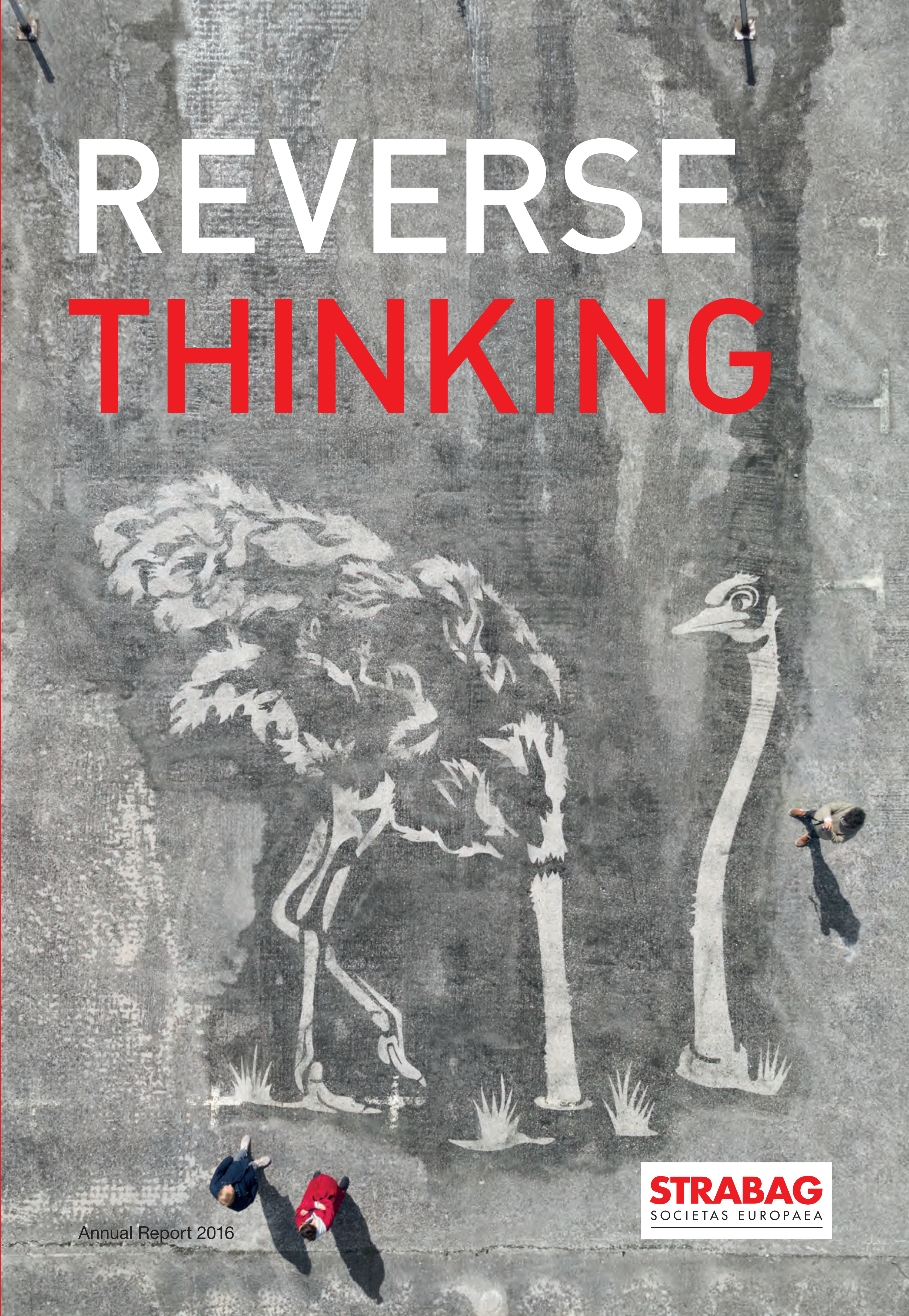
REVERSE THINKING



STRABAG SOCIETAS EUROPAEA

Annual Report 2016

Key figures

KEY FINANCIAL FIGURES

	2012	2013	2014	2015	Δ %	2016
Output volume (€ mln.)	14,042.60	13,573.07	13,566.00	14,289.76	-6	13,491.03
Revenue (€ mln.)[1)]	12,983.23	12,394.15	12,475.67	13,123.48	-6	12,400.46
Order backlog (€ mln.)	13,202.66	13,469.68	14,403.44	13,134.58	13	14,815.79
Employees	74,010	73,100	72,906	73,315	-2	71,839

KEY EARNINGS FIGURES

	2012	2013	2014	2015	Δ %	2016
EBITDA (€ mln.)	608.35	694.91	719.94	816.10	5	855.18
EBITDA margin (% of revenue)	4.7	5.6	5.8	6.2		6.9
EBIT (€ mln.)	207.19	261.58	281.96	341.04	25	424.91
EBIT adjusted (€ mln.)						397.10[2)]
EBIT margin (% of revenue)	1.6	2.1	2.3	2.6		3.4
EBIT margin adjusted (% of revenue)						3.2[2)]
EBT (€ mln.)	156.46	230.04	255.76	316.62	33	421.13
Net income (€ mln.)	110.04	156.26	147.50	182.49	55	282.00
Earnings per share (€)	0.58	1.11	1.25	1.52	78	2.71
Dividend per share (€)	0.20	0.45	0.50	0.65	83	0.95[3)]
Cash flow from operating activities (€ mln.)	268.80	693.70	805.33	1,240.35	-79	264.17
ROCE (%)	4.0	4.6	4.3	4.1		6.4
Investment in fixed assets (€ mln.)	458.28	387.36	346.49	395.75	4	412.46

