in the areas of tunnelling, civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to construction design and site management, ZT offers innovative solutions with regard to construction materials technology, construction management, building physics, and software solutions. Central topics for innovation activities are digitalisation, sustainable construction, renewable energy and, 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 2018 included the development of long-lived asphalt layers on the basis of existing and alternative material resources; the quality improvement of asphalt layers by optimising the production and asphalting processes, partially in cooperation with STRABAG BMTI; as well as a series of projects in the field of cement/

1 Head count

concrete with regard to raising process safety and building quality. 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 increasing the performance of existing control systems. Worthy of mention is a handheld device for entry into the new market of smart tachographs. The EFKON-developed device, which is aimed primarily at the customer base of vehicle repair shops, can read data out of electronic tachographs. In addition, a novel, highly integrated visual recognition system of vehicles was developed for use in current projects in Norway.

The STRABAG Group spent about € 14 million on research, development and innovation activities during the 2018 financial year (2017: about € 11 million).

Much of the **development activity** is triggered **by ongoing 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 Rasperia Trading Limited (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the coordination of voting during the Annual General Meeting, (3) restriction on the transfer of shares and (4) joint development of the Russian market as a core market. The Haselsteiner Group, the Raiffeisen Group together with the UNIQA Group, and Rasperia Trading Limited each have the right to nominate two members of the Supervisory Board. The syndicate agreement also requires the syndicate partners to exercise their voting rights from syndicated shares unanimously at the Annual General Meeting of STRABAG SE. The syndicate agreement further foresees restrictions on the transfer of shares in the form of mutual 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 2018 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

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 2018:

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

   The company itself held 7,400,000 no-par shares on 31 December 2018, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency. The remaining shares of the share capital of STRABAG SE, amounting to about 13.5 % of the share capital, are in free float.

4. Three shares are – as mentioned under item 1 – registered shares entered in the shareholder register. 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 Rasperia Trading Limited. Registered shares No. 1 and No. 2 allow their bearers to nominate a member each to the Supervisory Board of STRABAG SE.

5. No employee stock option programmes exist.

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

7. The Management Board of STRABAG SE, in accordance with Sec 169 of the Austrian Stock Corporation Act (AktG), was authorised by resolution of the 10th Annual General Meeting of 27 June 2014 and with approval by the Supervisory Board to increase the share capital of the company by up to € 57,000,000 by 27 June 2019, in several tranches if necessary, by issuing up to 57,000,000 registered no-par shares for cash or contributions in kind (in this case also to the partial or full exclusion of the shareholders' subscription rights).

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

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

Related parties

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

Outlook

The unusually high output volume in 2018 – in part due to the excellent weather conditions for construction – greatly exceeded the planning and so leaves little room for further growth expectations in 2019. The Management Board of STRABAG SE expects an output volume of about € 16.0 billion (-2 %). Compared with the original planning for 2018, this corresponds to an increase by € 1 billion. The segments North + West and International + Special Divisions are expected to post slight declines, while an increase is expected in South + East.

Although there are certain risks inherent to the construction business, from today's perspective, there is nothing to be said against issuing the target of an operating EBIT margin of at least 3.3 % also for the 2019 financial year. The economic situation in the STRABAG Group's large geographic markets is expected to remain positive. The continued strong demand in the construction sector, however, is resulting in increasing cost pressure on subcontractor services, labour and construction materials. For this reason, the margins can no longer be expected to grow as continuously as they have in the past few years. The earnings forecast is based on the expectation that the Property & Facility Management entities, the Real Estate Development and the Infrastructure Development continue to contribute positively to the earnings and that large risks, for example in tunnelling and civil engineering, do not manifest at the same time.

The net investments (cash flow from investing activities) in 2019 are not expected to exceed the value of € 550 million.

Events after the reporting period

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

Villach, 5 April 2019

The Management Board

Dr. Thomas Birtel

Mag. Christian Harder

Dipl.-Ing. Dr. Peter Krammer

Dipl.-Ing. Siegfried Wanker

Dipl.-Ing. (FH) Alfred Watzl

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 of 31 December 2018, 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 of 31 December 2018 and its financial performance for the year then ended, in accordance with Austrian Generally Accepted Accounting Principles.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("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 2018.

Investments in and receivables from affiliated companies are tested for impairment annually and whenever there is an indication that the assets may be impiared. 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 cash flows, 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 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 the 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 the 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, misprepresentations or the override of internal control.

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL REQUIREMENTS

Management Report

In accordance with the Austrian 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 the 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

At the Annual General Meeting dated 15 June 2018, we were elected as auditors. We were appointed by the supervisory board on 15 June 2018. We have been the Company's auditors from the year ended 31 March 1999, without interruption.

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

Linz, 5 April 2019

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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