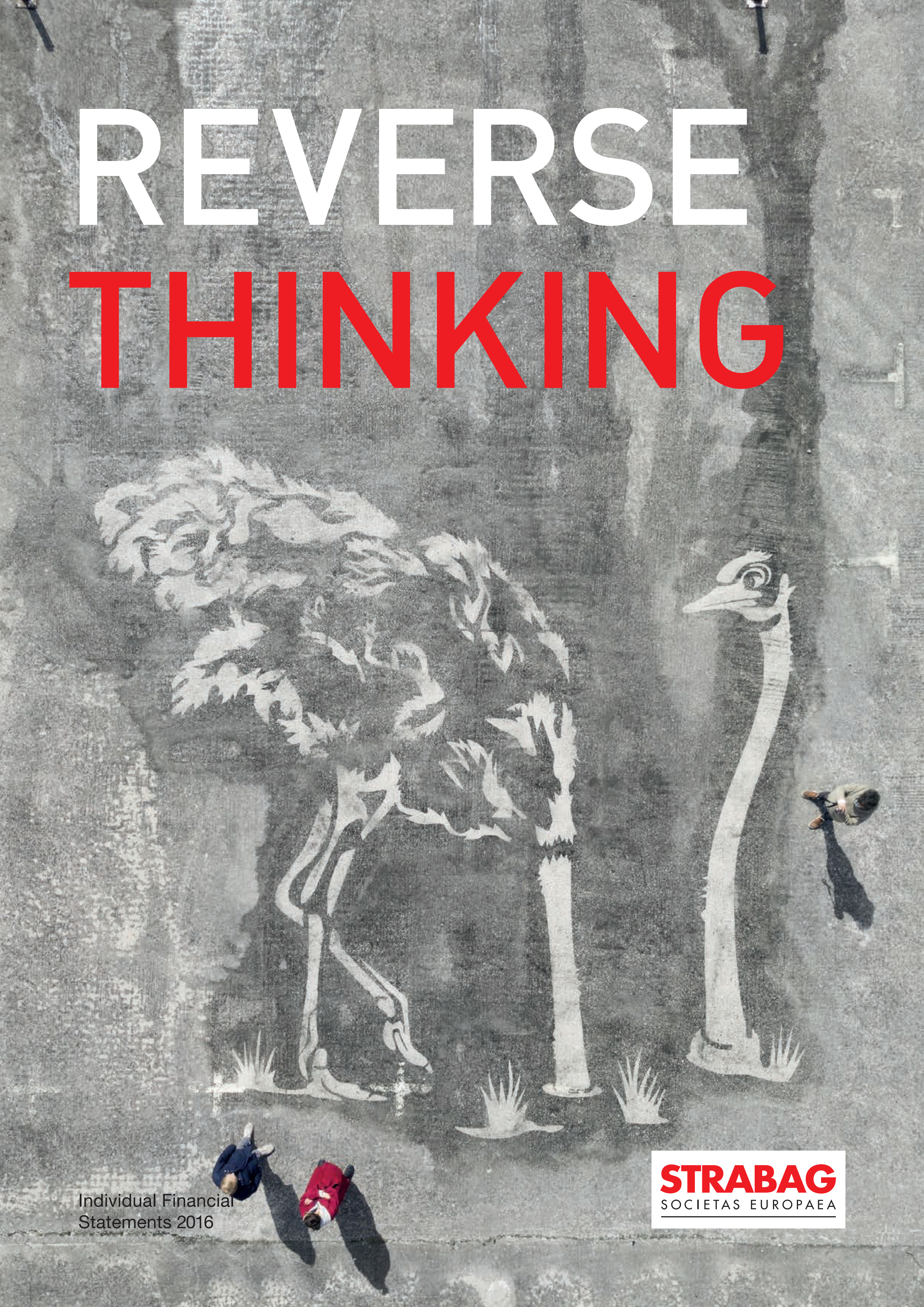


REVERSE THINKING

Individual Financial Statements 2016

STRABAG
SOCIETAS EUROPAEA

Content

INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

Balance sheet as at 31 December 2016

Assests	31.12.2016 €	31.12.2015 T€
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**992,097.38**	**1,002**
II. Financial assets:		
1. Investments in subsidiaries	2,563,404,804.24	2,034,923
2. Loans to subsidiaries	36,965,000.00	66,340
3. Investments in participation companies	35,683,852.24	63,513
4. Loans to participation companies	95,084,795.59	87,740
5. Other loans	20,207.67	20
	2,731,158,659.74	**2,252,536**
	2,732,150,757.12	**2,253,538**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	11,624.08	31
2. Receivables from subsidiaries	1,054,765,430.04	1,204,873
thereof with a remaining term more than one year	*250,000,000.00*	*250,401*
3. Receivables from participation companies	10,934,752.80	10,703
thereof with a remaining term more than one year	*3,296,107.13*	*2,780*
4. Other receivables and assets	60,538,316.29	67,004
thereof with a remaining term more than one year	*52,156,000.00*	*58,367*
	1,126,250,123.21	**1,282,610**
II. Cash assets, including bank accounts	**186,588.91**	**196**
	1,126,436,712.12	**1,282,806**
C. Accrual and deferrals	**3,128,476.00**	**5,418**
D. Deferred tax assets	**2,554,040.00**	**0**
Total	**3,864,269,985.24**	**3,541,762**

Equity and liabilities	31.12.2016 €	31.12.2015 T€
A. Equity:		
I. Called up and paid in nominal capital (share capital):		
Subscribed nominal capital (share capital)	110,000,000.00	114,000
less nominal value of own shares	-7,400,000.00	-11,400
	102,600,000.00	**102,600**
II. Capital reserves (committed)	**2,152,047,129.96**	**2,148,047**
III. Retained earnings:		
1. Legally required reserves	72,672.83	73
2. Voluntary reserves	618,572,340.87	303,454
	618,645,013.70	**303,527**
IV. Reserves for own shares	**7,400,000.00**	**11,400**
V. Unappropriated net profit	**104,500,000.00**	**74,100**
thereof profit brought forward	*7,410,000.00*	*5,700*
	2,985,192,143.66	**2,639,674**
B. Provisions:		
1. Provisions for severance payments	377,646.00	373
2. Provisions for taxes	653,673.78	13,362
thereof deferred taxes	*0.00*	*13,359*
3. Other provisions	25,972,016.00	40,418
	27,003,335.78	**54,153**
C. Accounts payable:		
1. Bonds	675,000,000.00	675,000
thereof with a remaining term more than one year	*675,000,000.00*	*675,000*
2. Bank borrowings	140,000,030.60	140,000
thereof with a remaining term up to one year	*13,000,030.60*	*0*
thereof with a remaining term more than one year	*127,000,000.00*	*140,000*
3. Trade payables	1,160,359.93	1,324
thereof with a remaining term up to one year	*1,160,359.93*	*1,324*
4. Payables to subsidiaries	19,200,284.10	14,693
thereof with a remaining term up to one year	*19,200,284.10*	*14,693*
5. Other payables	16,713,831.17	16,918
thereof taxes	*872,312.32*	*795*
thereof social security liabilities	*22,870.45*	*18*
thereof with a remaining term up to one year	*16,713,831.17*	*16,918*
	852,074,505.80	**847,935**
thereof with a remaining term up to one year	*50,074,505.80*	*32,935*
thereof with a remaining term more than one year	*802,000,000.00*	*815,000*
Total	**3,864,269,985.24**	**3,541,762**

Income statement for the 2016 financial year

	2016	2015
	€	T€
1. Revenue (Sales)	61,900,240.67	65,607
2. Other operating income	2,009,929.73	8,287
3. Cost of materials and services:		
a) Materials	-32,623.32	-43
b) Services	-15,730,619.45	-16,375
	-15,763,242.77	**-16,418**
4. Employee benefits expense:		
a) Salaries	-7,987,627.58	-8,393
b) Social expenditure	-700,233.96	-844
thereof severance payments and contributions to employee benefit plans	*-88,045.55*	*-79*
thereof statutory social security contributions, as well as payroll-related and other mandatory contributions	*-399,683.19*	*-397*
thereof other social expenditure	*-212,505.22*	*-368*
	-8,687,861.54	**-9,237**
5. Depreciation	-16,264.36	-16
6. Other operating expenses:		
a) Taxes other than those included in item 15	-87,857.43	-129
b) Miscellaneous	-25,731,883.08	-17,534
	-25,819,740.51	**-17,663**
7. Subtotal of items 1 through 6 (operating result)	**13,623,061.22**	**30,561**
8. Income from investments	81,210,592.91	67,615
thereof from subsidiaries	*57,929,473.91*	*53,048*
9. Other interest and similar income	42,605,788.59	34,669
thereof from subsidiaries	*37,122,040.07*	*29,169*
10. Income from disposal and write-up of financial assets and marketable securities	327,130,275.74	278,340
11. Expenses related to financial assets	-37,417,685.58	-80,672
thereof depreciation	*-28,880,866.25*	*-60,487*
thereof expenses from subsidiaries	*-3,048,872.33*	*-42,942*
thereof miscellaneous	*-6,000,000.00*	*-19,102*
12. Interest and similar expenses	-26,906,335.85	-31,411
thereof from subsidiaries	*0.00*	*0*
13. Subtotal of item 8 through 12 (financial result)	**386,622,635.81**	**268,541**
14. Result before taxes	**400,245,697.03**	**299,102**
15. Taxes on income and gains	11,962,349.45	-1,103
thereof income tax	*-1,956,786.63*	*-182*
thereof tax allocation	*-1,993,880.81*	*-922*
thereof deferred tax income	*15,913,016.89*	*0*
16. Income after taxes = net income for the year	**412,208,046.48**	**297,999**
17. Allocation to retained earnings (voluntary reserves)	-315,118,046.48	-229,599
18. Profit for the period	**97,090,000.00**	**68,400**
19. Profit brought forward	7,410,000.00	5,700
20. Unappropriated net profit	**104,500,000.00**	**74,100**

NOTES TO THE 2016 FINANCIAL STATEMENTS OF STRABAG SE, VILLACH

I. Application of Austrian Business Enterprise Code

These 2016 financial statements were prepared in accordance with the Austrian Business Enterprise Code (UGB).

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 Section 221 of the Austrian Business Enterprise Code (UGB).

II. Accounting policies

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 valued in accordance with the „principle of individual valuation“.

The financial statements were prepared in accordance with the „pinciple of prudence“ by only reporting profit which was realised on the balance sheet date.

All recognisable risks and impending losses which occurred in 2016 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.

Property, plant and equipment are valued at historical cost less accumulated depreciation.

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

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

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

Financial assets are valued at cost or a lesser value if one is attributable.

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

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 period.

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.

Reversals of depreciation for current assests are done where there are no more causes for depreciation.

Deferred taxes are recognised in accordance with Section 198 Paragraphs 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 provisions for severance payments were calculated using recognised financial mathematical principles, an interest rate of 1.9 % (previous year: 2.5 %), and a retirement age of 62 for women (previous year: 62) and 62 for men (previous year: 62).

Since the 2016 financial 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 are recognised in the employee benefits expense.

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

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 are valued at their settlement value.

Foreign currency liabilities are valued in accordance with the strict „highest value principle“.

AMENDMENTS RÄG 2014

In preparing the present financial statements, the previous method of presentation was largely maintained; changes as a result of RÄG 2014 affected the following statements.

With regard to the classification of the balance sheet and of the income statement, the previous year‘s amounts were adapted to the changed requirements of RÄG 2014. This includes especially the offsetting of own shares with the equity, reclassification of other revenue to revenues (and of related expenses from the other operating expenses to other items) and the changed presentation of the statement of changes in non-current assets.

With the exception of the changes due to the first-time adoption of RÄG 2014, the previously used accounting policies were maintained; the changes due to the first-time adoption of RÄG 2014 include especially:

- In accordance with the legal requirements, the deferred taxes were calculated from 1 January 2016. The balance of deferred tax assets on 1 January 2016 is distributed over 5 years. The provision for deferred tax liabilities from the previous year in the amount of T€ 13,359 was reversed.

- The measurement of the provisions for severance payments was adapted as follows:

  + The actuarial interest, due to the new requirement to derive the rate from the 10-year average interest rate as published by Deutsche Bundesbank, was changed to 2.1 % effective 1 January 2016.

  + Future salary increases were taken into consideration.

These changes resulted from the revaluations at the beginning of the financial year with the following impact on the financial statements for the ongoing financial year (before deferred taxes):

Impact on income statement	**Revaluation total**	**Impact on profit or loss**
+ = income / - = expense	**€**	**€**
Employee benefits expense:	-2,775	-2,775
Revaluation of provisions for severance payments	0	0
thereof deferred	*-2,775*	*-2,775*
Taxes on income:	34,136,000	6,827,200
Reinstatement of deferred taxes	-27,308,800	0
thereof deferred	*6,827,200*	*6,827,200*
	6,824,425	**6,824,425**

Impact on balance sheet	**Revaluation total**	**Impact on equity**
+ = increase in equity / - = decrease in equity	**€**	**€**
Deferred tax assets:	34,136,000	6,827,200
Reinstatement of deferred taxes	-27,308,800	0
thereof deferred	*6,827,200*	*6,827,200*
Provisions for severance payments:	-2,775	-2,775
Revaluation of provisions for severance payments	0	0
thereof deferred	*-2,775*	*-2,775*
	6,824,425	**6,824,425**

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 € 18,132,500.00 (previous year: T€ 17,306) is due within the next year.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

€	Remaining term < one yearr	Remaining term > one year	Book value 31.12.2016
1. Trade receivables	11,624.08	0.00	11,624.08
Previous year in T€	*31*	*0*	*31*
2. Receivables from subsidiaries	804,765,430.04	250,000,000.00	1,054,765,430.04
Previous year in T€	*954,471*	*250,401*	*1,204,873*
3. Receivables from participation companies	7,638,645.67	3,296,107.13	10,934,752.80
Previous year in T€	*7,923*	*2,780*	*10,703*
4. Other receivables and assets	8,382,316.29	52,156,00.00	60,538,316.29
Previous year in T€	*8,637*	*58,367*	*67,004*
Total	**820,798,016.08**	**305,452,107.13**	**1,126,250,123.21**
Previous year in T€	*971,062*	*311,548*	*1,282,610*

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

The item „Other receivables and assets“ includes income of € 625,235.48 (previous year: T€ 617) 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:

	31.12.2016 €	1.1.2016 T€
Property, plant and equipment	-6,981	-13
Financial assets	2,080,000	2,427
Remaining seventh from depreciation of capital participation	97,967,316	99,354
Provisions	17,877,646	32,673
Liabilities	1,533,381	2,104
Total	**119,451,362**	**136,545**
Resulting deferred taxes on 31.12. (25 %)	29,862,840	34,136

The deferred taxes developed as follows:

€	
Balance on 31.12.2015	-13,358,977[1)]
First-time adoption of RÄG 2014	47,494,977
Balance on 1.1.2016	**34,136,000**
Distribution according to Section 906 (33)/(34)	-27,308,800
Change in profit or loss	-4,273,160
Balance on 31.12.	**2,554,040**

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.

As at 31 December 2016, STRABAG SE had acquired 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 was between the period July 2011 and May 2013. The average purchase price per share was € 20.79.

1) no capitalisation of deferred tax assets

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016.

The Management Board was further authorised to acquire own shares pursuant to Section 65 Paragraph 1 No. 8 as well as Paragraphs 1a and 1b AktG on the stock market or over-the-counter to the extent of up to 10 % of the share capital, also to exclusion of proportionate selling rights that may accompany such an acquisition (reverse exclusion of subscription rights). At the same time, the Management Board was authorised to decide, in accordance with Section 65 Paragraph 1b AktG, to sell or assign own shares in a manner other than on the stock market or through a public tender.

PROVISIONS

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

ACCOUNTS PAYABLE

		Remaining term			
€	**< one year**	**> one year**	**> five years**	**Book value**	**Real securities**
1. Bonds	0.00	475,000,000.00	200,000,000.00	675,000,000.00	0.00
Previous year in T€	*0*	*475,000*	*200,000*	*675,000*	*0*
2. Bank borrowings	13,000,030.60	127,000,000.00	0.00	140,000,030.60	0.00
Previous year in T€	*0*	*31,500*	*108,500*	*140,000*	*0*
3. Trade payables	1,160,359.93	0.00	0.00	1,160,359.93	0.00
Previous year in T€	*1,324*	*0*	*0*	*1,324*	*0*
4. Payables to subsidiaries	19,200,284.10	0.00	0.00	19,200,284.10	0.00
Previous year in T€	*14,693*	*0*	*0*	*14,693*	*0*
5. Other payables	16,713,831.17	0.00	0.00	16,713,831.17	0.00
Previous year in T€	*16,918*	*0*	*0*	*16,918*	*0*
Total	**50,074,505.80**	**602,000,000.00**	**200,000,000.00**	**852,074,505.80**	**0.00**
Previous year in T€	*32,935*	*506,500*	*308,500*	*847,935*	*0*

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

The item „Other payables“ includes expenses in the amount of € 15,873,834.52 (previous year: T€ 15,838) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

	31.12.2016	**31.12.2015**
	€	**T€**
Sureties	19,140,087.93	218,272
Declarations of patronage	53,481,108.82	47,151
Other commitments and contingencies	343,952.00	2,236
Total	**72,965,148.75**	**267,659**
thereof with subsidiaries	26,153,602.62	241,545

The company has made an unlimited warranty statement for the benefit of BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., Spittal an der Drau, whereby is committed to fulfil the obligations from the financial futures contracts concluded by the BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., Spittal an der Drau, if necessary.

Performance bonds in the amount of € 462,547,826.39 (previous year: T€ 372,783) 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 € 6,977,067.24 (previous year: T€ 6,914) for the 2017 financial year. The sum of all obligations for the next five years is € 34,885,336.20 (previous year: T€ 34,571).

FINANCIAL INSTRUMENTS

Derivative financial instruments are employed exclusively to mitigate risks arising from movements in interest rates. The market values presented at the reporting date were determined using the mark-to-market method.

As at 31 December 2016, interest payments for the bonded loan were hedged by means of the following hedging transactions:

	2016		2015	
T€	**Nominal value**	**Market value**	**Nominal value**	**Market value**
Interest rate swap (fixed rate payer)	108,500	-1,710	108,500	73

The hedging period of the interest rate swap lasts until 2021 at the latest.

Hedges to limit interest rate risks are based on a hedging relationship between the hedged item and the hedging transaction in which changes in the value of the hedged item are compensated by contrary changes in the value of the hedge. These derivatives are therefore not capitalised.

The establishment of hedging relationships allowed the company as at 31 December 2016 to forego the creation of provisions for pending losses from interest rate swaps in the amount of T€ 1,710 (previous year: T€ 0), as it is highly likely that the unrealised losses will be compensated by contrary unrealised gains from future interest payments.

The effective compensation between unrealised gains and losses is proven by means of effectiveness tests. If concordance of the essential conditions of the hedged item and the hedging transactions is established, the hedge effectiveness is measured using the critical terms match method. Otherwise, effectiveness is measured by means of the dollar offset method. As no interest rate swaps were designated as hedging transactions in the 2016 financial year, effectiveness measurements were not necessary.

IV. Notes to the income statement

REVENUES (SALES)

	2016	2015
	€	T€
Domestic revenue	27,705,738.52	26,745
Foreign revenue	34,194,502.15	38,862
Total	**61,900,240.67**	**65,607**

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 € 83,084.55 (previous year: T€ 66).

The salaries of the Management Board members in the 2016 financial year amounted to T€ 6,761 (previous year: T€ 5,829).

Supervisory Board member salaries in the period under review amounted to € 135,000.00 (previous year: T€ 135).