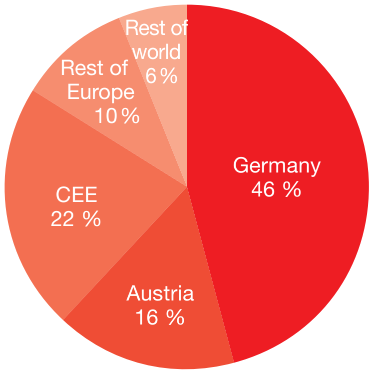
KEY BALANCE SHEET FIGURES

	2012	2013	2014	2015	Δ %	2016
Equity (€ mln.)	3,162.54	3,238.77	3,144.30	3,320.63	-2	3,264.59
Equity ratio (%)	31.2	30.7	30.6	31.0		31.5
Net debt (€ mln.)	154.55	-73.73	-249.11	-1,094.48	59	-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	-3	5,258.17
Balance sheet total (€ mln.)	10,137.69	10,560.79	10,275.54	10,728.87	-3	10,378.41

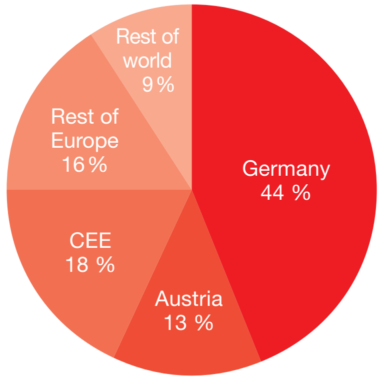
EBITDA = earnings before interest, taxes, depreciation and amortisation
EBIT = earnings before interest and taxes
EBT = earnings before taxes
ROCE = (net income + interest on debt - interest tax shield (25 %))/(average group equity + interest-bearing debt)
Net debt = financial liabilities less non-recourse debt + provisions for severance and pension obligations - cash and cash equivalents
Gearing ratio = net debt/group equity
Capital employed = group equity + interest-bearing debt

1) Until 2012 revenue including profit from construction consortia
2) EBIT adjusted for a non-operating profit in the amount of € 27,81 million
3) Proposed dividend

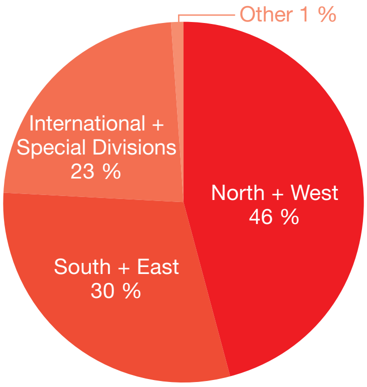
OUTPUT VOLUME BY REGION 2016



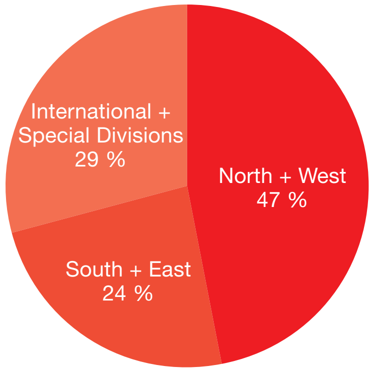
ORDER BACKLOG BY REGION 2016



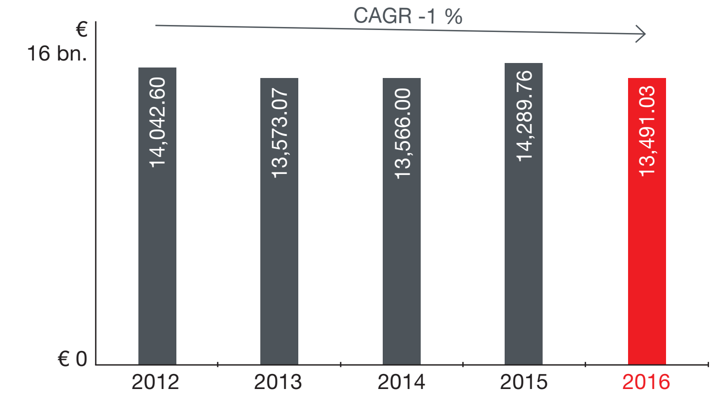
OUTPUT VOLUME BY SEGMENT 2016



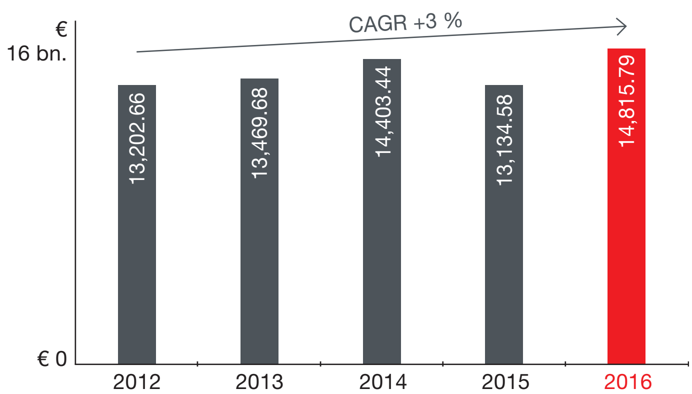
ORDER BACKLOG BY SEGMENT 2016



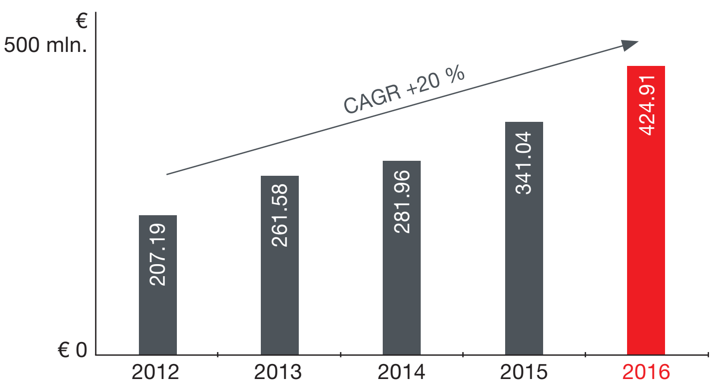
OUTPUT VOLUME



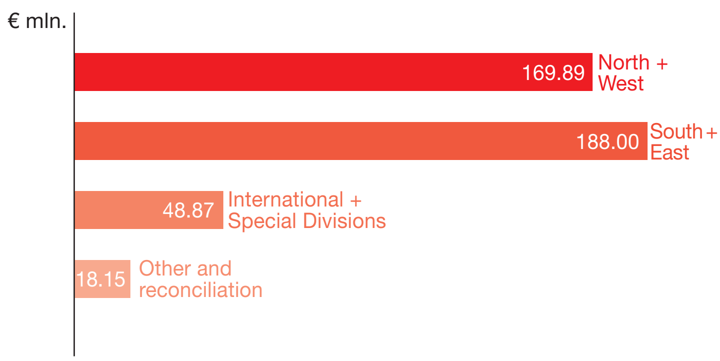
ORDER BACKLOG



EBIT



EBIT 2016 BY SEGMENT



CAGR = Compound annual growth rate
CEE = Central and Eastern Europe comprises the following countries: Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Slovenia

STRABAG SE is a European-based technology group for construction services, a leader in innovation and financial strength. Our services span all areas of the construction industry and cover the entire construction value chain. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price.

Highlights 2016

- In 2016, we reached – and even surpassed – our targeted **EBIT margin** of **3 %** (EBIT/revenue). Now we must at least defend the level of 3.0 %.

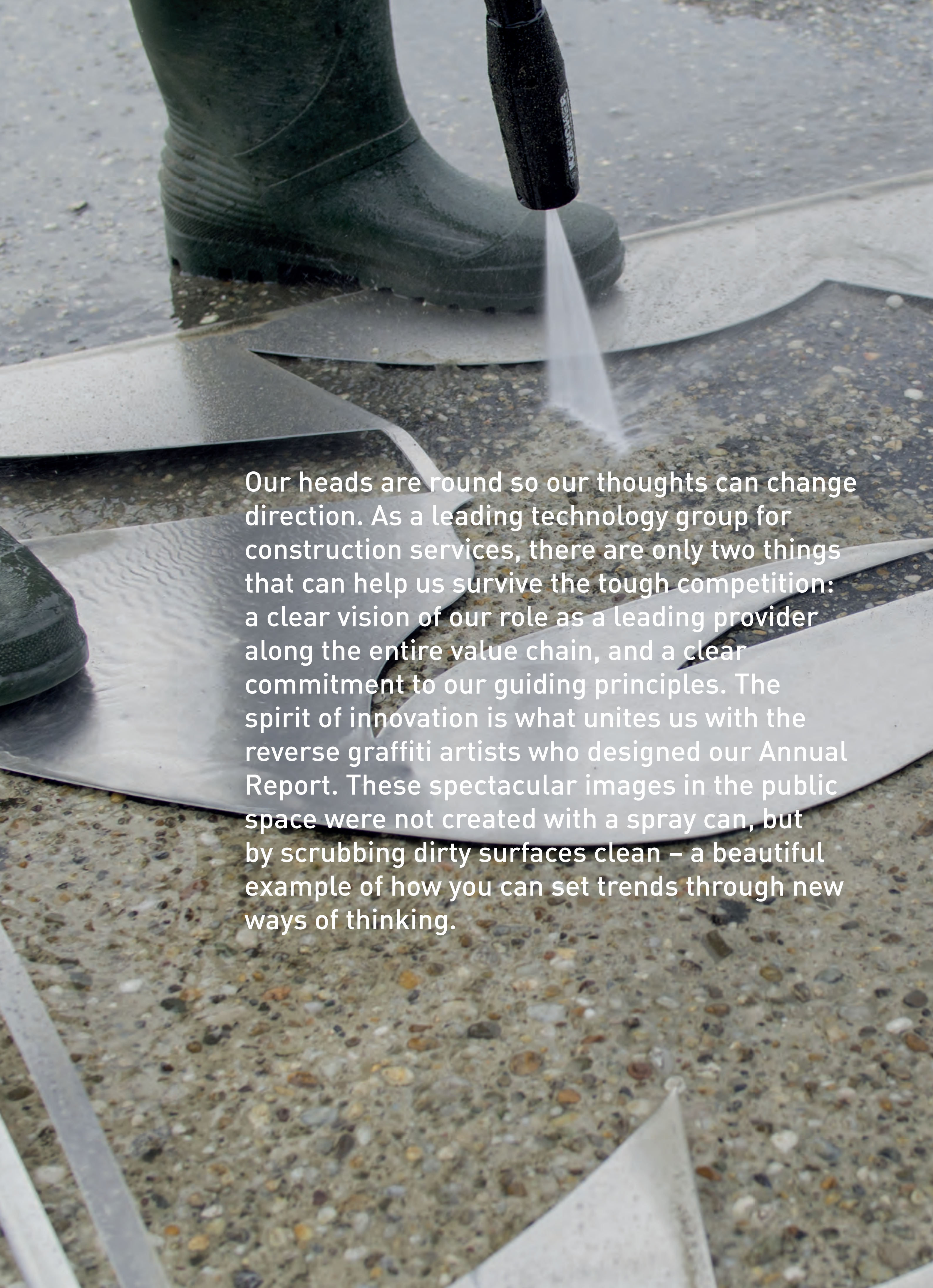
- The **order backlog** reached a **record high** – numerous new large orders in building construction, civil engineering and transportation infrastructures in Germany allow us to expect 2017 to be a dynamic year.

- After the acquisition of the minority interest, **Ed. Züblin AG** is now a **100 % subsidiary** of the STRABAG Group. In keeping with our motto that TEAMS WORK., the acquisition will not only simplify the group structure but also the internal cooperation.

- The **STRABAG 2013ff task force**, which had evaluated the options regarding the STRABAG Group's future positioning, successfully completed its work.

- For the second year in a row, the **STRABAG SE share** topped the performance of the Viennese key index ATX and of the industry index STOXX Europe 600 Construction & Materials. Our share price at year's end stood at €33.65.