OTHER OPERATING EXPENSES

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

V. Miscellaneous

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

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

An agreement was concluded with BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., 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 Section 9 Paragraph 8 of the Austrian Corporate Income Tax Act (KStG) of 1988 as amended by BGBl. I 180/2004. Tax adjustments (both positive and negative allocations) between the group parent and the company were arranged in the form of tax allocation agreements.

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to T€ 663 (previous year: T€ 679), of which T€ 59 (previous year: T€ 59) are for the audit of the financial statements, T€ 540 (previous year: T€ 535) for other audit services and T€ 63 (previous yer: T€ 86) for miscellaneous services.

In addition, T€ 23 (previous year: T€ 31) were calculated for other payables to subsidiaries.

By resolution of the General Meeting of the company on 19 June 2015, Dr. Thomas Heidel was appointed special representative of STRABAG AG, Cologne, in accordance with Section 147 of the German Stock Corporation Act (AktG), for the purpose of asserting compensation claims arising from various transactions between companies of STRABAG AG, Cologne, and affiliated companies of STRABAG SE, Villach.

By letter dated 20 June 2016, the special representative asserted in writing compensation claims against STRABAG SE in the amount of approx. € 81 million. Additional compensation claims in the amount of approx. € 136 million against STRABAG SE were asserted by letter dated 20 March 2017. The claims thus amount to a total of approx. € 217 million not including interest.

To date, no suit has been filed against STRABAG SE to assert these compensation claims. In response to a minority request, the Extraordinary General Meeting of STRABAG AG, Cologne, on 24 March 2017 resolved to instruct Dr. Thomas Heidel to legally assert these claims; a lawsuit is therefore expected to be filed.

The claims involve, above all, alleged overvaluation of investments at the time of sale including consequences from unexpected negative developments among individual transferred investments.

The Management Board of STRABAG SE does not believe that there is any basis for these claims.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

APPROPRIATION OF NET INCOME

The Management Board proposes to pay out a dividend in the amount of € 0.95 per share for the 2016 financial year.

Villach, 7 April 2017

The Management Board

Dr. Thomas Birtel

Mag. Christian Harder | **Dipl.-Ing. Dr. Peter Krammer**

Mag. Hannes Truntschnig | **Dipl.-Ing. Siegfried Wanker**

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 2016

	Acquisition and production costs			
€	**Balance 1.1.2016**	**Additions**	**Disposals**	**Balance 31.12.2016**
I. Tangible assets:				
Other facilities, furniture and fixtures and office equipment	1,203,251.97	6,102.42	0.00	1,209,354.39
II. Financial assets:				
1. Investments in subsidiaries	2,141,019,417.37	910,897,798.17	384,304,132.09	2,667,613,083.45
2. Loans to subsidiaries	69,240,000.00	0.00	32,275,000.00	36,965,000.00
3. Investments in participation companies	94,165,269.91	540,000.00	0.00	94,705,269.91
4. Loans to participation companies	87,740,004.70	16,379,102.35	9,034,311.46	95,084,795.59
5. Other loans	19,702.11	505.56	0.00	20,207.67
	2,392,184,394.09	**927,817,406.08**	**425,613,443.55**	**2,894,388,356.62**
Total	**2,393,387,646.06**	**927,823,508.50**	**425,613,443.55**	**2,895,597,711.01**

Accumulated depreciation						
Balances 1.1.2016	**Additions**	**Reversal of depreciation**	**Disposals**	**Balance 31.12.2016**	**Carrying values 31.12.2016**	**Carrying values 31.12.2015**
200,992.65	16,264.36	0.00	0.00	217,257.01	992,097.38	1,002,259.32
106,096,226.21	512,053.00	2,400,000.00	0.00	104,208,279.21	2,563,404,804.24	2,034,923,191.16
2,900,000.00	0.00	0.00	2,900,000.00	0.00	36,965,000.00	66,340,000.00
30,652,604.42	28,368,813.25	0.00	0.00	59,021,417.67	35,683,852.24	63,512,665.49
0.00	0.00	0.00	0.00	0.00	95.084.795.59	87.740.004.70
0.00	0.00	0.00	0.00	0.00	20.207.67	19.702.11
139,648,830.63	**28,880,866.25**	**2,400,000.00**	**2,900,000.00**	**163,229,696.88**	**2,731,158,659.74**	**2,252,535,563.46**
139,849,823.28	**28,897,130.61**	**2,400,000.00**	**2,900,000.00**	**163,446,953.89**	**2,732,150,757.12**	**2,253,537,822.78**

List of participations (20.00 % interest minimum)

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in subsidiaries:			
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau	100.00	7,662	4,437
Asphalt & Beton GmbH, Spittal an der Drau	100.00	4,165	1,300
Bau Holding Beteiligungs AG, Spittal an der Drau	65.00	992,914	71,249
BHG Bitumen d.o.o. Beograd, Belgrade	100.00	7	-2
BHG Sp. z o.o., Pruszkow	100.00	2,000	493
CESTAR d.o.o., Slavonski Brod	74.90	3,322	293
CLS Construction Legal Services AB, Stockholm	100.00	5	0
CLS CONSTRUCTION LEGAL SERVICES Sp. z o.o., Pruszkow	100.00	295	11
CLS CONSTRUCTION SERVICES s.r.o., Prague	100.00	10	-1
CLS Kft., Budapest	100.00	171	11
CML CONSTRUCTION SERVICES d.o.o. (formerly: CLS CONSTRUCTION SERVICES d.o.o.), Zagreb	100.00	22	-111
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Cologne	100.00	469	228
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Schlieren	100.00	51	12
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Vienna	100.00	86	2
CML CONSTRUCTION SERVICES s.r.o. (formerly: CLS CONSTRUCTION SERVICES s. r. o.), Bratislava	100.00	35	0
CML CONSTRUCTION SERVICES SRL (formerly: CLS CONSTRUCTION LEGAL SERVICES SRL), Bucharest	100.00	14	6
DC1 Immo GmbH, Vienna	100.00	24	-11
DRP, d.o.o., Ljubljana	100.00	-5,789	-656
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	2,664	451
Facility Management Holding RF GmbH, Vienna	100.00	-8	1
FLOGOPIT d.o.o. Beograd, Novi Beograd	100.00	-129	-26
Ilbau Liegenschaftsverwaltung AG, Hoppegarten	100.00	1,132,247	74,210
Karlovarske silnice, a. s., Ceske Budejovice	100.00	2,419	4
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	100.00	1,783	620
Mazowieckie Asfalty Sp.z o.o., Pruszkow	100.00	-19[3]	-3[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	470[3]	130[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	3,112	748
OOO CLS Construction Legal Services, Moscow	100.00	286	70
Panadria mreza autocesta d.o.o. u likvidaciji, Zagreb	100.00	0	0
Prottelith Produktionsgesellschaft mbH, Liebenfels	52.00	-2,320[3]	-98[3]
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp.z o.o. W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE SRL, Cluj-Napoca	100.00	935	198
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	232	71
SAT SLOVENSKO s.r.o., Bratislava	100.00	2,030	390
SAT Ukraine, Brovary	100.00	1,814[3]	482[3]
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	299,831	28,706
SF Bau vier GmbH, Vienna	100.00	-26	-7
STRABAG A/S, Trige	100.00	-243[3]	-940[3]
STRABAG AG, Schlieren	100.00	25,545	-12,676
"Strabag Azerbaijan" L.L.C., Baku	100.00	-3,385	-805
STRABAG Infrastruktur Development, Moscow	100.00	234	65
STRABAG Oy, Helsinki	100.00	3,499	1,729
STRABAG Property and Facility Services a.s., Prague	100.00	3,567	42
STRABAG Real Estate GmbH, Cologne	28.40	134,505	36,548
Strabag RS d.o.o., Banja Luka	100.00	-399[3]	-74[3]
STRABAG Sh.p.k., Tirana	100.00	[4]	[4]
"STRABAG" d.o.o. Podgorica, Podgorica	100.00	4,415[3]	760[3]
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	94.00	203	-318
TOO STRABAG Kasachstan, Astana	100.00	-3,006[3]	-1,896[3]

1) according to § 224 Paragraph 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2015
4) no statement according to § 242 Paragraph 2 UGB

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in participations 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]
Erste Nordsee-Offshore-Holding GmbH, Vienna	49.90	[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]
OOO "STRATON", Sotschi	50.00	[4]	[4]
SHKK-Rehabilitations GmbH, Vienna	33.33	[4]	[4]
SIRIUS Beteiligungsgesellschaft m.b.H., 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]
Zweite Nordsee-Offshore-Holding GmbH, Vienna	49.90	[4]	[4]

1) according to § 224 Paragraph 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2015
4) no statement according to § 242 Paragraph 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
Dipl.-Ing. Siegfried W a n k e r

Supervisory 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
Thomas B u l l (since 6 February 2017)
Mag. Kerstin G e l b m a n n
William R. S p i e g e l b e r g e r
Dr. Gulzhan M o l d a z h a n o v a (since 13 January 2016 until 6 February 2017)
Andrei E l i n s o n (until 13 January 2016)
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 e (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 building hydroelectric power plant in Bosnia-Herzegovina

A consortium consisting of STRABAG and Croatian industrial company Končar has been awarded the contract to build the Vranduk power plant on the river Bosna on behalf of energy supply company JP Elektroprivreda BiH. STRABAG AG, with a share of 63.4 %, is leading the consortium. The 20 MW hydropower plant will be completed for € 57 million within a period of 46 months. The contract includes the planning of the power plant, the construction, supply and installation of all plant and equipment, as well as testing and commissioning.

Hydroelectric power plant on the river Bosna

Art-Invest hires Ed. Züblin AG to build "Alter Wall" shopping boulevard in Hamburg

Property development and investment company Art-Invest Real Estate commissioned STRABAG subsidiary Ed. Züblin AG as main contractor to realise the project "Alter Wall Hamburg". "Alter Wall Hamburg" is an approximately 150 m long shopping boulevard with 18,000 m² of offices and 12,000 m² of retail space in Hamburg, Germany. The construction works, with a contract value of about € 80 million, are scheduled to be completed in the summer of 2018.

Refinancing of € 2.4 billion in loans before maturity

STRABAG SE took advantage of the favourable financing environment and recent credit enhancement to refinance two loans totalling € 2.4 billion before their original maturity. The conditions and terms to maturity of the € 2.0 billion syndicated surety loan and the € 0.4 billion syndicated cash credit line have been redefined. The new five-year terms to maturity – i.e. until 2021 – with two options to extend by one year each further allow STRABAG SE to secure its comfortable financing position for the long term.

FEBRUARY

STRABAG awarded three road construction contracts in Poland


High demand in road infrastructure

STRABAG, via its Polish subsidiaries, has been awarded three contracts totalling PLN 734 million (approx. € 171 million) from Poland's General Directorate for National Roads and Highways (GDDKiA). As part of the overall works on the S17 between Warsaw and Garwolin, STRABAG will design and build a 15.2 km long section from the Lubelska junction near Warsaw to Kołbiel, including four junctions, for PLN 301 million. The second contract, with a value of PLN 183 million, comprises the design and construction of an 8.7 km long bypass road near Kołbiel. A further contract includes the design and building of the S8 expressway between Radziejowice and Przeszkoda for PLN 250 million. The 9.9 km concrete roadway is scheduled for completion within 31 months. In addition to the dual carriageway roadway, the works also comprise the Żabia Wola junction as well as several civil engineering structures, among them a bridge over Pisia Tuczna, pedestrian overpasses and three rest areas. Noise barriers and wildlife crossings will also be built along the section.

STRABAG to build Contract Section South of Berlin–Dresden rail line for Deutsche Bahn

Two German subsidiaries of STRABAG SE have been awarded Contract Section South by Deutsche Bahn AG to upgrade 30 km of the Berlin–Dresden railway line. The consortium of STRABAG Rail GmbH, Berlin, and STRABAG AG, Cologne, will perform track works and build new overpasses. Construction is scheduled for completion by the end of 2018. The contract has a value of about € 66 million. STRABAG Rail GmbH will lay new tracks on the Berlin–Dresden rail line along a length of 27 km between Hohenleipisch and Walddrehna and perform maintenance works on the existing tracks along a length of 26 km. At the same time, STRABAG Rail will build seven railway overpasses and STRABAG AG eight road overpasses.

Upgrading of Berlin–Dresden rail line

MARCH

Züblin to build section of "Stockholm Bypass" with contract value of about € 76 million

Züblin Scandinavia AB, a Swedish subsidiary of Ed. Züblin AG, has been awarded the contract by the Swedish transport authority Trafikverket to build a section of the Stockholm motorway bypass. The project comprises the construction of an approximately 950 m long section of motorway including interchange for a total of about € 76 million. The works being carried out by Züblin in the district of Akalla north of Stockholm include large sheeting and shoring measures for excavation works, an approximately 120 m long concrete tunnel built using cut-and-cover, an approximately 480 m long trough for the tunnel approach and a roundabout.

STRABAG wins further € 108 million contract section for A1 motorway in Poland

After the Woźniki–Pyrzowice section of the A1 motorway in Poland STRABAG has now also been awarded the contract to build the section between the Zawodzie junction and Woźniki junction. The 16.7 km long route is to be opened to traffic in the second half of 2019. The contract has a value of € 108 million. Besides the concrete roadway, STRABAG will also build the Woźniki junction as well as bridges and several adjoining local roads.

Union Investment commissions Züblin to expand "RiemArcaden" in Munich

"RiemArcaden" designed by the architectural firm of "Allmann Sattler Wappner"

Union Investment has commissioned Ed. Züblin AG to expand the mixed-use building "RiemArcaden" in eastern Munich in Germany. The value of the new contract amounts to about € 46 million. The works comprise the turnkey construction of a building with about 20,400 m^2 of hotel and retail space as well as the retrofit of parts of an existing underground car park. Construction should be completed by the summer of 2018.

STRABAG subsidiary Züblin building new trivago headquarters in Dusseldorf, Germany

Ed. Züblin AG has been hired as general contractor to build the new corporate headquarters of trivago GmbH in the Medienhafen business area of Dusseldorf. The entire project, including construction design, has a total contract value of about € 81 million. Construction works are scheduled for completion in mid-2018.

STRABAG building first IKEA store in Serbia

STRABAG was commissioned as main contractor to build the first IKEA store in Serbia. The store will be located in Bubanj Potok in the Serbian capital Belgrade. The value of IKEA's investment is estimated at € 70 million. Construction works will be completed in mid-2017. The store will offer more than 30,000 m² of retail space.

STRABAG planning sale of hydraulic engineering business to Boskalis

STRABAG SE has reached an agreement signed on 31 March 2016 with Netherlands-based Royal Boskalis Westminster N.V. on the sale of the hydraulic engineering business. As part of an asset deal with a purchase price of € 70 million, Hamburg-based STRABAG Wasserbau GmbH, the leader in the German dredging sector, transferred its equipment, staff and a series of recently signed maintenance contracts to the buyer. The transaction took place on 1 April 2016.

APRIL

Züblin building Offshore Terminal Bremerhaven

Ed. Züblin AG, in a joint venture with Heinrich Hirdes GmbH, has been selected to build the Offshore-Terminal Bremerhaven (OTB) in Germany. The contract, with a value of approx. € 120 million, comprises the terminal (quays and hinterland), terminal access and retrofitting of the corresponding levees. OTB is to be handed over to the terminal operator, BLG Logistics, in late 2018/early 2019.

New port construction contract in Bremerhaven

Full acquisition of Ed. Züblin AG

The STRABAG Group increased its stake in the subsidiary Ed. Züblin AG starting in April from 57.26 % to 100 % as of 5 August 2016 in multiple steps. The agreement with the minority shareholders includes a basic purchase price as well as a provision for a variable purchase price portion, to be determined depending on Ed. Züblin AG's respective net income after minorities for each of the years 2015 to 2019. Shares of STRABAG SE were not used as acquisition currency.

MAY

STRABAG awarded road and tunnel construction contract in Norway

STRABAG has been selected as main contractor to build a section of European Route E16, the most important link between the Norwegian capital of Oslo and the country's second largest city of Bergen. The Øye–Eidsbru section, located in the middle of this route, comprises the new construction of 4.5 km of main road and 2.1 km of side roads. A 1,970 m long tunnel forms the heart of the project. The contract value is around € 37 million.

JUNE

Leading role in the refinancing of Irish N17/N18 PPP-project

STRABAG SE has initiated and led the first successful refinancing of an Irish motorway public-private partnership (PPP) project. The N17/N18 project between Gort and Tuam is therefore benefiting from improved financial market conditions while still in the construction phase. The total private sector investment volume in this project amounts to approximately € 400 million. STRABAG has a stake in both the concession company DIRECTROUTE (10 %) as well as the construction consortium (25 %).

Züblin awarded € 400 million contract in Chile

Züblin International has been awarded a € 400 million contract by Codelco, the world's largest copper producer. The Chuquicamata Mine, located in northern Chile, will be transformed from the world's largest copper open pit to an underground operation. The contract includes 63 km of tunnel excavation, 7 km of shafts and the transportation of 3.6 million t of materials. Construction works will be finished in 2021. Züblin is also working on Codelco's El Teniente Mine as well as on the Andina Mine.

BIM.5D® for Siemens in Switzerland

STRABAG AG Switzerland has been awarded the contract to build an office building and a production building for Siemens in Zug, Switzerland. The contract, which has a value of around € 100 million, will be carried out by STRABAG as design-and-build contractor. The client, Siemens Real Estate, chose STRABAG also for its proven competence in Building Information Modelling (BIM), which is applied in this project.

Application of BIM.5D®

German A-Modell project (A8 motorway) refinanced

The motorway concession company PANSUEVIA GmbH & Co. KG, along with its 50:50 joint venture partners HOCHTIEF and STRABAG, has achieved the refinancing of the German A8 A-Modell. The European Investment Bank (EIB), will not only stay on board as creditor but has also made use for the first time of its new financing instrument, Senior Debt Credit Enhancement (SDCE). The approximately 58 km 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 had designed, financed, and carried out the widening of the section to six lanes and took over maintenance and operation of the section for a period of 30 years.

JULY

Rating of BBB confirmed by S&P

The international rating agency Standard & Poor's (S&P), in its July analysis, has confirmed the BBB credit rating of STRABAG SE. The outlook remains at "stable". The rating had been raised by one level in 2015. The key performance indicators that had contributed to last year's increase continue to show good development, says S&P. The agency recognised the progress made in increasing profitability, especially in the area of risk management, and believes STRABAG to be on the right path toward an EBIT margin of 3 %.

Cancellation of 4,000,000 own shares executed

In accordance with a resolution passed at the 12th Annual General Meeting on the share capital of STRABAG SE has been reduced by the cancellation of 4,000,000 own shares as per 22 July 2016. The share capital thus amounts to € 110,000,000.00, divided into 109,999,997 bearer shares with voting rights and three registered shares with voting rights each representing a proportion of the share capital amounting to € 1.00. A resolution was also taken at the 12th Annual General Meeting authorising the acquisition of own shares, subject to approval by the Supervisory Board of STRABAG SE. On 15 July 2016, the Supervisory Board agreed to this. The question of whether and to what extent the Management Board of STRABAG SE will make use of the authorisation remains open.

AUGUST

STRABAG renovating rail line in southern Czech Republic

STRABAG Rail a.s. has been awarded a contract by the Czech Railway Infrastructure Administration (Správa železniční dopravní cesty) to renovate the 46 km long rail line between Okříšky and Zastávka u Brna in the south of the country. The infrastructure project with a value of about € 34 million is being co-financed by the EU from the Cohesion Fund. Construction is to be completed by July 2017. The renovation works will contribute to shorter travel time on the line by making adjustments to the track geometry and thanks to partial switch renewal.