- **S&P** confirmed our BBB **investment grade rating, outlook stable**. The rating agency sees STRABAG SE's strengths in the stable margins, effective risk management and strong market positions.



Our heads are round so our thoughts can change direction. As a leading technology group for construction services, there are only two things that can help us survive the tough competition: a clear vision of our role as a leading provider along the entire value chain, and a clear commitment to our guiding principles. The spirit of innovation is what unites us with the reverse graffiti artists who designed our Annual Report. These spectacular images in the public space were not created with a spray can, but by scrubbing dirty surfaces clean – a beautiful example of how you can set trends through new ways of thinking.

REVERSE THINKING

MAKING OF

You've got to do things, not just talk about them. This holds true when putting guiding principles into practice, and it was true for the creative concept behind this year's Annual Report: reverse graffiti. The simple and convenient option would have been to create the quite elaborate motifs digitally and then paste them into photographs. But that was out of the question! We opted for real backdrops instead of tricky special effects and so created true works of art. That's the only way an idea makes sense, the only way it can come alive.

What we needed: five locations, 70 stencils, one high-pressure cleaner, a couple of hundred litres of water, two drones and halfway decent weather. Plus a small yet committed team of experts consisting of two reverse graffiti specialists, one photographer, one making-of photographer, one cameraman, one art director who fitted the photos into the layout on-site, as well as a couple of careful organisers to oversee and manage the whole thing.

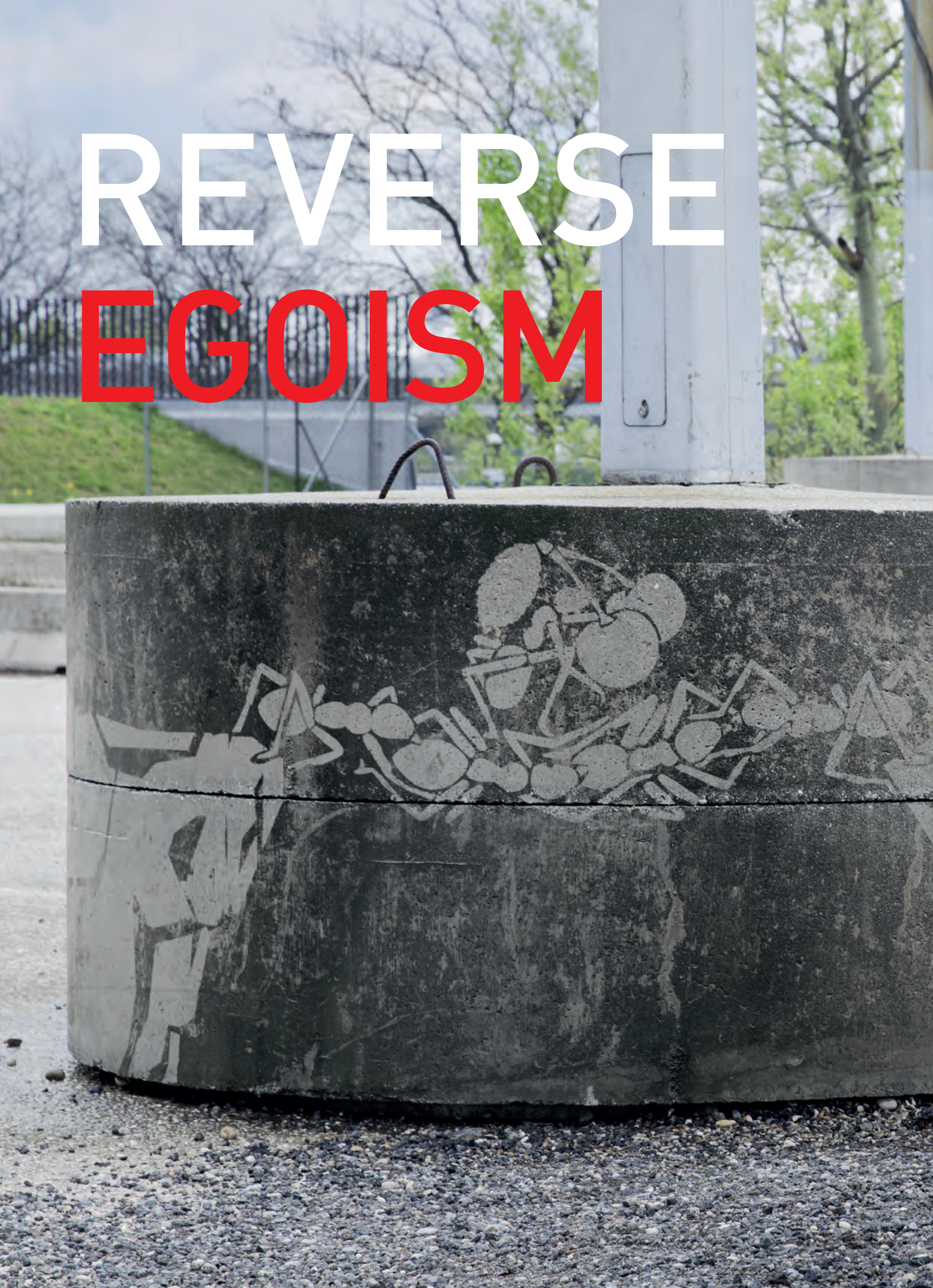
We began small – and ended up finishing big. Our first location was in the middle of Vienna: the dog and cat, at over 4 m in length not exactly small, were still a relatively simple creation for starters. The reverse zebra, at 5 m × 5 m significantly larger than the real thing, came to life in the same location. The group then moved on to station number two, the courtyard of the Technical University Vienna: two monkeys on swings, vertically on a wall, 8 m tall. The enormous size was new – and a real challenge – for all involved. And enough for the first day.

The STRABAG headquarters in Vienna and the surrounding area served as our own headquarters on day two. Here the artworks are intended as a daily reminder for STRABAG's employees to use the possibility of reverse thinking. In front of the main entrance, covering several spaces, a complex of flowers and pots; on the parking lot between the Danube and the building, ants on a concrete cylinder; and finally – for the cover of this report – the highlight: an ostrich, 10 m × 10 m large, covering several ground segments of varying textures. Innovative thinking was needed to really get the ostrich in the picture: a drone for the desired bird's eye view of the bird. No sooner said than done.

Scan code for the making of-video.

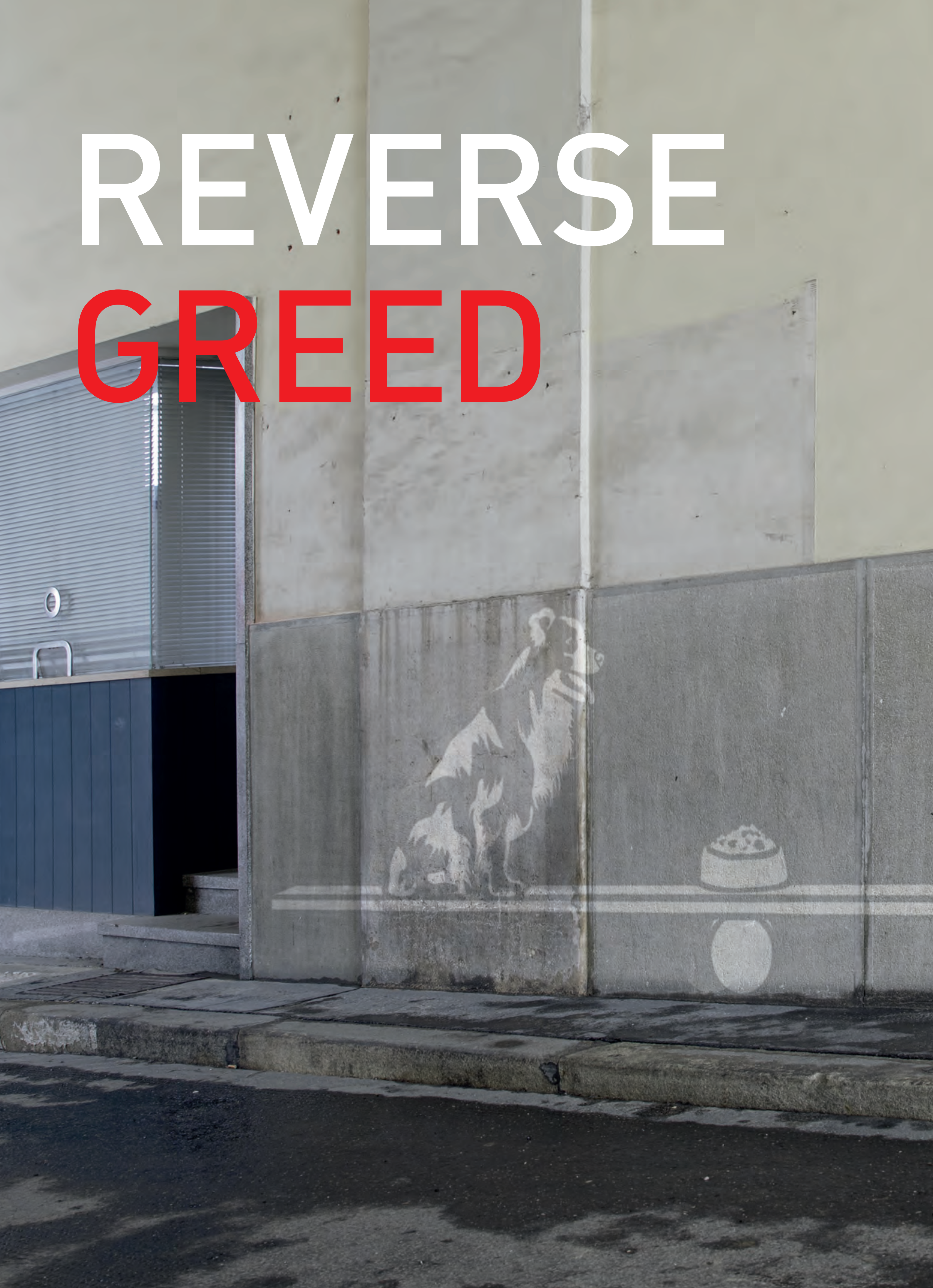
www.strabag-videos.com/gb2016

REVERSE EGOISM



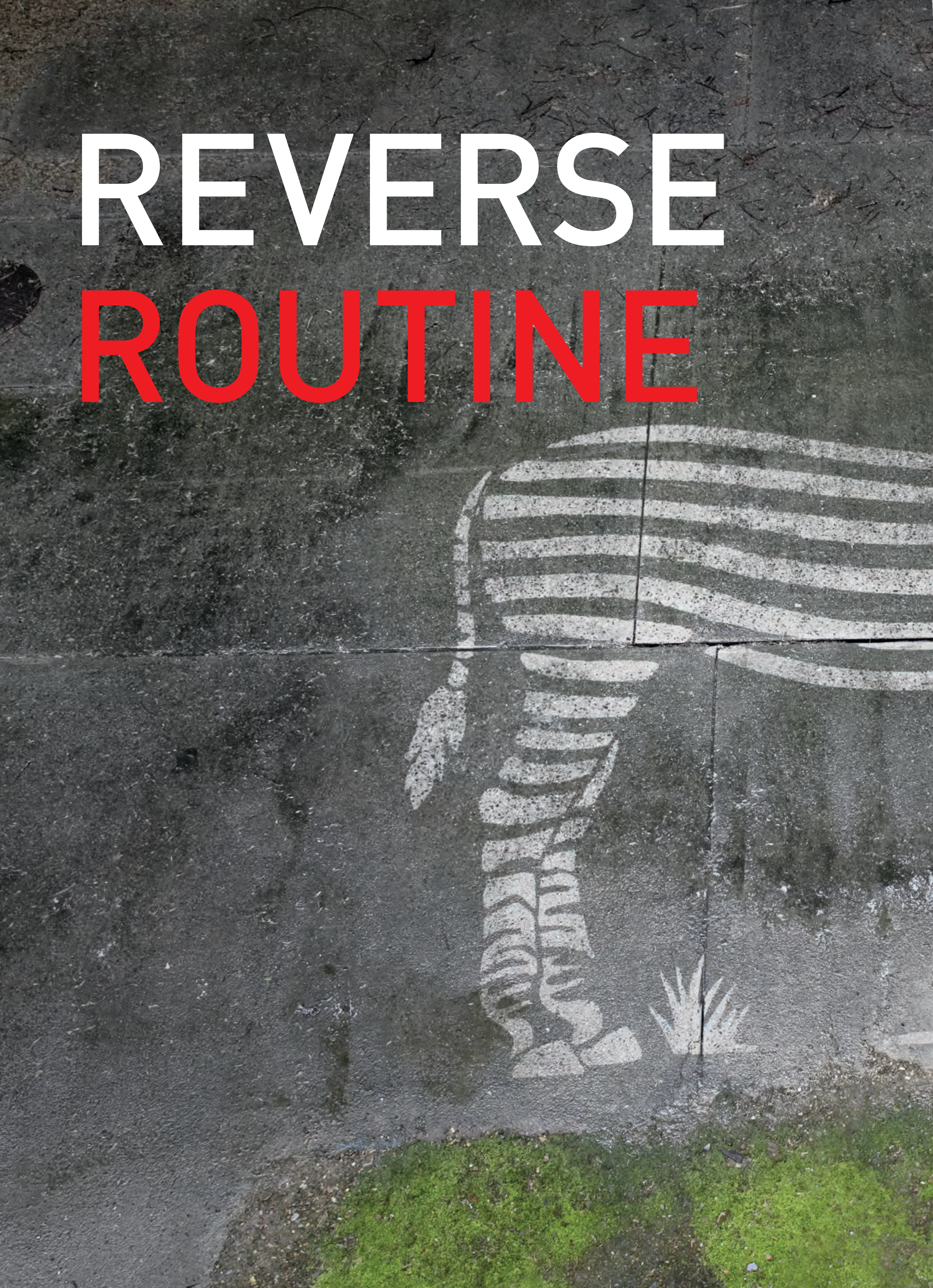
Teamwork is especially important in the construction industry. It's like in team sports: nothing is possible without RESPECT. Even the biggest star is left looking pretty useless without his teammates' support. That's why we encourage SOLIDARITY wherever it is possible and reward the constant unity of our employees.

REVERSE GREED



Strong personalities are of great benefit. Personal interests, however, must remain within reason. Self-enrichment, greed or a need for admiration have never led to long-lasting success. The PARTNERSHIP spirit has. We must constantly earn the trust of our stakeholders and justify our status as a successful company. Our preferred modus operandi is with MODESTY, prudence and restraint.

REVERSE
ROUTINE



Financial strength helps when you have to adapt quickly to changed market realities. For a real head start, however, you need an INNOVATIVE SPIRIT – the willingness to veer off the beaten path and take predictable risks. This makes it so important to continuously develop our processes, systems and products – with the personal COMMITMENT of all involved.

REVERSE DISTRUST

Without honesty, there can be no appreciation. Without appreciation, there is no TRUST. And trust is built on transparency, a sense of responsibility and RELIABILITY. Reliability begins with the relationship between employees and their superiors, continues in the cooperation with partners and ends with our investors, who trust that we use the money entrusted to us honestly and wisely.