Vattenfall acquires project development company for offshore wind park "Global Tech II"

Vattenfall has acquired Northern Energy GlobalTech II GmbH from Erste Nordsee-Offshore-Holding GmbH, a joint subsidiary of STRABAG SE and indirectly Etanax GmbH. Northern Energy GlobalTech II GmbH is the owner of the offshore wind project "Global Tech II". Global Tech II is located in the German North Sea 85 km north of the island of Borkum. The project is currently under development with a number of up to 79 wind turbines in an area of 47 km². The contractual partners have agreed not to disclose any information about the purchase price.

Züblin to construct new Axel Springer building in Berlin

Construction under teamconcept partnering scheme

Ed. Züblin AG has been commissioned by Axel Springer SE to build its new building in Berlin, Germany. Züblin will realise the project as general contractor under the group's teamconcept. The partnering scheme already helped Züblin secure the qualification competition for the preconstruction phase that started in early 2015 and the company has been working jointly with Axel Springer, Rotterdam-based architectural firm OMA and the design team on all phases of the project from the preliminary design to the construction permit.

SEPTEMBER

STRABAG building Slovak national football stadium in Bratislava

UEFA Category 4 stadium

STRABAG SE has been commissioned by the investor NFŠ a.s. to build the new national football stadium with more than 22,000 seats in the Slovakian capital Bratislava. The structural works including the technological minimum equipment to be built by STRABAG are scheduled for completion in 2018. The contract has a value of € 50 million. The stadium is being built at the site of the old Tehelné pole Stadium that has since been demolished. The new stadium will meet the requirements for a UEFA Category 4 stadium, which means it will have the capacity to handle international matches.

Large contract for STRABAG subsidiary: Expansion of Södertälje Canal

Züblin Scandinavia AB has been awarded the contract by the Swedish Maritime Administration Sjöfartsverket to build a new lock and to enlarge the Södertälje Canal – a part of the so-called Mälaren project – located south of Stockholm in Sweden. The project has a contract value of € 127 million. The construction works will be finished by the end of 2019. An important prerequisite for the construction process is that all boat traffic proceed without disturbance throughout the construction period.

Södertälje Canal south of Stockholm

Rail contract in Hungary

STRABAG will electrify and upgrade the 51 km railway line between Budapest and Esztergom on behalf of one of Hungary's largest state-owned investment companies, NIF (National Infrastructure Development Company). The contract, with a value of approx. € 108 million, will be carried out as a joint venture with TRSZ Kft. and MVM OVIT Zrt. – STRABAG holds 51.67 % in this project. Construction is scheduled for completion in 2018.

OCTOBER

STRABAG wins best bidder contest for widening of A1 motorway in Austria

STRABAG has been awarded the contract by ASFINAG, the Austrian motorway operator, to widen the A1 motorway to three lanes between Matzleinsdorf and Pöchlarn. The contract also comprises the widening of eight bridges along the 5.1 km section. The contract has a total value of approx. € 22 million. Construction works are to be completed in May 2018. STRABAG won the best bidder competition thanks to its performance in the award criteria of quality and work safety.

NOVEMBER

Consortium around STRABAG to build section of D3 motorway in Slovakia

A construction consortium around STRABAG (44 %) has been chosen to build a 5.6 km section of the D3 motorway in northern Slovakia. The € 239 million contract is being performed on behalf of the state motorway company NDS a.s. and is scheduled to be completed after 48 months of construction. The project comprises the construction of the roadway, 19 bridges, several retaining walls and more than 11 km of noise barriers.

Construction of the East Side Mall shopping centre in Berlin

East Side Mall in Berlin's Friedrichshain district

Luxembourg-based Forum Invest S.a.r.l has commissioned Ed. Züblin AG to build the new East Side Mall in Berlin, Germany. Forum Invest is represented by Berlin-based project development company FREO Financial & Real Estate Operations GmbH. The contract for the new construction, to be carried out under STRABAG's teamconcept partnering scheme, has a value of about € 84.3 million including construction design. The architectural design was conceived by Dutch architecture office UNStudio, which also designed the Züblin-built Mercedes-Benz Museum in Stuttgart in Germany.

DECEMBER

STRABAG increased its stake in Raiffeisen evolution to 100 %

STRABAG continues to strengthen its market position in the field of residential project development in Austria. The company increased its interest in Raiffeisen evolution project development GmbH, Vienna, from 20 % to 100 % as of 22 December 2016. The company is one of Austria's leading project development companies and was renamed STRABAG Real Estate GmbH after the purchase. Founded in the year 2003, its ownership structure had previously been: Raiffeisen Zentralbank AG (40 %), UNIQA Insurance Group AG (20 %), Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H (20 %) and STRABAG AG, Austria (20 %).

Züblin to build Kriegsstraße car tunnel in Karlsruhe

Two-lane car tunnel

Karlsruher Schieneninfrastruktur-Gesellschaft mbH (KASIG) is putting its trust in the civil engineering competence of Ed. Züblin AG. The STRABAG Group subsidiary is leading a consortium with Schleith GmbH to build the Kriegsstraße car tunnel in Karlsruhe, Germany. The two-lane tunnel in Kriegsstraße is the second part of the Kombilösung public transport infrastructure project to build an efficiently functioning rail network for the local public transport and to reduce the volume of surface car traffic in central Karlsruhe. The contract for the road tunnel has a value in the low triple-digit euro millions.

Rebuilding Hungarian football stadium Sóstó

The Hungarian unit of STRABAG has been awarded the contract by the City of Székesfehérvár, 70 km from Budapest, to rebuild the Sóstó football stadium. The demolition of the old stadium was also carried out by STRABAG. The approx. € 40 million project is scheduled for completion in late 2017.

Football stadium for 14,000 spectators

Country report

DIVERSIFYING THE COUNTRY RISK

Output volume down 6 %

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 an output volume of € 13.5 billion in the 2016 financial year, a minus of 6 % versus the previous year. While very positive development had been registered in Slovakia, Poland and the Czech Republic in 2015, the output volume fell back in these countries in particular. One reason for this decline is the expiration of the EU Cohesion Fund regime at the end of 2015 and the fact that the new round of funding has not yet been used to the same degree by the eligible countries. The core market of Austria, in comparison, was characterised by increasing business activity. STRABAG also defended the exceptionally high level in Germany, the group's largest market by far.

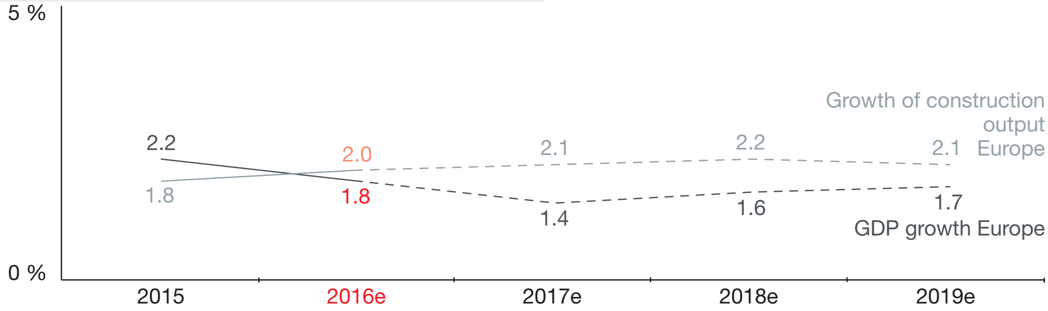
OUTPUT VOLUME BY COUNTRY

€ mln.	2016	% of total output volume 2016	2015	% of total output volume 2015	Δ %	Δ absolute
Germany	6,270	46	6,256	44	0	14
Austria	2,099	16	2,003	14	5	96
Poland	774	6	941	7	-18	-167
Czech Republic	631	5	765	5	-18	-134
Slovakia	461	3	716	5	-36	-255
Hungary	448	3	594	4	-25	-146
Switzerland	378	3	343	2	10	35
Americas	348	3	310	2	12	38
Benelux	309	2	302	2	2	7
Middle East	267	2	315	2	-15	-48
Romania	254	2	241	2	5	13
Denmark	234	2	219	2	7	15
Sweden	179	1	240	2	-25	-61
Rest of Europe	150	1	168	1	-11	-18
Russia	139	1	230	2	-40	-91
Asia	131	1	92	1	42	39
Serbia	89	1	46	0	93	43
Italy	82	1	188	1	-56	-106
Africa	78	1	120	1	-35	-42
Croatia	78	1	68	0	15	10
Slovenia	65	0	98	1	-34	-33
Bulgaria	27	0	35	0	-23	-8
Total	**13,491**	**100[1)]**	**14,290**	**100**	**-6**	**-799**

1) Rounding differences are possible.

ECONOMIC DYNAMISM LEVELLING OFF[1)]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Strong growth expected in Eastern Europe

The European **economy** continued its moderate **growth trajectory** at a slightly lower level in 2016. To a degree, growth factors were neutralised by a series of hindrances: above all the higher geopolitical and political insecurities, not least after the Brexit vote, as well as the waning growth outside of the EU and the weaker global trade. In some EU countries, meanwhile, the effects of the financial and economic crisis are still being felt. Below the line, the economy in the 19 Euroconstruct countries still managed to grow by 1.8 % in 2016 but remained below the previous year's plus of 2.2 %. For 2017, Euroconstruct forecasts a further decline of the growth rate to +1.4 % before the curve should begin to point upwards again starting in 2018.

A similar statement can be made about the global economy. Overall, the forecasts remain cautious yet positive. The investment hesitancy in the euro area will likely continue to dampen the growth opportunities, and both private as well as public consumption should increase less strongly in the Euroconstruct countries in 2017 than the year before. The foreign trade dynamism is also expected to wane further, as will the positive effect of low energy prices, since these have been noticeably on the rise again. The monetary policy, meanwhile, is having a positive effect on the growth dynamism and should continue to do so in the years to come. A turnaround is expected for the emerging markets, whose economy should have reached its low point in 2015 and should now begin to exhibit renewed positive development. Striking growth above the European average in 2016 was again seen in Spain, Ireland and Sweden, while Germany and, recently, also Austria are in midfield in a European comparison. GDP growth remained clearly below the mean value in Norway, Denmark and Portugal. The countries of Central and Eastern Europe again achieved the 3 % mark, thus clearly leaving Western Europe behind. While the dynamism is likely to diminish further in Western Europe in 2017, an even stronger plus is expected in Eastern Europe.

CONSTRUCTION SECTOR GROWING SOMEWHAT MORE SLOWLY THAN EXPECTED

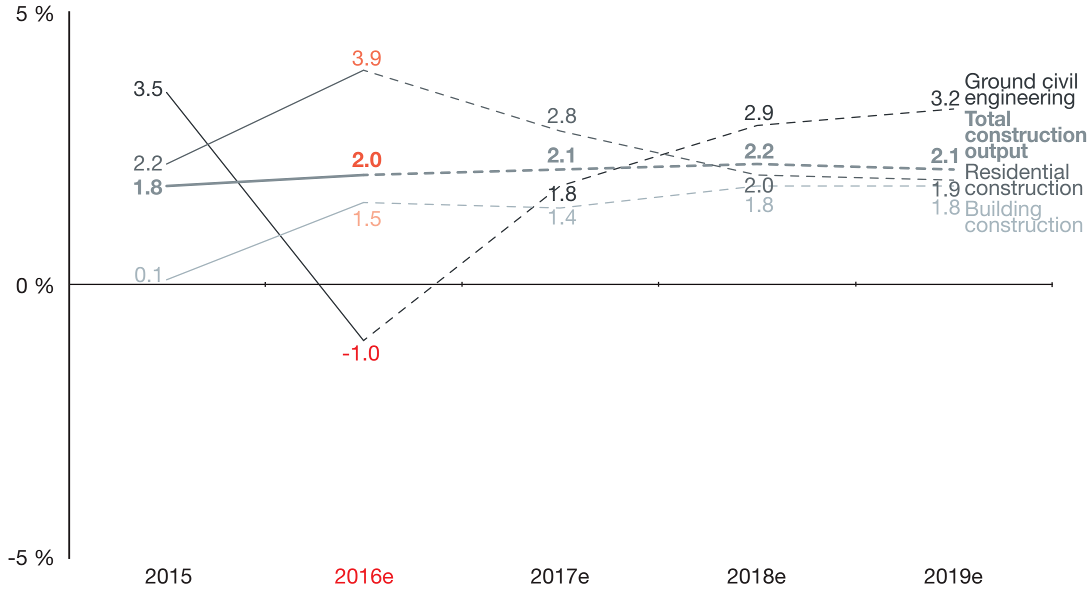
In contrast to the economy as a whole, the **construction sector** in the 19 Euroconstruct countries registered slightly higher growth (+2.0 %) in 2016 than the year before (+1.8 %). The plus fell short of the original forecasts, however, which had predicted a clearer sign of recovery. The expectations for the coming years were also scaled back slightly. Nevertheless, thanks to the low interest environment and the subsequent appetite for real estate investments, the construction dynamism should still continue to outperform the general economy. The most recent Euroconstruct forecasts for the period 2017–2019 predict growth between +2.1 % and +2.2 %.

On a country-by-country basis, the development was again quite varied. The strongest growth was registered in Ireland, the Netherlands and Sweden. Showing signs of weakness were Portugal and, above all, the countries of Central and Eastern Europe, which last year had still contributed decisively to the positive overall figures. Growth stagnated in the United Kingdom and Switzerland, while the remaining Euroconstruct countries grew around the average rate of +2.0 %. For the coming years, Euroconstruct forecasts a clear turnaround for the CEE nations. In Finland, Sweden, Norway, the Netherlands and Germany, on the other hand, the dynamism is expected to weaken slightly. In contrast, higher construction output is expected from Denmark and Italy, among others.

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 2016 reports. The indicated market share data are based on the data from the year 2015.

RESIDENTIAL CONSTRUCTION AND BUILDING CONSTRUCTION LEAVE CIVIL ENGINEERING BEHIND

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



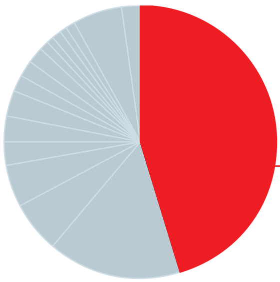
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew considerably more strongly than the year before. Civil engineering, on the other hand, had to concede a noticeable decline following the solid growth of 2015.

For **residential construction**, which accounted for nearly one half of the total European construction volume in 2016, the forecasts had to be adjusted upwards several times over the course of the year. The sector thus assumed the leading role in the recovery of the European construction industry. The construction volume in residential construction grew by 3.9 %, nearly twice as strongly as the year before. In absolute numbers, growth in 2016 was again driven by France, Germany and the United Kingdom, followed by Italy, where the building construction volume still only accounts for around one third of the value before the financial and economic crisis. The largest growth was registered by Sweden, the Netherlands, Norway, Finland, Slovakia and Hungary, among others. The plus in residential construction should drop back down to 2.8 % this year, which, however, still is a solid growth rate. Above-average growth rates are forecast for Ireland, which has ranked at the top for years, as well as France, the Netherlands, Portugal, Spain, Sweden and Hungary. In Germany, development will probably be stagnant for the most part.

In contrast to residential construction, the forecasts for non-residential **building construction** – the sector accounted for nearly one third of the European construction volume in 2016 – had to be taken back. At the midpoint of the year, it had still been expected that this sector would more clearly leave the stagnation of the previous years behind. In the end, building construction in the 19 Euroconstruct countries grew by 1.5 % and so still clearly surpassed the value of 2015 (+0.1 %). In a country-by-country comparison, Germany registered the highest growth and will likely do so again this year, albeit at a slightly slower pace. An improvement was also reported by Italy, the Netherlands, Belgium and Denmark. The largest losses, on the other hand, were suffered in the Czech Republic and Poland. In the years to come, the building construction sector should largely mirror the general economy; higher growth rates are expected only for new office buildings and agricultural buildings. In the United Kingdom, however, the building construction volume will likely decline in 2017 as a consequence of the Brexit.

Civil engineering, which accounted for 21 % of the European construction volume, was unable to latch on to the positive development of 2015 (+3.5 %) and registered a minus of 1.0 % in 2016. Here, too, things became worse over the course of the year with growth of 1.5 % still being forecast in June. The largest losses were reported in Slovakia, Hungary and the Czech Republic, the greatest growth in Norway and Ireland. In the countries of Central and Eastern Europe, the move from one EU funding period to the next had the expected impact. The United Kingdom, which also registered a significant minus, is suffering under Brexit-related insecurities in this sector as well. Sectors with a higher share of public investments – like transport – were generally affected more strongly by the declines than fields such as telecommunications or energy. For the future, Euroconstruct is more optimistic and expects average annual growth of 2.6 % in the civil engineering sector by the year 2018. While the sector should find its way back to higher dynamism in the countries of Eastern Europe, it will likely stagnate in Germany from 2018 onwards.

GERMANY



Overall construction volume: € 304.3 billion.
GDP growth: 2016e: 1.9 % / 2017e: 1.4 %
Construction growth: 2016e: 2.5 % / 2017e: 1.5 %

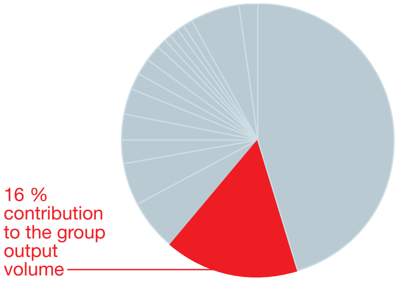
The upswing of the German economy continued as expected in 2016. The GDP growth of 1.9 % resulted – in contrast to the previous years – primarily from a strong increase of private domestic consumption and not so much from corporate investments or foreign demand. Low savings interest rates, secure jobs and rising real wages boosted the Germans' willingness to spend; at the same time, public spending increased as a result of the at times still high number of refugees. With the ebbing of the immigration floods, however, Euroconstruct expects domestic consumption to again grow more slowly, and the political and economic problems of many of the German states are leading German companies to be hesitant with regard to new investments. GDP growth should therefore drop by half to 1.0 % in the next two years.

The German construction economy was also able to bring in positive figures in all respects in 2016, registering an overall plus of 2.5 %. The above-average strong growth in residential construction (+3.0 %) resulted from additional planning permissions and new projects by local governments and municipal housing companies in response to the large refugee numbers. The impact of these measures, however, should only be seen as temporary and Euroconstruct expects a gradual decline in residential construction to -0.7 % by 2019.

Clearly positive development was also registered by the sectors building construction (+1.4 %) and civil engineering (+2.7 %). While retail and industry benefited from the strong economic growth in 2016, the telecommunication sector's massive broadband expansion provided a stimulus to civil engineering, which had still generated negative growth the year before. Growth is again predicted for the two sectors in 2017 (+0.7 % and +1.2 %, respectively), although the many different problems are expected to lead to considerably weaker results in the medium term. Significant driving forces for the future development include the increase of the minimum wage, high energy prices, the still unforeseeable consequences of Brexit, the growing importance of foreign production and the triumph of online retailers with the subsequently reduced demand for new commercial buildings.

The STRABAG Group is market leader in Germany, with a 2.1 % share of the market. The share of the German road construction market even amounts to 9.1 %. With € 6,269.95 million, the group generated about 46 % of its total output volume in Germany in 2016. Most of this is assigned to the segment North + West. Property and facility services in Germany are listed under International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 34.4 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.5 %
Construction growth:	2016e: 1.6 % / 2017e: 1.4 %

Austria's GDP grew by 1.7 % in 2016, which places it above the EU average of +1.4 % that has been estimated by ETH Zurich. The main factor driving this positive development was the growth of private consumption, which, in turn, can be traced back to the tax reform of 1 January 2016 that increased real incomes by an estimated 2.9 %. A dampening effect in the period under report was exerted by Austria's negative trade balance, however, which was burdened by significantly higher imports of consumer goods. The forecast for the near future (of around +1.5 % a year) seems modest when taken by itself. But if you consider the entry into force in 2017 of the balanced budget amendment (the so-called "debt brake"), which was designed to reduce public spending in Austria, along with the expected slowdown of the German economy, then this assessment must be seen as quite positive.

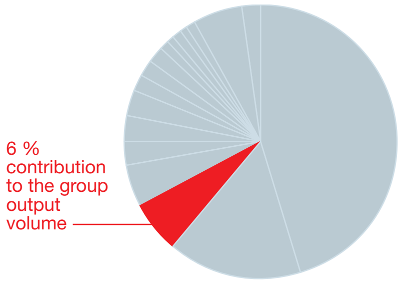
Euroconstruct expects to see similar annual growth rates through 2019 for the Austrian construction sector, which again generated a plus of 1.6 % after the negative performance of -0.6 % in 2015. In particular, residential construction (+1.5 %) developed better than had been expected. This can be traced back to several factors: firstly, the consistently high demand for housing in large metropolitan areas; secondly, rising real estate prices, which, in combination with lower credit rates, attract private investors; and thirdly, the public sector's so-called housing offensive, which aims at containing the price of real estate through affordable new buildings.

Building construction even managed a plus of 2.0 % in 2016 because the industrial sector, after years of hesitant investments, again acted more dynamically in the period under report; increased activity was also seen among offices and commercial space.

The weakest sector in 2016 was civil engineering with a plus of 1.1 %, resulting primarily from investments in transportation infrastructures in which public subsidies played an important role. The further expansion of the road and, especially, of the rail network will continue to have a fixed place in the Austrian budget in the years to come; stable growth can therefore continue to be expected in this area.

The STRABAG Group generated a total of 16 % of the group output volume in its home market of Austria in 2016 (2015: 14 %). Austria thus continues to be one of the company's top three markets, along with Germany and Poland. The output in 2016 reached a volume of € 2,098.62 million. With a share of 5.9 %, STRABAG is the number 1 on the Austrian market. The share of the road construction market amounts to 20.3 %.

POLAND



Overall construction volume:	€ 44.8 billion
GDP growth:	2016e: 3.2 % / 2017e: 3.5 %
Construction growth:	2016e: -0.8 % / 2017e: 4.2 %

As in the previous two years, the Polish economy was again able to record a stable plus of 3.2 % in 2016. Similar growth (up to 3.6 %) is being forecast for the years to come. Although the expiration of the 2007–2013 EU financial framework resulted in decreased investments in the first half of the year, the associated slowdown of economic growth is seen by Euroconstruct to be only temporary. Rising consumer spending, which, in turn, is being driven by the good situation on the labour market, should continue to shape the following quarters when more money is available to households through the higher child benefits.

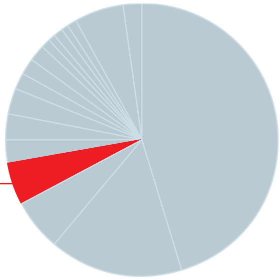
The Polish construction industry presented itself as very inconsistent, with a negative overall performance in 2016. Following the strong growth of the previous two years (+5.1 % and +4.1 %), the sector registered a minus of 0.8 % in the year under report. This development can be traced back to declining investments, which have several causes, above all the general insecurity in the economy as well as the legislative changes and the aforementioned expiration of an EU funding period.

With growth of 5.8 %, residential construction saved the overall performance of the industry in 2016. The construction boom that had blessed this sector with a generous plus of 8.1 % the year before continued in the period under report – supported by the low credit and mortgage rates. In contrast, building construction and, especially, civil engineering felt the full force of the public sector's decision to halt investments. The sales figures fell by up to 27 % in six of the seven non-residential subsectors; only commercial buildings were able to attain a plus of 4.0 %. The bottom line is a minus of 2.4 % for building construction in 2016.

Civil engineering generated an even more resounding minus of -4.5 %, whose causes – besides the general investment decline – are also homemade. For example, a number of railway construction projects that were announced years ago have not yet been started because the necessary documentation has not been submitted in full. The Ministry of Development and Euroconstruct, however, expect a return to positive figures (between +8.5 % and +13.6 %) in the next three years because the 2014–2020 EU financing programmes will co-finance the construction of important infrastructure projects.

As the number 3 in the Polish construction sector, STRABAG generated a construction volume of € 773.74 million in 2016, accounting for 6 % of the total output volume of the group. This makes Poland the third largest market for the STRABAG Group. The company's share of the entire Polish construction market amounted to 2.1 %, in road construction it is 8.0 %.

CZECH REPUBLIC



Overall construction volume: € 15.7 billion
GDP growth: 2016e: 2.3 % / 2017e: 2.4 %
Construction growth: 2016e: -9.0 % / 2017e: -3.2 %

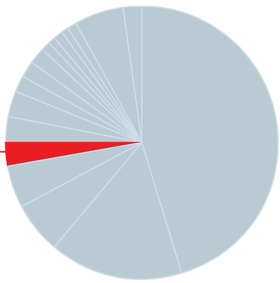
After the turnaround in 2014 and the record year of 2015 with GDP growth of 4.5 %, the Czech economy consolidated at a stable plus of 2.3 % in the year under report. Although this development was supported by several factors that have only a temporary effect, e.g. EU subsidies, the reduction of the value-added tax rate to 10 %, higher wages and lower oil prices, the expectation of positive changes – above all rising industrial production and an improved situation on the labour market – in the years 2017–2019 leads Euroconstruct to predict continuous growth rates of about 2.4 % a year. This forecast is reinforced by the fact that the Czech Republic is currently seen as one of the most attractive investment markets in Central and Eastern Europe.

The Czech construction economy presented itself as highly inconsistent in 2016. While residential construction (+3.5 %) was able to at least somewhat latch on to the sensational performance of 2015 (+14.7 %), building construction and civil engineering registered dramatic declines. While the minus of 13.9 % in civil engineering can be partially explained by the outstanding performance of the previous year (+16.8 %), the weak performance of the building construction sector (-11.1 %) is mainly due to domestic problems. The development of public-sector projects in particular is often defeated by bureaucracy and the slow pace of the works. The transition to the new EU funding period, for example, did not proceed smoothly, and available financing was offset by a lack of green-light construction projects.

Once these difficulties have been overcome, however, the Czech construction industry is expected to boom. The high demand for new housing, stimulated by the low mortgage rates, promises growth of up to 14.5 % (2019) for the residential construction sector. Similarly, the development of new shopping centres, large office buildings (above all in Prague) as well as industrial and storage buildings (Amazon) should slowly push non-residential building construction to at least +1.9 % (2019). Civil engineering should again grow by 11.6 % in 2019 if – besides the investments already made in sewerage systems, waste water treatment and flood control – long overdue rail and road construction projects are realised as well.

In the Czech Republic, STRABAG is the number 1 on the market. With an output volume of € 630.56 million, about 5 % of the group's total output volume was accounted for by the Czech market in 2016. The group's share of the entire construction market stood at 4.4 %; in road construction, this figure even reached 13.0 %.

SLOVAKIA



Overall construction volume: € 4.8 billion
GDP growth: 2016e: 3.6 % / 2017e: 3.5 %
Construction growth: 2016e: -5.4 % / 2017e: 6.2 %

The upswing that has characterised the Slovak economy since 2010 continued in the period under report. Thanks to rising consumer spending of private households and higher net exports, the 2016 GDP growth (3.6 %) exceeded the forecasts by half a percentage point. Despite expectations of lower public-sector investments, Euroconstruct continues to see significant GDP growth (2017: +3.5 %, 2018: +3.9 %, 2019: +4.4 %) in the years to come. This is not least because of the automotive industry, as announcements of new orders by VW, Groupe PSA and Jaguar Land Rover are adding fuel to the Slovak economic engine.

In spite of these circumstances, the construction industry registered in part a negative performance in 2016. This must be seen relative to the previous year's figures, however. The plus of 18.5 % in 2015 had only been possible thanks to enormous state investments in transport infrastructures as well as extensive EU subsidies; against this backdrop, the sector ended the year under report with a minus of 5.4 %.

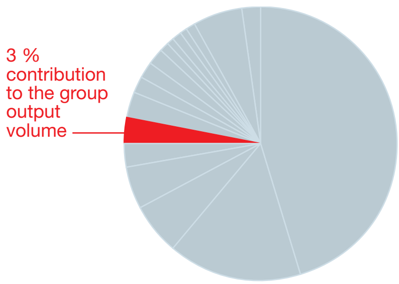
At least the residential construction sector experienced an upswing in 2016, gaining +12.1 % on higher demand, in equal parts, for owner-occupied and investment housing. Being on the more expensive side, luxury apartments remained unsellable. In the highest demand was government-subsidised housing.

Building construction fell by 0.9 % in 2016 despite the renovation, insulation and expansion of school and hospital buildings as well as the construction of scientific and technical centres. The construction of a production facility, a logistics centre and an intermodal terminal for carmaker Jaguar Land Rover – with participation by STRABAG in the preliminary works – supports the positive forecast for 2017 (+3.0 %).

The minus of 20.1 % in civil engineering in the period under report is, as already mentioned, to be seen as a correction after 2015 (+53.4 %). However, several important projects were delayed by authority disputes in the wake of the parliamentary elections. However, the civil engineering volume is expected to grow by 15.0% in 2017.

With a market share of 13.9 % and an output volume of € 461.16 million in 2016, STRABAG is the market leader in Slovakia. In road construction, STRABAG's market share reached 16.6 %. Slovakia contributed 3 % to the group's total output volume in 2016.

HUNGARY



Overall construction volume:	€ 9.0 billion
GDP growth:	2016e: 2.8 % / 2017e: 3.0 %
Construction growth:	2016e: -3.3 % / 2017e: 10.0 %

In the year under report, the growth of the Hungarian economy slowed down somewhat versus 2015 (+3.1 %). At +2.8 % in 2016, however, it was still clearly above the EU average (+1.4 %). Higher real incomes (about +7.0 %), lower unemployment figures (about 5.0 %, half as high as 2013) and, consequently, greater prosperity for the households were strong drivers of domestic consumption. Euroconstruct expects further GDP growth of 3.0 % for 2017 and even foresees a plus of 3.4 % for the 2018 election year.

Although the Hungarian construction industry had to concede an overall decline of 3.3 % in 2016, all the signs are pointing to an upswing as the government is making efforts to fill investment holes and gaps between the EU financing periods with funds from the federal budget. The next years are therefore expected to show an increase in output volume.

Residential construction, which had largely stagnated in the previous two years, proved to be the most successful sector in 2016 with growth of +14.0 %. The market for new construction boomed thanks to a broad and generous fiscal policy of subsidies, tax cuts, tax rebates and special loans that helped to improve the standard of living especially for young families. At the same time, the growth of tourism unleashed an enormous wave of renovations and modernisation works among rental property owners. Further considerable growth (+23.4 % and +20.4 %) is therefore expected for 2017 and 2018 before the sector should consolidate at +6.4 % in 2019.

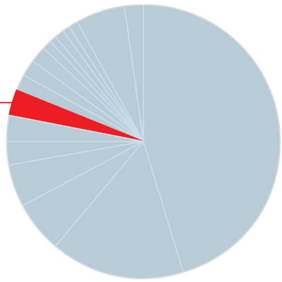
The Hungarian building construction sector (+1.2 %) presented a disparate image in the period under report. On the one hand, private investors made quite noteworthy investments in office, logistics, industrial and agricultural buildings;

on the other hand, many large public-sector projects remain on ice due to the lack of EU financing. As soon as the funding becomes available, there should be a noticeable upswing. The experts are forecasting a plus of 6.5 % for 2017 and even stronger growth of 9.0 % for the following year.

The crash of the Hungarian civil engineering sector (-15.0 %) appears less dramatic when seen against the backdrop of the expired EU funding programmes that had been the cause for strong growth in the years before. There can be no doubt that infrastructure investments are needed, above all in the expansion of the rail network for freight transport and public transportation. This should find expression in the coming years with growth between 6.5 % (2017) and 10.0 % (2018).

The STRABAG Group generated € 448.12 million, or 3 % of its output volume, in Hungary. STRABAG is the number 1 on the Hungarian construction market. The company's share of the entire market stood at 6.4 % in 2016; in road construction, it is 22.5 %.

SWITZERLAND



Overall construction volume:	€ 64.9 billion
GDP growth:	2016e: 1.6 % / 2017e: 1.8 %
Construction growth:	2016e: 0.1 % / 2017e: 1.3 %

With GDP growth of 1.6 % in the period under report, the Swiss economy appears to have recovered somewhat from the "Swiss franc shock" and to have gradually found its way back to moderate growth. Parallel to the recovery of the global economy, Euroconstruct also expects to see positive development in Switzerland for the years 2017–2019 with annual growth of about 1.9 %.

In contrast, the Swiss construction sector gained only 0.1 % in 2016 and is currently in a phase of consolidation. Particularly the poor weather conditions in the spring and summer of 2016 slowed the activity of many construction companies noticeably. Attractive financing conditions and an increasingly friendlier economic framework, however, encourage extensive investments especially in hospital and infrastructure projects. As a result, a plus of 1.3 % is expected for 2017 and should even reach 2.6 % in 2018.

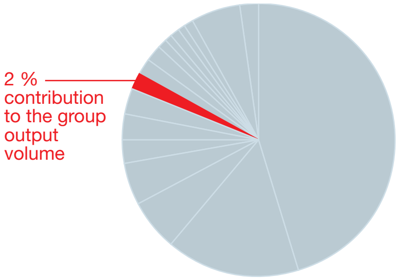
The Swiss residential construction sector stagnated in 2016 at the same low level as the previous year even though institutional investors, in their search for returns on their capital, invested massively in multi-dwelling units. Private investments on the other hand, for example in single-family homes, often failed due to the careful loan granting policy of the Swiss banks. Considering the weak growth of salaries and wages, as well as the situation on the labour market, Euroconstruct predicts only modest growth for residential construction in the coming years (2017: +0.4 %, 2018: +0.7 %).

The slightly better performance (+1.2 %) of non-residential building construction reflects a mixed situation. On the one hand, large projects like the one at the Zurich Airport, or projects by biotechnology and pharmaceutical companies, contributed to growth of this sector. On the other hand, the weak manufacturing industry had no remaining capacity to make investments in 2016 and the market for office buildings also faced an oversupply of free space. The relatively positive forecast for the coming two years (+2.5 % and +2.7 %) can be traced primarily to the need to build new health centres and modernise existing hospitals for the ageing population.

The weakest development in the year under report was registered by civil engineering with a minus of 1.3 %. At least the country's FABI programme to finance and upgrade the Swiss rail infrastructure, which went into effect in 2016, already led to an improvement of the order situation. An additional CHF 6.5 billion are to be invested between 2018 and 2030 following implementation of the national road and agglomeration transport fund (NAF). A final decision, however, was still subject to a plebiscite scheduled for February 2017. The Euroconstruct forecast, therefore, is for +1.7 % in 2017 and +6.4 % in 2018.

Switzerland contributed € 378.34 million, or 3 %, to the STRABAG Group's total output volume in 2016.

BENELUX



BELGIUM

Overall construction volume:	€ 42.2 billion
GDP growth:	2016e: 1.4 % / 2017e: 1.2 %
Construction growth:	2016e: 3.1 % / 2017e: 2.3 %

NETHERLANDS

Overall construction volume:	€ 69.8 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.7 %
Construction growth:	2016e: 5.5 % / 2017e: 4.3 %

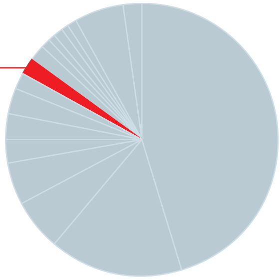
The economy of the Benelux states showed itself to be moderately dynamic, yet constant in 2016. The GDP growth of 1.4 % in Belgium and 1.7 % in the Netherlands, which would have been even higher without the state-imposed reduction of gas production volumes, can be traced back to lower unemployment, higher household incomes and rising corporate investments.

The **Belgian construction output** developed significantly better than had been hoped in the period under report (+3.1 % instead of the expected +0.1 %); particularly non-residential building construction, after two negative years, registered above-average growth of +4.7 %. Although the expiration of the "Schools for Tomorrow" programme in 2017 will most likely mean a slight flattening of the steep upwards curve, Euroconstruct believes that this sector can continue to expect growth rates above 3.0 % even in the coming two years. Residential construction (+3.4 %), which benefited from temporary measures (e.g. more planning permissions) in the year under report, must expect lower growth in 2017 (+1.4 %) because of the end of tax rebates like the bonus for purchasing a home as one's main residence or the reduced VAT rates for renovation works. Bringing up the rear in the Belgian construction economy in 2016 was civil engineering, the only sector to end the year with negative growth (-1.3 %). With the start of construction on the Oosterweel Project to complete the motorway ring around Antwerp by 2020, Euroconstruct expects a strong revival of road construction activity that should give civil engineering a plus of 2.9 % in 2017 and growth of 6.3 % in 2018.

Even stronger was the performance of the **Dutch construction industry** in 2016. With +5.5 %, the sector could latch on to the positive result (+7.5 %) of the year before – which, given the government's radical austerity measures, must be seen as an impressive achievement. The sector again owes its growth primarily to residential construction (+9.5 %) and especially to new constructions, which – not least because of the higher housing need for asylum seekers – gained another 12.0 % after the growth of 32.3 % in 2015. Admittedly, these figures are based on very low baseline values; in combination with historically low credit rates and tax incentives for residential renovation, Euroconstruct therefore forecasts further growth for this sector of 6.6 % and 6.0 % in the next two years. The figures for building construction and civil engineering (+3.3 % and +2.6 % in the last year) are quite modest in comparison. Federal budget cuts are forcing local governments to put new construction projects on hold in favour of more affordable maintenance measures, which is why growth is expected to remain only moderate, albeit constant, in the years to come. In total, Euroconstruct forecasts construction growth of 28 % in the Netherlands for the years 2014–2019, which could make up for 90 % of the losses from the crisis years.

STRABAG generated an output volume of € 308.93 million in the Benelux countries in 2016. This corresponds to a share of 2 % of the group output.

ROMANIA



Overall construction volume: € 16.1 billion
GDP growth: 2016e: 4.8 % / 2017e: 4.3 %
Construction growth: 2016e: 3.7 % / 2017e: 5.2 %

With GDP growth of 4.8 % in 2016, Romania again ranked at the top of the list of EU member states. Rising industrial production and retail sales boosted the economy, while increased employment figures, greater real wages and the generally higher standard of living found expression in private and public-sector investments. The cumulative effect of these factors, according to EECFA (Eastern European Construction Forecasting Association), promises similarly high GDP growth also in the next two years (average +4.4 %).

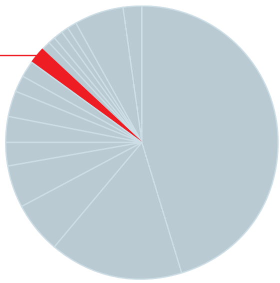
The Romanian construction industry developed in line with the general economic upswing in the year under report, registering positive growth (+3.7 %) for the second year in a row since 2015. The increases are even expected to reach 5.2 % and 8.6 % in 2017 and 2018. Residential construction in particular, which accounts for about one third of the total market, posted enormous gains in 2016 (+12.8 %). Historically low mortgage rates and an attractive speculative market situation – characterised by low construction costs and rising real estate prices – should continue to generate annual growth between 10 % and 12 % in the medium term.