REVERSE DISREGARD

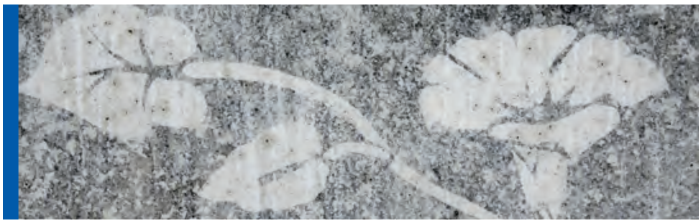
The work we do has an impact on generations to come. The activity of construction profoundly shapes the human habitat. The consequences for society and the environment are many and long-term. SUSTAINABILITY must therefore be more than an empty phrase. We feel a special sense of responsibility for future generations and demonstrate this in our day-to-day work in a careful and mindful manner.

33

PEOPLE & WORKPLACE

CORPORATE GOVERNANCE & BUSINESS COMPLIANCE

43



67

ECOLOGICAL RESPONSIBILITY

CORPORATE CITIZENSHIP

73

ECONOMIC RESPONSIBILITY

PEOPLE & WORKPLACE 33
CORPORATE GOVERNANCE & BUSINESS COMPLIANCE 43
ECOLOGICAL RESPONSIBILITY 67
CORPORATE CITIZENSHIP 73
ECONOMIC RESPONSIBILITY 77

1) This part has been audited by the financial auditor KPMG Austria GmbH Wirtschaftsprüfung- und Steuerberatungsgesellschaft, Linz.

ABOUT THIS REPORT

For the 2016 financial year, as in the year before, STRABAG SE has drafted a combined Annual Report reflecting the situation of the group and its consolidated companies as at 31 December 2016. Both financial and non-financial information provide insight into the fundamental economic, ecological, social, societal and corporate governance consequences of our business activity. Combined reporting is our response to a growing demand for transparency from our most important stakeholder groups. A combined presentation also has the advantage of better showing and clarifying the relationships between the individual factors. In this way, we present a more complete picture of our situation and of the group's positioning.

Aiming for audit in the medium term

Together with the information provided online, we largely meet the requirements of the **"core" option** of the **G4** reporting guidelines that have been established by the **Global Reporting Initiative** (GRI). We are aiming for full compliance with the core option starting with the 2017 financial year. The reporting that is to be handled annually in this form has not yet been evaluated by an external auditor, although the STRABAG Group is aiming for an auditor's opinion in this regard in the medium term.

Sustainability as a result of our business activity

Just as our corporate strategy is focused on responsible, sustainable action, this focus is also reflected in our reporting. The system presented by our strategic fields serves as basis for the structure of the chapters in this report. At the same time, it depicts topics which are required by sustainability reporting. This Annual Report shows the full extent to which aspects of sustainability are integrated into our strategy: We comprehensively treat each of our **six strategic fields** – Economic Responsibility, Ecological Responsibility, Corporate Citizenship, People & Workplace, Business Compliance, Corporate Governance – in a chapter of its own. Wherever the information in one chapter overlaps with that in another, we have placed the symbol of each field of action next to the relevant text passages. In the 2015 financial year, we launched a multi-step materiality analysis in line with GRI G4. Thanks to the identification of the material aspects and after drafting the first STRABAG materiality matrix, we reached a decisive milestone in 2016. Central element of the materiality analysis is the inclusion of our stakeholder groups as part of our STRABAG stakeholder dialogue. More information about the materiality analysis and stakeholder dialogue can be found in the chapter "Strategy" in this report.

Detailed information about the materiality analysis, the dialogue with stakeholders and about how we steer our projects, which measures we are initiating, how we determine their effectiveness and how we organise ourselves for these tasks is available at www.strabag.com > Strategy. To present the many aspects of sustainability more quickly and in an up-to-date manner, our **reporting** has been mostly **online** for several years already. Here, too, we take advantage of the system of our strategic approach in combination with the GRI requirements.

Our aim for the future is to present all information on the identified material aspects for the entire group. A large portion of the data – especially in the area of environmental and quality management – is available via the internal data management system; in the STRABAG-developed energy and CO_2 data software CarbonTracker and FuelTracker; or can be taken from other sources. Nevertheless, the de-centralised group structure and the country-specific conditions make it necessary for some group companies and holdings to use their own management and ERP systems, which means that complete, uniform data is not available. **Data** that do not comprise all group countries are pointed out at the corresponding indicator in the GRI index.

GRI INDEX

	Standard disclosures	Page number in the Annual Report 2016	More information is available on the website
	Strategy and analysis		
G4-1	Statement from the most senior decision-maker of the organisation	20–23; 26–27	
	Organisational profil		
G4-3	Name of the organisation	Imprint	
G4-4	Primary brands, products, and services	24–25; 137	www.strabag.com > Activities www.strabag.com > STRABAG SE > Our Brands
G4-5	Location of the organisation's headquarters	Imprint	
G4-6	Countries where the organisation operates	25	www.strabag.com > Locations
G4-7	Nature of ownership and legal form	93–94; 152–154; Imprint	www.strabag.com > Investor Relations > Share
G4-8	Important markets served	25; 111	
G4-9	Scale of the organisation	Cover; 24	
G4-10	Detailed employment information	34ff.	
G4-11	Percentage of total employees covered by collective bargaining agreements	Indicator currently not evaluated	
G4-12	Description of the organisation's supply chain		www.strabag.com > Strategy > Supply Chain
G4-13	Significant changes during the reporting period	20–23; 104–110; 130	
G4-14	Precautionary approach or principle	59; 68–72	www.strabag.com > Strategy > Strategic Approach > Ecological Responsibility
G4-15	Externally developed charters, principles, or other initiatives endorsed by the organisation		www.strabag.com > Strategy > Strategic Approach
G4-16	Memberships of the organisation		www.strabag.com > Strategy > (Downloads)
	Identified material aspects and boundaries		
G4-17	Consolidated companies and equity-accounted investments	174–181	
G4-18	Process for defining the report content	27–29	www.strabag.com > Strategy > Stakeholder Engagement
G4-19	Material aspects	27–28	
G4-20	Aspect boundary within the organisation	16	
G4-21	Aspect boundary outside the organisation	16	
G4-22	Restatements of information provided in previous reports	16; 27–28	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	16; 27–28	
	Stakeholder engagement		
G4-24	Stakeholder groups engaged by the organisation	29	www.strabag.com > Strategy > Stakeholder Engagement
G4-25	Identification and selection of stakeholders	29	www.strabag.com > Strategy > Stakeholder Engagement
G4-26	Approach to stakeholder engagement	29	www.strabag.com > Strategy > Stakeholder Engagement
G4-27	Key topics and concerns that have been raised through stakeholder engagement		www.strabag.com > Strategy > Stakeholder Engagement

		Page number in the Annual Report 2016	More information is available on the website
	Report profile		
G4-28	Reporting period	16	
G4-29	Date of the most recent previous report	16	
G4-30	Reporting cycle	16	
G4-31	Contact point for questions regarding the report	97	www.strabag.com > Investor Relations > IR Contact & Service
G4-32	GRI Content Index	17–19	www.strabag.com > Strategy > Strategic Approach > CR Reporting
G4-33	Scope of the external assurance	16; 226–231	
	Governance		
G4-34	Governance structure of the organisation, including committees of the highest governance body	44–57; 80–81	www.strabag.com > Strategy > Strategic Approach > Corporate Responsibility Management
	Ethics and integrity		
G4-56	Organisation's values, principles, standards and norms of behaviour	24; 44–45; 60–61	www.strabag.com > STRABAG SE > Vision and Guiding Principles www.strabag.com > Strategy > Strategic Approach > Business Compliance
	Specific standard disclosures		
	Disclosures on management approach (DMA) and indicators for each identified material aspect		
	Customer satisfaction		
DMA	Disclosures on management approach	102–103	
G4-PR5	Results of surveys measuring customer satisfaction	103	
	Strategic human resource development		
DMA	Disclosures on management approach	36–39	
G4-LA9	Number of training and further education seminars	37	
	Number of seminar participants		
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees	37–38	
	Employment conditions		www.strabag.com > Strategy > Strategic Approach > People & Workplace
	Work safety and health		
DMA	Disclosures on management approach	40–42	
G4-LA6	Lost-time accident rate, accident incident rate, absenteeism due to illness	40–41	
	Equal treatment of women and men		
DMA	Disclosures on management approach	58–59	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender and age group	34–36; 45–55	
	Human rights		
DMA	Management approach and indicators are currently being developed		