A generous plus of 5.3 % was also registered by building construction, which above all owes its success to offices and industrial buildings. Especially in IT, Romania is attracting numerous foreign companies to the country with its relatively low wages and highly qualified labour force. EECFA therefore expects annual growth rates of 5.8 % in the next two years.

The expected negative performance in civil engineering (-4.1 %) must be seen against the backdrop of the extremely strong value from 2015 (+10.3 %) when the government, afraid of losing EU subsidies, developed the greatest possible activity in this sector. With the implementation of the new EU financing programmes, together with the political changes following the change of government in 2016, the civil engineering sector will likely continue to stagnate for another year (2017: -1.0 %) before – above all thanks to new projects in road and rail construction – an upswing takes hold in 2018 that EECFA quantifies at +9.5 % from today's vantage point.

The STRABAG Group, with an output volume of € 253.71 million in 2016 and a market share of 1.5 %, continues to hold the position of market leader in the Romanian construction market. In road construction, the share of the market amounts to 1.3 %.

DENMARK



Overall construction volume: € 28.1 billion
GDP growth: 2016e: 1.0 % / 2017e: 1.8 %
Construction growth: 2016e: 2.1 % / 2017e: 2.5 %

As in previous years, Denmark's economy grew at a weak yet positive rate in 2016. The GDP plus of 1.0 % can primarily be traced to increased gross investments in property, plant and equipment as well as private consumption, which is being aided by the continuing decrease of the already low level of unemployment. Foreign trade, on the other hand, remains a cause for concern for the Danish economy. Euroconstruct nevertheless sees the future as quite positive. The national debt is within the Maastricht limit and above all the considerable wealth of private investors nourishes expectations of moderate, yet steady growth.

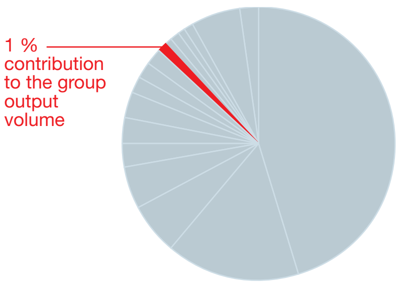
In comparison to the economy as a whole, the Danish construction industry performed better in the period under report. The plus of 2.1 % indicated that the above-average decline since the beginning of the financial and economic crisis is now being followed by a just as above-average upswing (+2.5 % are forecast for 2017, +3.0 % for 2018). This development is due not least to the need for affordable, at times temporary, accommodation for refugees. Residential construction therefore posted the highest gains in 2016 (+2.4 %), a trend that is expected to continue (up to +3.0 % in 2019). One uncertainty for the medium-term development of the construction economy, however, is the increase of the already high property taxes proposed by the Danish government in October 2016.

In non-residential building construction, which generated a plus of 1.7 % in 2016, an extensive programme for new hospitals promises strong momentum in the next few years. Euroconstruct expects growth of 3.7 % for 2017 and even awaits +4.2 % and +4.3 % for 2018 and 2019.

The performance of the civil engineering sector (+2.0 %) had to be adjusted downwards in 2016. Not only were planned subsidies for the expansion of transport infrastructures cut after the change of government in 2015, construction has also been delayed on the Fehmarnbelt project as planning permission for the 17.6 km road and rail tunnel is still outstanding from the German side. Considering the unpredictability of such politically delicate issues, Euroconstruct is willing to venture only a careful growth forecast for this sector: +1.5 % for 2017 and +2.0 % for 2018.

The STRABAG Group generated an output volume of € 234.39 million in Denmark in 2016, thanks mostly to the contributions from building construction.

SWEDEN



Overall construction volume:	€ 37.3 billion
GDP growth:	2016e: 3.4 % / 2017e: 2.1 %
Construction growth:	2016e: 6.9 % / 2017e: 2.7 %

The Swedish economy expanded by 3.4 % in 2016, more strongly than had been expected. Driving this growth were, besides the generally expansive financial policy, the low credit rates, falling unemployment, rising real wages and the resulting increased domestic consumption, which was also supported by the great number of refugees immigrating to the country. But experts are warning that the Swedish households are in debt and that private investments as well as public spending will fall back noticeably in the next few years. Euroconstruct expects a step-by-step reduction of GDP growth to 1.6 % by 2019.

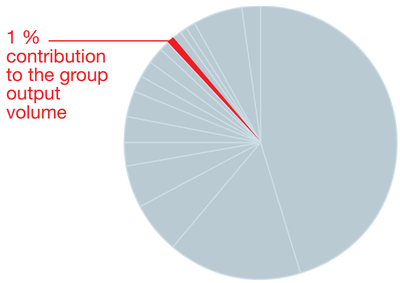
With growth of 6.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2016. A downright boom was registered by residential construction, which, after the strong previous year (+16.4 %), grew by another 12.4 %. Sweden is admittedly still far from the government's ambitious goal of creating 70,000 new homes a year by 2025. As the steep production curve is expected to flatten out, a plus of 3.8 % should still be possible in 2017 before negative growth rates (-0.3 % to -4.0 %) from 2018 onwards.

With a generous plus of 4.4 %, the Swedish building construction sector presented itself as surprisingly strong in 2016. Industrial and retail buildings contributed to this growth as much as new health centres, schools and other educational facilities that are necessary as a result of the country's demographic development. According to Euroconstruct, a moderate decline to +1.2 % is likely already in 2017 as the real estate market is expected to cool and credit rates are expected to rise.

In 2016, civil engineering (+1.6 %) once again brought up the rear in the Swedish construction economy. The investment deficit that has been accumulating for years in transporta-

tion infrastructures means that a large part of the budget is going towards renovation and maintenance works. Still, intense work is being carried out on new large-scale projects – above all in Stockholm and around Gothenburg. For this reason, the experts are forecasting the most significant growth in this sector (2017: +2.6 %, 2018: +2.4 %) for the years to come.
The output volume of the STRABAG Group in Sweden amounted to € 179.07 million in 2016. The activities are focused on projects in infrastructure and residential construction.

RUSSIA



Overall construction volume:	€ 107.8 billion
GDP growth:	2016e: -0.7 % / 2017e: 0.7 %
Construction growth:	2016e: -1.1 % / 2017e: -1.7 %

2016 was a difficult year for the Russian economy, as the country had to fight battles on several fronts. On the one hand, and in the truest sense of the word, it was involved in armed conflicts in Ukraine and Syria; on the other hand, in an economic sense, the continuing Western sanctions as well as the low level of the rouble exchange rate and of the oil price had a noticeable impact. The GDP consequently fell for the second year in a row, even if it was by just 0.7 % this time. EECFA expects rising consumer demand to lead to a turnaround (+0.7 %) already in 2017; for 2018, the plus should amount to 1.5 %.

As always, the reaction of the construction industry to the economic development was delayed and differed from sector to sector. Declines in residential and non-residential construction were contrasted by significant growth in civil engineering. In total, this resulted in negative performance of -1.1 %. A further minus of 1.7 % is expected for 2017 before the situation should begin to improve in 2018 with an estimated +2.0 %.

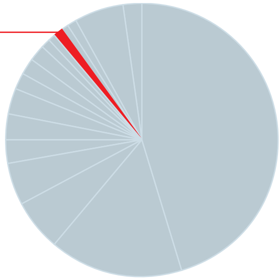
The decline of 5.7 % in residential construction is due primarily to the strongly reduced demand for single-family homes, which – in contrast to multi-dwelling units – received no federal subsidies. The government is now attempting to boost this sector with subsidised mortgage loans, but experience has shown that the market response to such measures is sluggish. Residential construction is therefore again expected to end 2017 with a negative performance (-7.1 %) before the state programmes have an effect (2018: +2.7 %). Compounding matters for the immediate future, recent changes to Russian law are complicating the realisation process for residential buildings.

Non-residential building construction also performed poorly in the year under report. The minus of 4.9 % reflects the dropping order volumes, the lack of solvent tenants and the conversion of commercial real estate already under construction. These difficulties can be blamed on the lower income among the population, which inevitably impacts purchasing power and retail sales. As the public sector also sees itself forced to save, the construction of educational facilities will likely continue to fall until 2018. The situation is not expected to improve until the overall economy has recovered somewhat – given the usual delayed reaction, not before 2019. The only ray of hope in this sector is the construction of health buildings.

The only sector to end 2016 on a positive note was civil engineering, which grew by a full 5.2 %. Here, too, the government filled several budget holes with outside financial support. For road construction, for example, a motorway toll system ("Plato") was introduced for trucks weighing over 12 t; moreover, income from traffic fines is now specifically appropriated for the maintenance of regional road networks. In the coming years, civil engineering growth will be supported particularly by the realisation of important gas pipeline projects as well as construction works for the power supply infrastructure. An annual plus of 3.0 % is expected for both 2017 and 2018.

The STRABAG Group generated an output volume of € 138.86 million in Russia in 2016. This region contributed 1 % to the group's overall output volume in the period under report. STRABAG is active almost exclusively in building construction and civil engineering in the region.

SERBIA



Overall construction volume:	€ 2.1 billion
GDP growth:	2016e: 2.8 % / 2017e: 3.2 %
Construction growth:	2016e: 9.4 % / 2017e: 11.0 %

Serbia's economy recovered from the floods of 2014 that had plunged the country into a recession. The hesitant upswing in 2015 was fuelled by the government with a legislative reform as well as a reform of the state approval procedures, which led to an abundance of planning permissions across all sectors. The construction industry was thus able to contribute significantly to the unexpectedly high economic growth of +2.8 %, a development that is especially impressive considering the simultaneous realisation of a three-year budget consolidation plan as well as drastic savings measures. GDP forecasts of +3.2 % (2017) and +3.5 % (2018) therefore appear quite plausible.

Serbia's construction industry, which had already celebrated a generous plus of 18.0 % in 2015, was able to grow by a further 9.4 % in the period under report. In contrast to previous years, in which priority had been given to the reconstruction of roads, bridges and transport infrastructures, the focus now has been on both residential and non-residential building construction. Since Serbia managed to reduce its budget deficit to 1.5 % in 2016, the rigid austerity measures are expected to be relaxed in 2017, which promises higher public-sector investments and, consequently, a brighter future for the construction industry. Specific estimates are for +11.0 % in 2017 and +13.0 % in 2018.

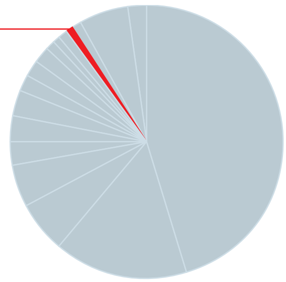
The performance of the residential construction sector (+15.6 %) is being interpreted not only as a revival but also as the beginning of a new growth cycle. The market in this sector is currently growing equally in terms of supply and demand. The experts believe that falling unemployment, rising incomes, lower interest rates and accelerated permission procedures will lead to further double-digit growth rates in 2017 and 2018.

The aforementioned legislative reform had an even stronger impact on the building construction sector (+26.0 %) and many backlogged projects could finally be started following permission in 2016. Additionally, retail and industrial buildings particularly, but also health buildings and transport-related structures, benefited from public-sector investments that had been lacking in the years before.

Civil engineering again contributed the greatest share to Serbia's construction volume growth in 2016, although the apparently marginal plus of 1.0 % must be seen in relation to the enormous growth the year before (+26.4 %). While the Serbian road network has meanwhile reached a sufficient level, extensive expansionary works on the rail infrastructure are now needed. The energy sector, with the construction of new power plants and the expansion of the power grid, is contributing enormously to the overall construction output. EECFA expects another strong plus of 9.9 % for 2017 and growth of 14.8 % in 2018.

The STRABAG Group achieved an output volume of € 89.28 million on the Serbian market in 2016.

ITALY



Overall construction volume:	€ 164.5 billion
GDP growth:	2016e: 0.8 % / 2017e: 0.9 %
Construction growth:	2016e: 1.9 % / 2017e: 2.2 %

Following the turnaround in 2015, Italy was able to stabilise its economic growth in the period under report. The modest plus of 0.8 % reflects the conflicting signals coming from the labour market – rising employment rates, falling unemployment figures – on the one hand and, on the other hand, from the weaker domestic demand not least as a result of the waning confidence of the households.

In 2016, the Italian construction industry grew significantly more strongly than the economy as a whole. The plus of 1.9 % confirms the upswing that had set in the year before after nearly a decade of negative dynamism. Euroconstruct also expects continuous growth of the construction economy for the next three years with an annual average of +2.0 % – on the condition that there are sufficient funds in the budget to realise the planned investment programme and that renovation measures can be further boosted through tax rebates.

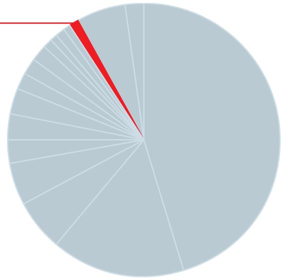
In contrast to 2015, when the individual construction sectors reported quite disparate performances, the industry presented itself largely homogenous in 2016 with growth between 1.7 % (residential construction) and 2.1 % (building construction and civil engineering). The only negative performance remains that of new residential buildings (-4.4 %), which, however, could be offset by the plus of 3.1 % among renovations. Euroconstruct believes that this subsector will continue to play an important role in the years to come.

Building construction, with a plus of 2.1 %, was able to latch on to its good performance of the previous year (+2.3 %). The growth of 2.7 % among new buildings, in combination with the consistently strong renovations activities (+1.9 %), leads Euroconstruct to expect continuous growth between 1.7 % and 2.3 % also for the next three years.

The fact that civil engineering could again report growth by 2.1 % after the already strong performance in 2015, confirms the stable upwards development in this sector. The expectations for the coming years are correspondingly positive (2017: +2.5 %, 2018: +3.1 %, 2019: +3.8 %). This forecast is supported not only by the government's plans to invest strongly in infrastructure projects but also by the available data regarding public tenders and already awarded contracts.

The output volume of the STRABAG Group in Italy amounted to € 81.61 million in 2016. 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.

CROATIA



Overall construction volume: € 2.9 billion
GDP growth: 2016e: 2.6 % / 2017e: 2.5 %
Construction growth: 2016e: 5.3 % / 2017e: 8.2 %

With GDP growth of 2.6 %, the Croatian economy clearly surpassed the original forecast (+1.0 %) in 2016. Thanks to the new, stable government, EECFA expects to see similarly strong growth rates in the coming years.

The general economic upswing also had a noticeable impact on the Croatian construction sector. Following the turnaround in 2015, which saw the first positive result (+5.0 %) after six negative years, the current plus of 5.3 % is confirmation of the upwards trend. For 2017 and 2018, the experts expect further growth at rates of up to 8.2 %. One of the reasons for the above-average performance of the construction industry is to be found in the increasingly skilful use of EU subsidies, which had previously been tapped to a much lesser degree.

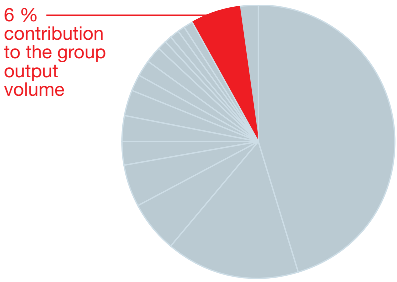
The most gratifying, albeit smallest plus (+2.8 %) in 2016 was generated by the problem child of the Croatian construction industry: residential construction. Since the start of the financial and economic crisis, this sector had performed consistently negative. Thanks to rising incomes and a constant (foreign) demand for holiday homes, it appears that the turnaround has finally been reached. However, the EECFA forecast of +8.6 % and +7.1 % for the next two years must be enjoyed with a word of caution. The government is planning to increase property taxes and eliminate tax rebates for a first home purchase. These measures, despite the planned introduction of subsidised credit rates, will have an overall negative impact on young buyers.

Leading the pack in the year under report was, once more, building construction (+7.6 %) and particularly hotel buildings. The tourism boom, recent privatisations and increased availability of financing helped grow this sector by 38 % in the reporting year. Storage and industrial buildings also registered enormous growth, while office buildings exhibit growth potential only for the future. In total, the building construction sector should continue to register solid growth in the years to come with a plus of 6.3 % in 2017 and 5.6 % in 2018.

Within Croatia's civil engineering sector (+4.9 %), the development was diversified in 2016. On the one hand, pipelines, communication networks, power grids, and water collection and treatment systems together grew by 25 %. On the other hand, bureaucratic barriers delayed the expansion of the road and, above all, the rail network, which resulted in a negative performance in transportation infrastructures (-5.0 %). If Croatia manages to eliminate these internal problems, the future performance of the civil engineering sector could even exceed the EECFA forecasts (2017: +9.5 %, 2018: +6.0 %).

The STRABAG Group generated € 78.07 million on the Croatian market in 2016.

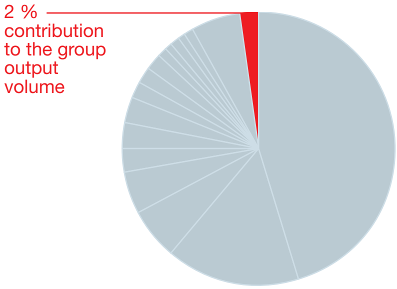
MIDDLE EAST, AMERICAS, AFRICA, ASIA



To ensure its independence from the economic conditions in individual countries as much as possible, STRABAG is active not only on its main European markets but also outside of Europe – mostly as main contractor in direct export. For many years, often even decades, the company has had a presence above all in Africa and Asia, Canada and Chile, as well as the Middle East. The focus of STRABAG's international activities is on civil engineering, industrial and infrastructure projects, and tunnelling – demanding fields in which a high level of technological expertise is needed. Milestones in the year under report include the contract awards for the Chilean copper mines Chuquicamata and El Teniente. Business activities in the markets of the Middle East, however, where the group has traditionally had a strong presence, have slowed down because of the relatively weak oil prices.

In total, the STRABAG Group generated € 824.11 million, or 6 %, of its overall group output volume outside of Europe in 2016. The activities in non-European countries – with minor exceptions – are assigned to the segment International + Special Divisions.

SLOVENIA, BULGARIA AND REST OF EUROPE



SLOVENIA

Overall construction volume:	€ 2.3 billion
GDP growth:	2016e: 2.3 % / 2017e: 2.9 %
Construction growth:	2016e: -8.4 % / 2017e: 4.9 %

BULGARIA

Overall construction volume:	€ 6.1 billion
GDP growth:	2016e: 3.2 % / 2017e: 3.0 %
Construction growth:	2016e: -18.5 % / 2017e: 7.8 %

Slovenia

With GDP growth of 2.3 %, the Slovenian economy developed as positively as expected in 2016 thanks to several factors. With the restructuring of the banking system, a sense of normality returned to loan granting in 2015 and especially in 2016. Additional contributions came from the falling unemployment figures and higher real wages. This positive trend should continue in the medium term and a plus of 2.9 % and 2.6 % is expected for the coming two years.

As expected, the Slovenian construction sector, due to the lack of available credit lines, was unable to keep up with the positive overall economic development. At -8.4 %, however, the minus was less drastic than had been feared and the return to normal financing possibilities indicates a significantly more positive future. EECFA forecasts a plus of 4.9 % already for 2017 and even foresees growth of 14 % in 2018. These welcome prospects, however, are offset by the challenge of satisfying the growing demand. As most of the large construction companies in the country went bankrupt during the crisis years, many non-industry companies and foreign players are pushing their way onto the market, which brings with it the risk of great competitive pressure.

By far the strongest growth in the period under report was registered by residential construction (+4.3 %), driven primarily by the construction of new single-family homes and the renovation of existing buildings. The positive outlook for 2017 (+7.7 %) and 2018 (+6.2 %), however, should not hide the fact that the sector is growing at disparate rates in different parts of the country. Ljubljana and the coast can expect significantly stronger growth than, for example, Maribor.

Surplus capacities, i.e. unsold and unused office and industrial space, influenced the performance of the non-residential building construction sector in 2016. The minus of 8.2 % resulted not least from the lack of new construction projects (-20.3 %). With increasing demand and private investments, the experts expect a return to positive growth of 7.1 % already in 2017.

Civil engineering exhibited a quite volatile development in the past few years. It grew by 33.2 % (2014), then fell back by 9.1 % (2015) before reaching a new low with -18.1 % in the year under report. Triggering this volatility is the question of financing. Since the expiration of EU funding, investments have been lacking because public-private partnership models to finance large infrastructure projects have not been usual in Slovenia so far. This situation should change in 2018 with the start of construction on the rail line to the Port of Koper and the expansion of the Karawanks motorway tunnel. The forecasts for this sector are accordingly promising (2017: +1.3 %, 2018: +26.3 %).

In 2016, the STRABAG Group generated an output volume of € 65.14 million in Slovenia and so positioned itself as the second-largest construction company in the country.

Bulgaria

The Bulgarian economy expanded by 3.2 % in 2016, more strongly than had been expected. Driving this development were the falling unemployment figures and rising real wages as well as the resulting higher private consumption. Given the stable budget deficit of 1 % as well as an inflation rate below 1 %, the GDP can be expected to grow by 3.0 % in 2017.

Despite the positive economic environment, the Bulgarian economy struggled with several difficulties in the year under report. This resulted in a minus of 18.5 % overall. Especially the transition from one EU programme period to the next was not very smooth and caused dramatic declines in civil engineering (-33.6 %), which, however, must be seen as only temporary. A number of large projects in the pipeline should get started in 2017, above all rail and road construction works, the expansion of the underground system in Sofia and the expansion of the gas pipeline links to the neighbouring countries. The future energy policy, however, will depend strongly on the new government to be elected this year. At any rate, EECFA expects a revival of the civil engineering sector for the next two years with growth of +8.7 % and +10.9 %.

Unlike the civil engineering sector, which depends greatly on EU subsidies, residential and non-residential building construction again registered generous growth in 2016 (+5.4 % and +5.0 %). Low mortgage rates drove residential construction, above all in the large cities of Sofia and Plovdiv, while tourism, which benefited from the uncertain situation in Turkey and Egypt, boosted the activities on the Bulgarian Black Sea coast. Thanks to state programmes to improve energy efficiency, which includes funding for renovation works, in particular on large panel system buildings, the experts' predictions for growth of 11.6 % (2017) and 14.3 % (2018) in the residential construction sector appear realistic.

In building construction, the segments of office, industrial and logistics buildings developed more dynamically in 2016 than had been expected and so were able to offset the stagnation among retail buildings. In the medium term, EECFA expects further, although modest, growth rates of +4.6 % (2017) and +2.9 % (2018).

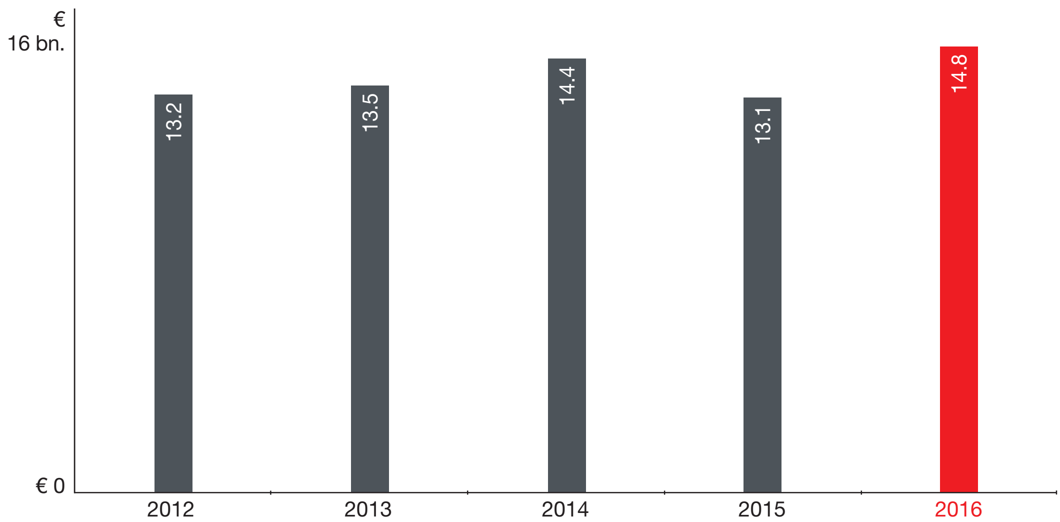
The STRABAG Group generated € 26.90 million on the Bulgarian market in 2016.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2016

€ mln.	Total 2016	North + West	South + East	International + Special Divisions	Other	Total 2015	Δ total %	Δ total absolute
Germany	6,493	5,175	82	1,230	6	4,876	33	1,617
Austria	1,856	30	1,250	575	1	1,733	7	123
Italy	963	0	1	962	0	1,011	-5	-48
Poland	873	853	0	20	0	849	3	24
Americas	689	3	0	686	0	457	51	232
Slovakia	515	0	498	17	0	355	45	160
Benelux	412	389	14	9	0	347	19	65
Middle East	403	4	1	398	0	501	-20	-98
Sweden	376	359	0	17	0	278	35	98
Czech Republic	287	0	272	14	1	323	-11	-36
Romania	271	5	257	9	0	393	-31	-122
Hungary	268	9	245	14	0	137	96	131
Rest of Europe	252	11	158	83	0	264	-5	-12
Switzerland	247	14	225	8	0	307	-20	-60
Russia	241	18	197	26	0	390	-38	-149
Asia	171	0	3	168	0	267	-36	-96
Denmark	160	149	0	11	0	322	-50	-162
Croatia	106	0	104	2	0	55	93	51
Serbia	83	0	81	2	0	94	-12	-11
Africa	55	11	0	44	0	92	-40	-37
Slovenia	51	0	51	0	0	57	-11	-6
Bulgaria	44	0	44	0	0	27	63	17
Total	**14,816**	**7,030**	**3,483**	**4,295**	**8**	**13,135**	**13**	**1,681**

DEVELOPMENT OF ORDER BACKLOG



Numerous new large orders in building construction and in transportation infrastructures in Germany helped push the order backlog in the country and in the group total to a new record high of € 14.8 billion in 2016, a plus of 13 % versus the previous year. At the same time, growth in Chile, Slovakia, Hungary and Austria was balanced out by declines in Denmark, Russia and Romania.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.	Order backlog as % of total
Small orders (€ 0–1 mln.)	10,538	85	1,879	13
Medium-sized orders (€ 1–15 mln.)	1,526	12	2,837	19
Large orders (€ 15–50 mln.)	234	2	3,337	22
Very large orders (>€ 50 mln.)	99	1	6,763	46
Total	**12,397**	**100**	**14,816**	**100**

Part of risk management

The overall order backlog is comprised of 12,397 individual projects. More than 10,000 of these, or 85 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 15 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 99 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2016 added up to 19 % of the order backlog, compared to 18 % at the end of 2015.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Country	Project	Order backlog € mln.	as % of total order backlog
Italy	Pedemontana motorway	798	5.4
Chile	Chuquicamata, underground mine	419	2.8
Germany	Stuttgart 21, underground railway station	292	2.0
Austria	Koralm Tunnel, Section 2	244	1.6
Germany	Axel Springer new construction, Berlin	221	1.5
Germany	Messe City, Cologne	211	1.4
Chile	Alto Maipo power plant	162	1.1
Israel	5th Water Supply, Jerusalem	148	1.0
Germany	Adlershof office building	146	1.0
Germany	Adidas World of Sports	124	0.8
Total		**2,765**	**18.7**

Impact on changes to the scope of consolidation

In the 2016 financial year, 58 companies (thereof five because of mergers with fully consolidated companies) were included in the scope of consolidation for the first time. These companies contributed a total of € 29.17 million to group revenue and € 5.11 million to net income after minorities. As a result of first-time inclusions, current and non-current assets increased by € 380.84 million, current and non-current liabilities by € 180.40 million.

Financial performance

The consolidated **group revenue** for the 2016 financial year amounted to € 12,400.46 million. This corresponds to a minus of 6 % – the same change as with the output volume. The ratio of revenue to output remained at the previous year's level of 92 %. The segment North + West contributed 47 %, South + East 31 % and International + Special Divisions 22 % to the revenue.

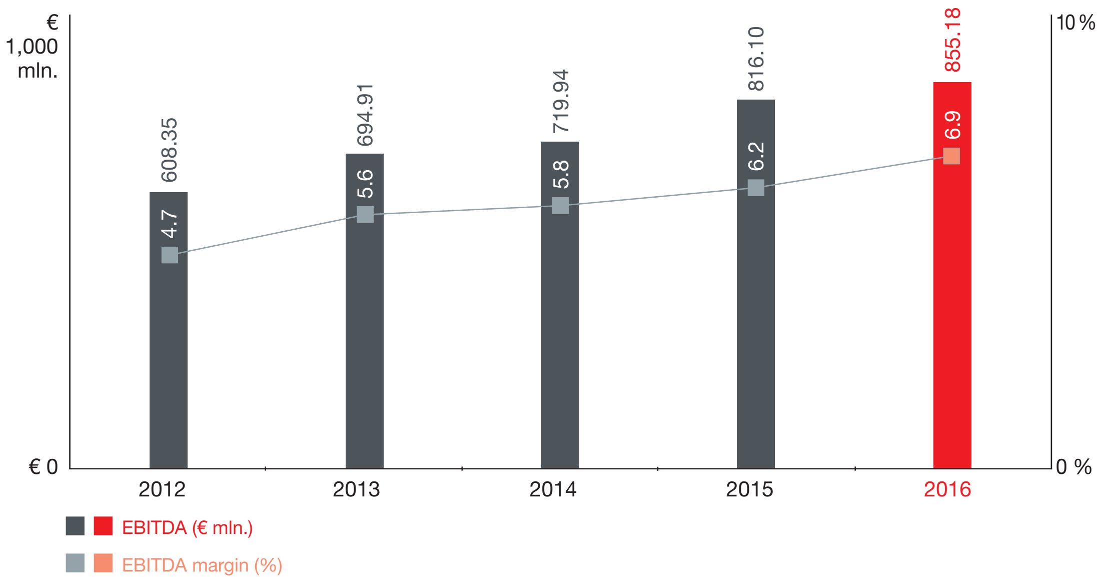
The **changes in inventories** involve mainly the real estate project development business, which was conducted as actively in 2016 as in the past. While disposals had affected the changes in inventories in 2015, the successful sales were overcompensated in 2016 by new project developments. The **own work capitalised** remained at a very low level. 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 the past few years.

EXPENSES

€ mln.	**2016**	**2015**	**Δ %**
Construction materials, consumables and services used	7,980.01	8,619.03	-7
Employee benefits expense	3,210.91	3,158.25	2
Other operating expenses	795.85	826.90	-4
Depreciation and amortisation	430.27	475.06	-9

The **share of profit or loss of equity-accounted investments**, which also includes earnings from joint ventures, grew significantly versus the year before. This item includes both non-operating income from the sale of a minority investment related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million as well as losses resulting from a low double-digit million euro impairment in the offshore wind business. The **net income from investments**, composed of the dividends and expenses of many smaller companies or financial investments, could also be increased as a result of reduced expenses arising from investments.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN



Effective tax rate: 33.0 %

In total, there was a 5 % increase of the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) to € 855.18 million, while the EBITDA margin grew from 6.2 % to 6.9 %. Adjusted for the aforementioned non-operating item, the EBITDA and the EBITDA margin would have amounted to € 827.37 million and 6.7 %, respectively. The **depreciation and amortisation** fell by 9 % to € 430.27 million, mainly because of the sale of hydraulic engineering equipment – a special depreciation allowance of € 21.7 million had been recorded in this regard the year before. The figure contains goodwill impairment in the amount of € 4.88 million, which is a clear reduction compared to the previous year's € 24.75 million.

Earnings per share: € 2.71

The **earnings before interest and taxes** (EBIT) increased significantly by 25 % to € 424.91 million, which corresponds to an EBIT margin of 3.4 % after 2.6 % in 2015. The improvement would have been possible even without the special item, in which case the EBIT and the EBIT margin would have reached € 397.10 million and 3.2 %, respectively. This is due in part to the absence of past burdens related to large projects and the earnings improvements in the home markets of Austria and Germany. The combination of the unexpectedly low revenue with aperiodic positive impacts on earnings in 2016 makes it impossible to simply extrapolate the margin values for the following year.

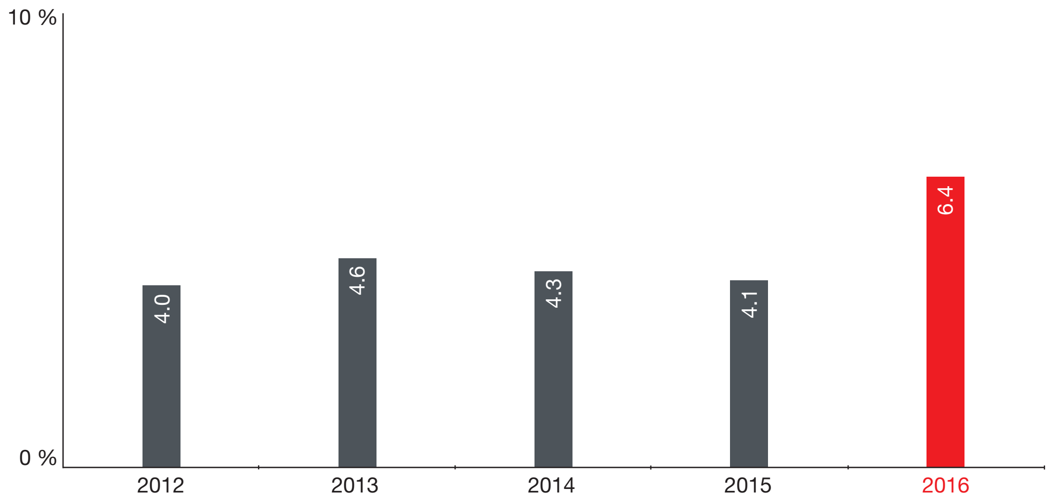
The **net interest income** was greatly reduced with € -3.78 million after € -24.42 million the year before. The positive foreign currency effects increased to € 13.01 million in 2016 (2015: € 8.43 million). Loan repayments helped to bring down the interest on borrowings.

In the end, the **earnings before taxes** showed a plus of 33 %. The income tax ratenearly returned to normal at 33.0 % after a reported rate of 42.4 % in 2015 that had resulted from the absence of tax relief for the losses in Chile, goodwill impairments and in response to back taxes due to company audits in Germany. The **net income** settled at € 282.00 million in 2016. After € 182.50 million in 2015, this corresponds to an increase of 55 %.

The STRABAG Group in 2016 acquired the remaining minority interest in Ed. Züblin AG. The earnings owed to minority shareholders thus amounted to only € 4.34 million, compared to € 26.21 million the year before. Consideration must be given to the fact that the minority shareholders of Ed. Züblin AG still helped carry the winter losses from the first quarter of 2016. The **net income after minorities** for 2016 came to € 277.65 million, a plus of 78 % versus the previous year. The **earnings per share** also increased by 78 % to € 2.71.

The **return on capital employed** (ROCE)[1] increased from 4.1 % to 6.4 %. This is its highest level in nine years.

DEVELOPMENT OF ROCE



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

Financial position and cash flows

BALANCE SHEET

€ mln.	2016	% of balance sheet total[1]	2015	% of balance sheet total
Non-current assets	4,129.93	40	4,205.41	39
Current assets	6,248.48	60	6,523.46	61
Equity	3,264.59	31	3,320.64	31
Non-current liabilities	2,420.40	23	2,440.88	23
Current liabilities	4,693.42	45	4,967.35	46
Total	**10,378.41**	**100**	**10,728.87**	**100**

The **balance sheet total** of STRABAG SE fell back from € 10.7 billion to € 10.4 billion. This was in large part due to the decrease in cash and cash equivalents from € 2.7 billion to € 2.0 billion as well as the increase of inventories resulting from the inclusion of projects form the acquisition of Raiffeisen evolution project development GmbH (now STRABAG Real Estate GmbH, Vienna). Conspicuous on the liabilities side is the stable **equity ratio** of 31.5 % (2015: 31.0 %), the reduced financial liabilities and the significantly lower non-controlling interests following the acquisition of all minority interests in Ed. Züblin AG.

KEY BALANCE SHEET FIGURES

	2012	2013	2014	2015	2016
Equity ratio (%)	31.2	30.7	30.6	31.0	31.5
Net debt (€ mln.)	154.55	-73.73	-249.11	-1.094.48	-449.06
Gearing ratio (%)	4.9	-2.3	-7.9	-33.0	-13.8
Capital employed (€ mln.)	5,322.35	5,462.11	5,357.82	5,448.01	5,258.17

Net cash position: € 449.06 million

As usual, a **net cash position** was reported on 31 December 2016. This figure fell from € 1,094.48 million to € 449.06 million, as an unusually high level of cash and cash equivalents had been registered in 2015 and several noteworthy enterprise investments and one real estate investment were financed with existing liquidity in 2016.

CALCULATION OF NET DEBT[2]

€ mln.	2012	2013	2014	2015	2016
Financial liabilities	1,649.98	1,722.70	1,609.92	1,579.75	1,426.08
Severance provisions	79.91	78.40	97.66	96.13	110.02
Pension provisions	429.92	422.24	505.94	451.50	457.48
Non-recourse debt	-630.31	-585.11	-538.61	-489.53	-439.38
Cash and cash equivalents	-1,374.96	-1,711.97	-1,924.02	-2,732.33	-2,003.26
Total	**154.55**	**-73.73**	**-249.11**	**-1,094.48**	**-449.06**

Despite a 5 % higher cash flow from earnings of € 690.37 million, the **cash flow from operating activities** fell by 79 % to € 264.17 million. The strong working capital reduction of the previous years, influenced among other things by the uncharacteristically high project-related advance payments, was now reversed by around one half as expected. The **cash flow from investing activities**, as a consequence of higher investments in property, plant and equipment, through the acquisition of the Tech Gate Vienna property near the STRABAG headquarters in Vienna, and because of the acquisition of Raiffeisen evolution group (now STRABAG Real Estate GmbH, Vienna) sank by 36 % on the year to € -434.43 million. The **cash flow from financing activities** amounted to € -564.18 million after € -117.55 million in 2015. This development was driven especially by the acquisition of the remaining shares of Ed. Züblin AG and by the refinancing in the real estate project development business. Additionally, a bond issue last year had contributed positively to the cash flow.

1) Rounding differences are possible.
2) The non-recourse liabilities that were considered are related to a single PPP project. 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.

REPORT ON OWN SHARES

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016. As at 31 December 2016, STRABAG SE holds 7,400,000 bearer shares equalling 6.7 % of the share capital. Their 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. The average purchase price per share was € 20.79.

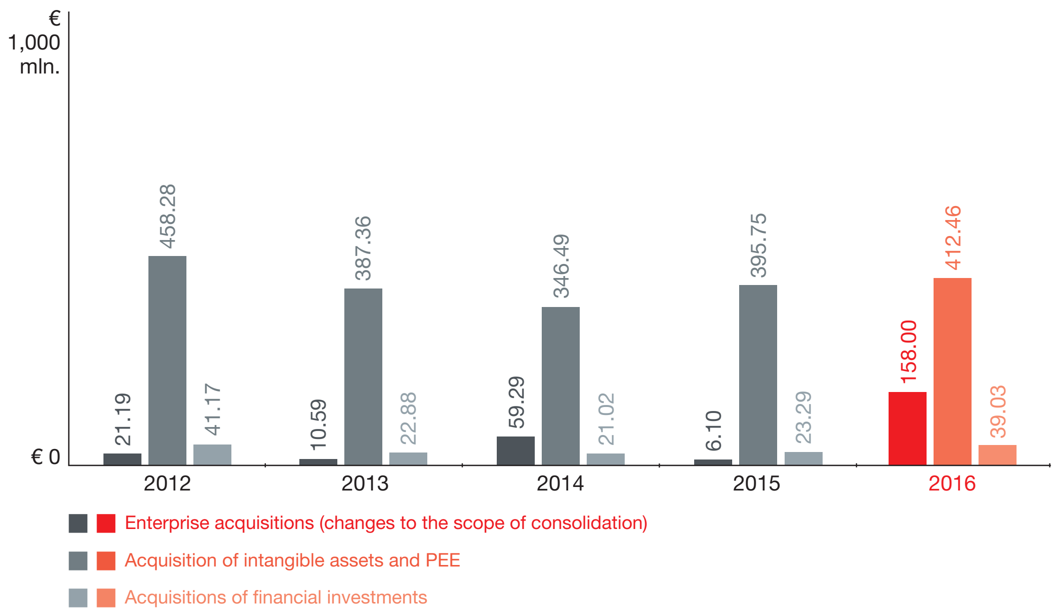
Capital expenditures

STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 400 million for the 2016 financial year. In the end, they totalled € 434.43 million for a level that was again at that of 2014. This figure had been unusually low in 2015 due to the lack of any significant acquisitions.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 609.49 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 412.46 million, the **purchase of financial assets** in the amount of € 39.03 million, and **enterprise acquisitions** (changes to the scope of consolidation) of € 158.00 million. About € 250 million is spent annually as maintenance expenditures related to the equipment and vehicle fleet in order to prevent inventory obsolescence. In addition to these necessary maintenance expenditures, of which the largest proportion in 2016 was spent in Germany, Austria and the Czech Republic, STRABAG also invested especially in construction materials.

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 € 430.27 million. This figure also includes goodwill impairment in the amount of € 4.88 million.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2012	2013	2014	2015	2016
Interest and other income (€ mln.)	73.15	66.72	82.17	82.07	73.90
Interest and other expense (€ mln.)	-123.87	-98.26	-108.37	-106.49	-77.68
EBIT/net interest income (x)	-4.1	-8.3	-10.8	-14.0	-112.4
Net debt/EBITDA (x)	0.3	-0.1	-0.3	-1.3	-0.5

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.

Total credit line for cash and surety loans of € 7.5 billion

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 2016, STRABAG SE had four bonds with a total volume of € 675 million on the market.

In order to diversify the financing structure, STRABAG SE had placed its first **bonded loan** in the amount of € 140 million in the 2012 financial year. The variable interest portions of the bonded loan were 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.

The existing liquidity of € 2.0 billion assures the coverage of the group's liquidity needs. Nevertheless, further bond issues or a refinancing of existing financing instruments are planned, depending on the market situation, in order to maintain a high level of liquidity reserves in the future and to take advantage of favourable market conditions.

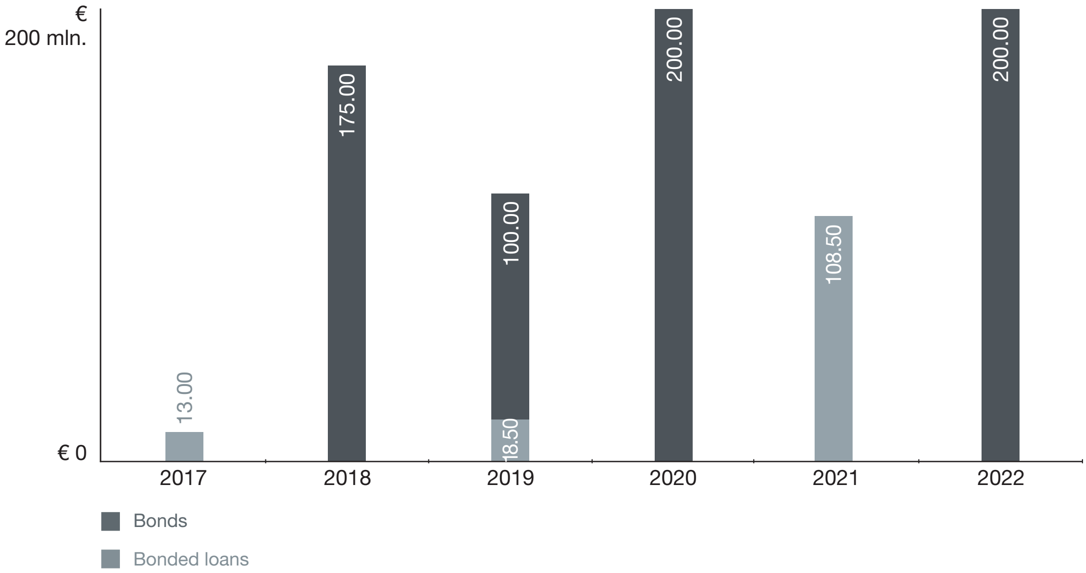
STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.5 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until at least 2022. In January 2016, both facilities were refinanced before the end of their term, i.e. their conditions and terms to maturity were changed. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit line, 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) had raised STRABAG SE's **investment grade rating** by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was confirmed in July 2016. 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 and in the strong market positions.

PAYMENT OBLIGATIONS

€ mln.	**Book value 31 December 2016**
Bonds	675.00
Bank borrowings	745.77
Liabilities from finance leases	5.30
Total	**1,426.07**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



MANAGEMENT REPORT

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

FINANCIAL PERFORMANCE

The revenue for the 2016 financial year amounted to € 61.90 million, a decline of € 3.71 million below the previous year's level (€ 65.61 million). This development is due to a decrease in the intra-group allocations.

	2016	2015
Revenue (T€) (sales)	61,900	65,607
Earnings before interest and taxes (T€) (EBIT)	384,546	295,844
Return on sales (%) (ROS)[1]	>100.0	>100.0
Return on equity (%) (ROE)[2]	14.2	11.9
Return on investment (%) (ROI)[3]	10.4	8.8

The earnings before interest and taxes (EBIT) grew significantly by € 88.71 million versus the previous year from € 295.84 million to € 384.55 million. This figure was influenced by a significantly higher net income from investments.

The operating earnings were impacted negatively by bad debt allowances on receivables from subsidiaries and by the year-on-year higher legal and consulting expenses. Additionally, the lower income from option extensions and the decrease in intra-group allocations had a negative impact on earnings.

The considerable growth of the financial earnings by € 118.08 million from € 268.54 million to € 386.62 million is due to the significantly lower expenses for financial assets and the year-on-year higher investment income. The positive development of the financial earnings was also supported by the increased income from the disposal of financial assets. This figure again includes a noteworthy disposal profit from an intra-group transfer.

The interest income reached a positive total of € 15.7 million (2015: € 3.26 million). This development is due to reduced external financing costs and higher interest income from subsidiaries.

Overall, the company generated a net profit of € 412.21 million for the 2016 financial year (2015: € 298.00 million).

The improved earnings also had a positive impact on the profitability figures.

FINANCIAL POSITION AND CASH FLOWS

The balance sheet total of STRABAG SE grew to € 3.9 billion in the 2016 financial year (2015: € 3.5 billion), with substantial changes among only a few balance sheet items.

The development of the financial assets was influenced by additions as well as disposals of investments in subsidiaries. The additions resulted mainly from shareholder contributions to subsidiaries, the decrease primarily involved investment sales. Furthermore, long-term loans were down as a result of principal payments. In total, the financial assets increased by € 478.62 million versus the previous year.

The decline of receivables from subsidiaries concerns receivables from cash clearing, which were reduced as a result of investments in financial assets.

The reduction in other provisions is due to the lower investment risk provisions.

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

	2016	2015
Net debt (T€)[1]	101,104	-54,808
Working capital (T€)[2]	46,139	33,142
Equity ratio (%)	77.3	74.5
Gearing ratio (%)[3]	3.4	n. a.

The net debt of € 101.10 million on 31 December 2016 resulted from the reduction of cash and cash equivalents from shareholder contributions to subsidiaries.

The working capital increased by € 13.00 million in the 2016 financial year from € 33.14 million in 2015 to € 46.14 million. This resulted from the reduction of the current non-interest-bearing debt.

The equity ratio of 77.3 % grew from 74.5 % in the previous year as a result of a significant equity increase and remains at a very high level.

T€	2016	2015
Cash flow from operating activities	82,390	103,133
Cash flow from investing activities	-171,607	369,843
Cash flow from financing activities	-66,690	48,700

The cash flow from operating activities of € 82.39 million is mostly due to the cash flow from earnings, although the growth of the working capital had a negative effect.

The cash flow from investing activities saw an inflow of cash totalling € 757.28 million in the year under report, thereof € 745.97 million from disposals of financial assets. This figure is offset by the application of funds for additions to financial assets in the amount of € 928.89 million. In total, the cash flow from investing activities therefore amounted to € -171.61 million.

The payment of dividends for the 2015 financial year led to an outflow of € 66.69 million in the cash flow from financing activities in 2016.

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 operative 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:
Peter Krammer
Germany, Poland, Benelux, Scandinavia, Ground Engineering

SOUTH + EAST
M. B. responsibility: Siegfried Wanker
Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering
M. B. responsibility: Thomas Birtel
Russia

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility: 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 or ground engineering. 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.

SEGMENT NORTH + WEST PROFITS FROM GERMANY

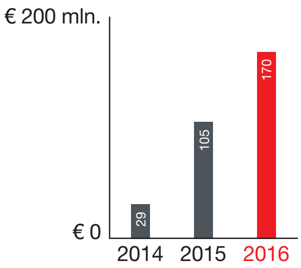
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	6,174.91	6,368.40	-3	-193.49
Revenue	5,802.44	5,895.10	-2	-92.66
Order backlog	7,030.41	5,397.45	30	1,632.96
EBIT	169.89	105.17	62	64.72
EBIT margin (% of revenue)	2.9	1.8		
Employees	22,233	22,421	-1	-188

OUTPUT VOLUME NORTH + WEST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	4,654	4,665	0	-11
Poland	711	852	-17	-141
Benelux	240	227	6	13
Denmark	224	213	5	11
Sweden	160	210	-24	-50
Switzerland	36	29	24	7
Rest of Europe	28	49	-43	-21
Austria	27	19	42	8
Africa	26	11	136	15
Russia	19	39	-51	-20
Middle East	18	17	6	1
Hungary	15	1	n. a.	14
Americas	8	28	-71	-20
Romania	6	8	-25	-2
Asia	2	0	n. a.	2
Italy	1	0	n. a.	1
Total	**6,175**	**6,368**	**-3**	**-193**

EBIT

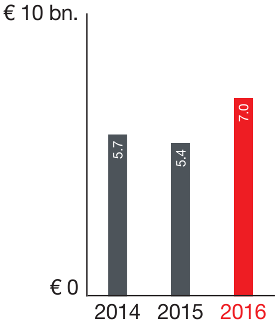


EBIT significantly better after being burdened the previous year

The output volume of the North + West segment reached € 6,174.91 million in the 2016 financial year, a minus of 3 % year-on-year. The figure remained nearly unchanged in the largest market, i.e. Germany, but fell significantly in Poland, the second-largest market in this segment. The negative development is due to the less favourable weather in the first three months of the year under report but can also be explained by the relatively high output volume in 2015.

The revenue was also down slightly, decreasing by 2 % to € 5,802.44 million. The earnings before interest and taxes (EBIT) grew by 62 % to € 169.89 million as a result of improvements in Germany and the absence of past burdens related to a large project in the Netherlands. The EBIT margin thus approached the group's target, reaching 2.9 % after 1.8 % in the year before.

ORDER BACKLOG



Order backlog driven by Germany

The order backlog increased considerably by 30 % to € 7,030.41 million. New orders were registered in Sweden, in Benelux and – thanks to several transportation infrastructures projects – in Poland, but the strong increase in the overall volume of orders came almost exclusively from Germany (+43 %). The most important new projects acquired in the German building construction and civil engineering sector in 2016 include the new Axel Springer building in Berlin, the trivago headquarters in Dusseldorf, the Möckernkiez residential project in Berlin-Kreuzberg, the Offshore Terminal Bremerhaven and the shopping centre East Side Mall in Berlin. At the same time, a number of completed commercial buildings in several German cities were handed over to the clients. New orders were also registered in the German transportation infrastructures business, including the contract for track construction and civil engineering structures along the Berlin–Dresden line for Deutsche Bahn.

Little change in employee numbers

The number of employees in the segment stood at 22,233 in 2016, more or less unchanged (-1 %) versus the previous year. In Poland, additional staff were recruited in response to the positive order backlog. In contrast, employee levels fell back in the Scandinavian countries.

Outlook: German infrastructure investments picking up speed

Given the record order backlog, a higher output volume is expected in the segment North + West for 2017. The **German building construction** and **civil engineering business** should continue to contribute positively to both output volume and earnings. The dynamic situation of the market makes it necessary to focus on effective staff loyalty and recruiting measures. In **transportation infrastructures**, STRABAG also expects an overall positive outlook for the coming years. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. Investments totalling around € 265 billion are planned for more efficient transport networks until 2030. At first the number of projects up for tender increased only slowly in 2016 as the public sector had enormously reduced its procurement and planning capacities in the past few years. With the start of the second half of the year, however, the tendering activity began to pick up speed.

The **railway construction** sector in Germany remains characterised by high risks and the monopoly positions among the clientele. The **construction materials business** in the country is developing similarly to the transportation infrastructures business, as evidenced by the stable to slightly rising production figures.

The **Polish construction sector** has been undergoing a significant recovery since the year 2014. For 2016, the volume of public-sector tenders was expected to be about comparable to the previous year's level. But tenders for these projects got underway only slowly and finally came to a complete standstill in the third quarter. Thanks to the good order backlog, however, the output volume for 2017 has already been secured through existing contracts. Meanwhile, the company is becoming more active in the area of public-sector tenders in the Polish building construction and civil engineering sector.

The upwards trend in the construction sector in **Scandinavia** is continuing. The main factor driving this development is the high number of infrastructure projects and residential units especially in Denmark.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Germany	Stuttgart 21, underground railway station	292	2.0
Germany	Axel Springer new construction Berlin	221	1.5
Sweden	Expansion of Södertälje Canal	119	0.8
Poland	A1 Zawodzie–Woźniki	87	0.6
Poland	A1 Tuszyn–Pyrzowice	85	0.6

SEGMENT SOUTH + EAST: STABLE AT A HIGH LEVEL

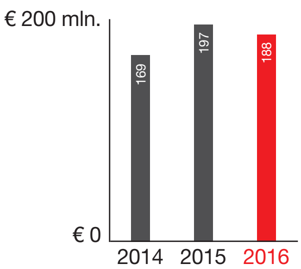
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	4,000.98	4,535.13	-12	-534.15
Revenue	3,888.52	4,412.35	-12	-523.83
Order backlog	3,482.61	3,477.45	0	5.16
EBIT	188.00	197.05	-5	-9.05
EBIT margin (% of revenue)	4.8	4.5		
Employees	17,758	18,043	-2	-285

OUTPUT VOLUME SOUTH + EAST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Austria	1,657	1,600	4	57
Czech Republic	521	644	-19	-123
Slovakia	420	666	-37	-246
Hungary	321	466	-31	-145
Switzerland	303	279	9	24
Romania	221	203	9	18
Germany	127	129	-2	-2
Rest of Europe	92	101	-9	-9
Serbia	85	43	98	42
Russia	83	174	-52	-91
Croatia	67	55	22	12
Slovenia	50	89	-44	-39
Bulgaria	23	32	-28	-9
Poland	8	18	-56	-10
Italy	5	7	-29	-2
Asia	5	3	67	2
Africa	4	11	-64	-7
Sweden	4	0	n. a.	4
Benelux	2	1	100	1
Middle East	1	13	-92	-12
Americas	1	1	0	0
Denmark	1	0	n. a.	1
Total	**4,001**	**4,535**	**-12**	**-534**

EBIT

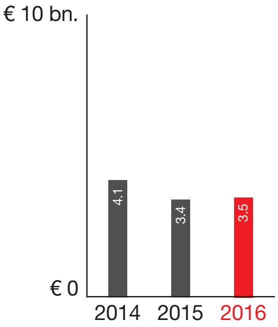


Segment continues to contribute positively to earnings

The output volume in the segment South + East fell by 12 % to € 4,000.98 million in 2016. Most of this decline is accounted for by Slovakia – where significant growth had been observed the year before – as well as Hungary and the Czech Republic. The output volume in Russia, which had already been at a low level, also declined once more.

The segment also registered a 12 % decline of the revenue to € 3,888.52 million. The earnings before interest and taxes (EBIT) fell less strongly, slipping by 5 % to € 188.00 million. This figure had been at a relatively high level in the previous year due to aperiodic income from an agreement related to large construction projects following completion.

ORDER BACKLOG



Order backlog unchanged

The order backlog remained at the previous year's level with a volume of € 3,482.61 million. Growth in countries like Slovakia and Hungary was offset by declines in Romania and Russia. The new orders in 2016 reflected the group's broad range of services, with projects ranging from a hydropower plant in Bosnia-Herzegovina and an IKEA store in Serbia to a building for Siemens built using BIM.5D® to football stadiums in Hungary and Slovakia to numerous road and rail projects in the Czech Republic, Hungary, Austria and Slovakia.

Market situation in Russia contributes to lower employee levels

The number of employees fell slightly by 2 % to 17,758. The market situation in Russia led to staff reductions there, while the situation in the other countries of Central and Eastern Europe was quite varied.

Outlook: Output growth expected

STRABAG expects to be able to increase the **output volume** in this segment in 2017. **Austria**, the largest market in the segment, can be described as stable. The increase of the order backlog (+4 %) is due especially to building construction in Vienna. The increased stake in Vienna-based Raiffeisen evolution project development GmbH, a project development company specialising in residential construction, from 20 % to 100 % should further strengthen STRABAG's market position. Despite the great need for renovation work on lower tier roads, an improvement of the market for transportation infrastructures is still not in sight due to the lack of public investments in this area.

Hungary had reported an unusually high output volume in transportation infrastructures during the previous year. Following declines in the double-digit percentage range in the intervening period, STRABAG is now confident of again growing the output volume in Hungary in the coming year.

Large infrastructure projects with EU co-financing are currently still up for tender in **Slovakia**, e.g. highways or projects in the field of waste water and for the automotive industry. The relatively high volume of tenders, however, is leading to higher prices for subcontractor services. There also is a shortage of skilled labour. At the same time, construction sector competitors are estimating their bidding prices near the limit of profitability. This is also true in the **Czech Republic**. In contrast to Slovakia, however, projects here mostly involve private clients in building construction and civil engineering.

The **Swiss** construction market remains hotly contested, especially in the building construction business. The price level is very low.

Despite isolated growth opportunities, **South East Europe** has been affected by a lower level of tendering activity and, as a result, by more aggressive competition. In Romania, for example, STRABAG is looking to expand its nationwide business in transportation infrastructures, especially due to the slow pace of contract awards for the relatively high volume of tenders for large-scale projects.

In **Russia**, STRABAG should have reached the trough on the output curve. The low domestic demand continues to affect the country's construction sector, but a revival of the economy is hoped for in the medium term – thanks in part to investments by western industrial companies.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Slovakia	Industrial park	89	0.6
Switzerland	New construction of office and production buildings for Siemens	84	0.6
Russia	Domodedovo Airport	67	0.4
Romania	Road maintenance DN67B Scoarța–Pitești	57	0.4
Austria	Graz Eckertstraße	48	0.3

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

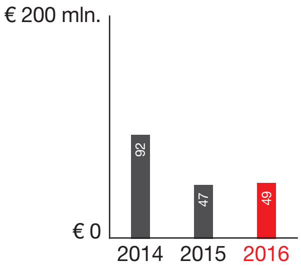
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where the services are rendered, the construction materials business, including the company's dense network of construction materials operations 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.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	3,154.89	3,250.11	-3	-95.22
Revenue	2,681.02	2,790.88	-4	-109.86
Order backlog	4,294.97	4,253.23	1	41.74
EBIT	48.87	46.79	4	2.08
EBIT margin (% of revenue)	1.8	1.7		
Employees	26,027	27,077	-4	-1,050

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	1,411	1,410	0	1
Austria	380	352	8	28
Americas	339	280	21	59
Middle East	248	284	-13	-36
Asia	124	89	39	35
Hungary	111	118	-6	-7
Czech Republic	103	113	-9	-10
Italy	75	181	-59	-106
Benelux	66	73	-10	-7
Poland	49	63	-22	-14
Africa	47	93	-49	-46
Slovakia	39	49	-20	-10
Russia	31	8	288	23
Rest of Europe	30	18	67	12
Romania	26	29	-10	-3
Switzerland	23	31	-26	-8
Slovenia	15	9	67	6
Sweden	14	29	-52	-15
Croatia	10	12	-17	-2
Denmark	8	5	60	3
Serbia	3	2	50	1
Bulgaria	3	2	50	1
Total	**3,155**	**3,250**	**-3**	**-95**

EBIT

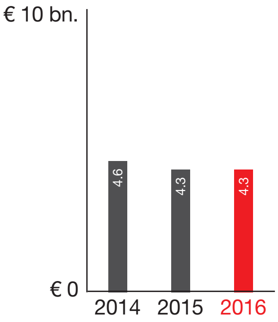


Minor changes in revenue and EBIT

The output volume of the segment International + Special Divisions fell by 3 % to € 3,154.89 million in 2016. The decline was especially strong in Italy, while the other markets registered considerably smaller upward or downward changes.

While the revenue fell by 4 % to € 2,681.02 million, the earnings before interest and taxes (EBIT) grew by 4 % to € 48.87 million. This is the result of a number of contrary effects related to various large projects as well as the aforementioned impairment in the offshore wind business.

ORDER BACKLOG



Order backlog solid thanks to mine project in Chile

The order backlog of € 4,294.97 million (+1 %) remained solid mainly due to the acquisition of a tunnelling project for a copper mine in Chile worth about € 400 million. Growth was observed e.g. in Austria and Germany, declines in Italy and Poland.

Noteworthy staff declines in the Middle East and in Africa

In terms of employee numbers, a noteworthy project-dependent decline was observed in 2016 in the human-resource-intensive regions of the Middle East and Africa. The total number of employees changed by -4 % to 26,027.

Outlook: Slight increase of output volume expected

It should be possible to generate a slightly higher output volume in the segment in the 2017 financial year. A positive contribution to the earnings – albeit not to the same extent as in the past – is expected to come from the **property and facility services business**. Despite expectations of a considerable revenue reduction from the largest client, new clients such as Vodafone, Huawei and Telefónica joined the customer base in late 2015 and during the first quarter of 2016.

Clearly satisfactory business in 2016 was registered in **real estate development**, for which STRABAG continues to maintain a positive outlook given the existing project pipeline and despite the higher property prices. In the project development business, the company is active not only in Germany, but also in Austria, in Poland and in Romania. Properties are constantly being purchased, developed and sold to the investors – in part even before construction is completed. Demand is present for traditional asset classes such as commercial buildings but also for alternatives such as logistics buildings, nursing homes or student housing – also in good locations outside of the important cities. Moreover, STRABAG should be in a position to expand its strong market position in residential project development in Austria following the increase of its stake in Raiffeisen evolution – now STRABAG Real Estate GmbH, Vienna – from 20 % to 100 % in 2016.

The **tunnelling** business in the core markets like Switzerland remains hotly contested with a price level that is at times difficult to comprehend. For this reason, STRABAG is focusing increasingly on bids in Northern Europe and in non-European markets – although price pressure can be observed here as well. The situation is similar for the **concession business**, i.e. public-private partnerships. As the market in Western Europe, with the exception of Germany and the Netherlands, remains thin, and the political environment and competition are proving to be very challenging in Eastern Europe, the UK and selected markets outside of Europe, e.g. in the Americas, are being kept under observation – even if this involves significant costs in bid processing. Besides all of these limiting factors, there is good news to be reported from this business field: In June 2016, it was possible to refinance the PPP models N17/N18 in Ireland and A8 in Germany at optimised conditions.

Owing to the oil price, infrastructure projects have been scarce and competition has increased considerably in the core markets of the Middle East and parts of Africa. As a result, STRABAG is also internationalising its **specialty fields** – this business is registering largely positive development: Pipe jacking is expected to benefit from the growing demand for urban infrastructure especially in the metropolitan areas of South-East Asia. In Singapore, for example, STRABAG has been working on the expansion of the sewer network using this technique. The field of test track construction, thanks to a good market position, also permits the company to issue a positive outlook.

The **construction materials business** exhibits differing trends from country to country. In Hungary, opportunities are in sight with relation to a number of large tenders that are currently in the pipeline. In Austria and the Czech Republic, on the other hand, the market environment is difficult.

With the beginning of 2016, the group merged its services in the field of **intelligent infrastructure solutions** in the subsidiary STRABAG Infrastructure & Safety Solutions GmbH. The order backlog can be described as extremely satisfactory and the entity is working to capacity.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
Chile	Chuquicamata, underground mine	419	2.8
Chile	Alto Maipo hydropower complex	162	1.1
Austria	Brenner Base Tunnel, Tulfes–Pfons	102	0.7
India	Rohtang Pass Highway Tunnel Section 1	80	0.5
Germany	“Upper West” real estate project development, Berlin	75	0.5

SEGMENT OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

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

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	160.25	136.12	18	24.13
Revenue	28.48	25.15	13	3.33
Order backlog	7.80	6.45	21	1.35
EBIT	0.47	0.22	114	0.25
EBIT margin (% of revenue)	1.7	0.9		
Employees	5,821	5,774	1	47

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 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 risks
- Operating and technical risks
- Financial risks
- Human resources risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to occupational 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 financially oriented 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 27 Financial Instruments.

Business Compliance

COUNTERING ETHICAL RISKS WITH ETHICS AND BUSINESS COMPLIANCE SYSTEM

As corruption is a risk in the construction industry, STRABAG has a number of proven instruments to fight corruption in place 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 ombudsman. Details are available at www.strabag.com > Strategy > Strategic Approach > Business Compliance and in the Corporate Governance Report.

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 working conditions and raise employee satisfaction further contribute to the company’s attractiveness and prestige.

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 multi-step 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 BPM steering committee.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

STRABAG can exert influence on the management of associated companies through its shareholder position and, at best, any existing advisory functions. The shares in asphalt and concrete mixing companies usually involve **sector-typical minority holdings**. 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). Their 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 RISKS: 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 consequence 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 based on **OHSAS 18001** and/or **SCC** or equivalent, 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.

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** and/or **EMAS**, maintain this system and – wherever possible – minimise the use of natural resources, avoid waste and promote recycling.

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 have emergency scenarios audited in the IT division.

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY

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. It 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. 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

Internal Audit report in the consolidated corporate governance report

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

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

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

Human resources

In the 2016 financial year, the STRABAG Group employed an average of 71,839 employees (2015: 73,315), of which 43,839 were blue-collar and 28,458 were white-collar workers. The number of employees therefore fell slightly by 2 %. The declines were registered mainly among blue-collar staff in human-resource-intensive regions outside of Europe, though staff levels also decreased noticeably in Russia.

The STRABAG Group places great importance on training and promoting young people, a stance that is reflected in the high number of apprentices and trainees. In 2016, 1,217 blue-collar apprentices (2015: 1,195) and 272 white-collar apprentices (2015: 277) were in training with the group. Additionally, the company employed 73 technical trainees (2015: 84) and 16 commercial trainees (2015: 13).

In the 2016 financial year, the company was able to partially achieve its goal of annually raising the percentage of women in the group. Women accounted for 14.9 % of employees within the entire group, versus 13.9 % in the previous year, but for 8.4 % within group management (2015: 8.7 %).

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing and highly interconnected 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 convergence between different sectors – driven by increasing societal demands, the fast pace of technological progress, and client requests – 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.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have 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 organised as a central division with more than **921 highly qualified employees at 24 locations**. 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 and renewable energy. 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 quality management and materials-related research and development. 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. Additional research in 2016 focused on the development of an intelligent communication system for mobile machinery in the extractive industries, raw materials recycling and raw materials transport. TPA has **824 employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON AG – 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. The past year was characterised by the successful start of the nationwide tolling system in Belgium, for which EFKON AG delivered the entire toll enforcement system. The research focus in 2016 was on algorithms and methods of vehicle classification on the basis of three-dimensional reconstruction. In this regard, the research project 3D Maut ("3D Toll") was launched together with the Austrian Research Promotion Agency (FFG). The technology company headquartered in Raaba near Graz, Austria, is seeing a high amount of international demand and has repeatedly been able to achieve an export ratio of over 90 % in recent years.

The versatility of the STRABAG Group is reflected in the many different areas of expertise it has to offer and the variety of demands it has to face. The group's **knowledge management** therefore makes use of suitable methods and tools to encourage and support the exchange of experience and information among employees. This facilitates the cooperation among the different divisions, which is an important factor leading to new developments. A special focus in 2016 was on the digitalisation of the construction sites in transportation infrastructures as part of the project "The Integrated Construction Site".

In addition to specific research projects at the group's units and subsidiaries, a large part of the **research and development activities** takes place **during ongoing construction projects** – especially involving tunnelling, construction engineering and ground engineering. During work in these areas, new challenges or specific questions often arise which require new technological processes or innovative solutions to be developed on-site.

The STRABAG Group spent about € 11 million (2015: about € 12 million) on research, development and innovation activities during the 2016 financial year.

Environment

Ecological responsibility is one of the six strategic fields of action within the STRABAG Group. The constant aim is to minimise the negative impact on the environment that results from the business activity. The most effective contribution can be made by lowering the **energy and material use** and reducing the demand for fossil fuels. **Energy management** at STRABAG is an instrument with which it is possible to determine and steer the energy consumption. In the 2016 financial year, the energy costs for the companies within STRABAG SE's scope of consolidation were reduced to € 235.09 million (2015: € 262.77 million). This decline resulted from various external influences. The carbon footprint for the 2016 financial year refers to the group's full scope of consolidation and includes the emissions caused in 67 countries. Within the group, a total of 1,056,598 t of CO_2 were emitted in the year under report. This represents a clear decline of 4 % or 41,383 t of CO_2 in a year-on-year comparison.

ENERGY USE WITHIN THE GROUP

Form of energy	Unit	2012	2013	2014	2015	2016
Electricity	MWh	486,033	497,943	433,164	443,009	451,073
Fuel	thousands of litres	245,660	252,718	230,926	222,261	206,308
Gas	heating value in MWh	565,048	585,857	505,371	531,201	453,395
Heating oil	thousands of litres	17,790	16,053	14,388	17,661	15,383
Pulverised lignite	tonnes	79,107	69,602	75,247	72,174	75,468

Austria, one of our core countries, passed the **Energy Efficiency Act** (EEffG) as a way of bringing into force the EU Energy Efficiency Directive. This was one of the reasons why work began in July 2014 on the introduction of an ISO 50001-certified energy management system in Austria that was successfully rolled out in 2015. All companies in Austria that are at least 50 % owned by STRABAG SE are now in possession of valid certification. Furthermore, energy efficiency measures are being implemented to lower the energy use by 0.6 % on the basis of the total annual energy use of these companies. In Germany, our largest market, the **Energy Services Act** (EDL-G) was amended in 2015. In 2016, we succeeded in introducing an ISO 50001-certified energy management system in Germany. Other European countries have already implemented the **EU Energy Efficiency Directive** into national law and are calling for the total or partial introduction of an energy management system. A comprehensive system was established in Hungary, Serbia, Croatia and Slovenia. In Denmark, external energy audits are performed to comply with the requirement. The necessary measures in Poland, Slovakia and Sweden are centrally coordinated and arranged in the individual countries.

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 pursuant to Section 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 on 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., Raiffeisen Versicherung AG) 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 preemptive rights as well as a minimum shareholding on the part of the syndicate partners.

In accordance with Section 65 Paragraph 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 2016 as these shares are held by STRABAG SE as own shares as defined in Section 65 Paragraph 1 No 8 of the Austrian Stock Corporation Act (AktG).

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 2016:

- Haselsteiner Group .... 26.4 %
- Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H. (Raiffeisen Group) .... 13.2 %
- UNIQA Versicherungen AG (UNIQA Group)............................... 14.3 %
- Rasperia Trading Limited .... 25.9 %

The company itself held 7,400,000 no-par shares on 31 December 2016, 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. 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 12th Annual General Meeting held on 10 June 2016 authorised the Management Board of the company to buy back own shares in accordance with Section 65 Paragraph 1 No. 8 of the Austrian Stock Corporation Act (AktG) to the extent of up to 10 % of the share capital of the company during a period of 13 months from the day of the resolution, i.e. until 10 July 2017. The Management Board of STRABAG SE was thus authorised, under consideration of the already held 7,400,000 own shares, to acquire an additional 3,600,000 own shares. According to the authorisation by the Annual General Meeting of the company, the acquisition may be made on the stock market or over the counter. The Supervisory Board of the company – as required – has given its approval for over-the-counter purchases. The Management Board of STRABAG SE has not yet made use of this authorisation.

The Management Board of STRABAG SE, in accordance with Section 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).

The Management Board, in accordance with Section 174 Paragraph 2 of the Austrian Stock Corporation Act (AktG), was further authorised by resolution of the 8th Annual General Meeting of 15 June 2012 and with the approval of the

Supervisory Board to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act (AktG) – in particular convertible bonds, income bonds and profit participation rights – with a total nominal value of up to € 1,000,000,000, which may also confer subscription and/or exchange rights for the acquisition of up to 50,000,000 shares of the company and/or may be designed in such a way that they can be issued as equity, also in several tranches and in different combinations, up to five years inclusive from the day of this resolution, also indirectly by way of a guarantee for the issue of financial instruments through an associate or related entity of the company with conversion rights on shares of the company.

The Management Board was also authorised by resolution of this Annual General Meeting, in accordance with Section 65 Paragraph 1b of the Austrian Stock Corporation Act (AktG), for a period of five years from this resolution, to sell or assign its own shares, with approval by the Supervisory Board, in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Section 228 Paragraph 3 UGB) or third parties acting on behalf of the company.

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 29 of the notes.

Supporting information

At the beginning of March 2009, an accident occurred during underground construction at the South Lot for the North-South urban metro line in Cologne, resulting in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Debris collapsed into a hole which opened next to the North-South construction site at the Waidmarkt crossover junction. Two people were trapped under the rubble, and rescuers were only able to recover their bodies.

Construction on the underground is being carried out by a joint venture (JV) of Bilfinger SE (formerly Bilfinger Berger AG), Wayss & Freytag Ingenieurbau AG and the STRABAG Group subsidiary Ed. Züblin AG. The JV is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Ed. Züblin AG holds a 33.3 % interest in the JV.

The public prosecutor's office commissioned three separate experts to begin an investigation – initially against persons unknown – into possible negligent homicide and endangerment in construction. Two independent civil proceedings are being conducted at the District Court in Cologne: one to collect evidence as to the cause of the accident and another to establish the damage to the buildings and archives.

For purposes of the investigation into the cause of the accident, construction began on a model of the building, the completion and use of which was originally expected by mid-2014. Because of delays for organisational and technical reasons, however, full completion and use can be expected no sooner than mid-2017. The model is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the JV. A final report on the results of the investigation of the accident site, as well as the expert opinion, thus remains outstanding.

Merely for the purpose of extending the statute of limitations the public prosecuter's office in

December 2013 opened proceedings against approx. 100 persons associated closely or loosely with the project. This purely precautionary measure does not, however, represent any statement as to the cause of the accident. In view of the absolute limitation period, which ends ten years after the collapse of the building, the public prosecutor's office apparently wants to bring charges against accused individuals in a timely fashion to achieve a verdict before March 2019. For this reason, the expert opinion will likely be presented to the prosecutor's office even before the model building becomes fully useful and before the expert opinion from the civil evidence proceedings is presented. We cannot rule out the possibility that charges may be filed against individual members of our company in this regard.

As already reported, we continue to believe that this project does not result in any significant damages for the company.

Outlook

The current record order backlog allows further positive development of the output volume to be expected in 2017: The Management Board of STRABAG SE expects output volume to reach at least € 14.0 billion (≥ +4 %). Growth should be seen in all three operating segments: North + West, South + East and International + Special Divisions.

STRABAG had previously issued a target of achieving a sustainable EBIT margin (EBIT/revenue) of 3 % starting in 2016. The efforts to further improve the risk management and to lower costs have already had a positive impact on earnings. In the 2017 financial year, STRABAG is therefore working to again confirm an EBIT margin of at least 3 %.

The output and earnings forecasts are based on the assumption of continued solid demand in building construction, civil engineering and transportation infrastructures in Germany. Positive earnings contributions are also expected from the property and facility management entities and the real estate development business. While the output volume should rise slightly in Poland, in the Czech Republic and in the building construction business in Austria, STRABAG expects stable demand in the Austrian transportation infrastructures segments and in Slovakia. Negative contributions, on the other hand, are again expected from the regional business in Switzerland.

Even without considering the capital expenditures following the acquisition of the minority interest of the still listed German subsidiary STRABAG AG, Cologne – represented in the cash flow from financing activities –, the net capital expenditures should increase in 2017. The cash flow from investing should therefore come to rest at about € 450 million.

Events after the reporting period

The material events after the reporting period are described in item 32 of the notes.

Auditor's report

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

STRABAG SE,
Villach,

that comprise the statement of financial position as of 31 December 2016, 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 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

BASIS FOR OUR OPINION

We conducted our audit in accordance with the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law and professional regulations, and 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. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

VALUATION OF INVESTMENTS IN AFFILIATED COMPANIES AND RECEIVABLES FROM AFFILIATED COMPANIES

Refer to note Annex I/4

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 31.12.2016.

Investments in and receivables from affiliated companies are tested for impairment annually. As 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 sales 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 sales and margins on which the calculations of the valuation of shares in and receivables from affiliated companies are based, with the current planning of the Group, which has been approved by the Supervisory Board. In order to assess the appropriateness of the planning, we gained an understanding of the planning process and compared the assumptions used with current market-specific market expectations, as well as discussing them with the Management Board and representatives of the respective company divisions. In addition, we assessed the appropriateness of the discount rates used as well as the underlying calculation and determined by means of sensitivity analyses whether the tested book values are covered by the respective valuation in the event of possible realistic changes in the assumptions. In conclusion, we examined whether the disclosures and explanations made by the Company regarding investments in and receivables from affiliated companies in the notes are complete and appropriate.

MANAGEMENT'S RESPONSIBILITY AND RESPONSIBILITY OF THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal control as management determines is 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, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

AUDITORS' RESPONSIBILITY

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional– misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We consider 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 as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.

- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

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

- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the management report is to be audited as to whether it is consistent with the financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the management report in accordance with the Austrian Commercial Code and other legal or regulatory requirements.

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 has been prepared in accordance with legal requirements and is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

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

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements, the management report, and the auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Engagement Partner

The engagement partner is Dr. Helge Löffler.

Linz, 7 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Wirtschaftsprüfer
(Austrian Chartered Accountant)