		Page number in the Annual Report 2016	More information is available on the website
	Innovation and digitalisation		
DMA	Disclosures on management approach innovation	98–99	www.strabag.com > Strategy > Strategic Approach > Economic Responsibility
	Indicators are currently being developed.		
DMA	Disclosures on management approach innovationapproach digitalisation	100–101	
	Indicators have not yet been evaluated.		
	Risk management		
DMA	Disclosures on management approach	78–89	
	Presentation of the indicators is in progress.		
	Business compliance		
DMA	Disclosures on management approach	44ff.	
G4-SO4	Communication and training on anti-corruption policies and procedures	60–61	www.strabag.com > Strategy > Strategic Approach > Business Compliance (Code of Conduct)

CEO'S REVIEW

Dear shareholders, associates and friends of STRABAG SE,

An anthropologist visiting an African tribe came up with a game to find out more about the people's values. He placed a basket of sweet fruits under a tree and called the children of the tribe to come. Through an interpreter, he explained the rules of the game to them: "When I say 'Go!', you start running. Whoever gets to the tree first wins the sweet fruits." The children understood.

The anthropologist said 'Go!' and, without saying a word, the children took each other's hands and ran together to the tree. Laughing, they sat down in the shade of the tree and shared the fruits among themselves. In response to the scientist's puzzled look, one young boy answered with a smile: "Ubuntu!" The interpreter explained: "Ubuntu means 'I am, because WE are.' How can one of us be happy if all the others are sad?" And the anthropologist understood.

In our project-driven business, we urgently need "ubuntu" – a win-win for all involved. If not everyone is happy, then there will be no more orders, no motivated employees, no resources. This is why **partnership** – the cooperation across organisational boundaries – is a central element of our values. Partnerships are based on respect, solidarity and trust – and all of these are part of our guiding principles.

Our corporate guiding principles also include **innovative spirit** and sustainability. You can read more about what innovation means to us, and what we are currently working on, in the chapter "Innovation & Digitalisation" in this Annual Report. On average, there are about 100 innovation-related initiatives a year in the group. These include projects on construction details or developments of material properties for road surfacing. The point here isn't to enact some radical change or to throw the tried and tested overboard; what we want is to continuously develop our processes. Our strategies and programmes for improvement include BIM.5D®, LEAN construction, project-related risk management, teamconcept and the Integrated Construction Site in transportation infrastructures.

You will not find a separate chapter on **sustainability** in this report. For us, sustainability is strategic and forms the basis of our business – aspects of sustainability therefore are fully incorporated into our strategy. This is why we have structured the report around the six strategic fields of Economic Responsibility, Ecological Responsibility, Corporate Citizenship, People & Workplace, Business Compliance and Corporate Governance. When looking through this report or reading the information that is available online, you will see that we largely meet the requirements of the "core" option of the G4 reporting guidelines that have been established by the **Global Reporting Initiative** (GRI). The GRI "material issues" are presented in the various chapters. We are aiming for full compliance with the core option starting with the 2017 financial year.

Sustainability means that, besides the economic and ecological consequences, we also give balanced consideration to our impact on society and to the interests of the various stakeholder groups. Our strategic targets therefore include both financial as well as non-financial targets. In 2016, it was a special pleasure for us to achieve our most important economic target: an EBIT margin of 3 %. And thanks to a positive non-operating non-recurring item, we even managed to surpass our target with a margin of 3.4 %. All three operating segments contributed to the higher margin: North + West improved its earnings considerably after being burdened the year before, South + East contributed strongly as usual to the group's earnings, and International + Special Divisions managed an earnings plus after a number of contrary effects.

To improve the margins, we concentrated our efforts on two levers in parallel:

- **Risk management:** To strengthen our risk management, we established a new organisational unit in 2014. The team in charge of this task is working on further developing the risk management system. The performance of one large project in the construction sector has the potential to significantly influence the performance of the group as a whole. The aim of our risk management is to support the operating units in reducing the number of projects which do not go according to plan – and to do so constantly and continuously. We want to exclude projects with an unattractive opportunity/risk profile as much as possible and as early as possible during the selection phase. The risk management unit analyses the causes behind positive and negative outcomes of construction projects in order to derive valuable lessons learned and share these with the group.

- "**STRABAG 2013ff**" **task force:** Starting in mid-2012, this task force consisting of experienced members of our group had evaluated the STRABAG Group's options regarding its future positioning. The task force successfully completed its work in 2016, visiting the locations of all of our organisational entities, viewing construction sites and engaging in conversations with the local management. The members of the task force travelled to nearly all group countries, including Germany, Austria, Poland, the Czech Republic, Slovakia, Hungary, Switzerland, the countries of South-East Europe and several

Our financial figures for 2016:

€ 14.8 billion
Record order backlog

+25 %
EBIT up from € 341 million to € 425 million

€ 0.95
46 % higher dividend proposed

non-European locations. Based on the task force analysis, the Management Board has been able to make constructive choices about where to streamline management structures or strategically and organisationally reorganise business fields and company entities. The result is a simplified organigram, a more appropriate market positioning and lower fixed costs. The aim now is to make the efficiency improvements permanent. Help and assistance in this regard should come from the central division Project-Related Risk Management System/Organisational Development/International BRVZ Coordination that was created in 2015.

A look at our history shows: continuously rising returns were possible in the past few years even with only slight output growth. Nevertheless, we weren't entirely satisfied with the **output volume** in 2016. At € 13.5 billion, it was 6 % below the previous year's level. In Slovakia, Poland and the Czech Republic, which had registered especially positive growth in 2015, the output volume fell back to the usual – lower – level in 2016. 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. In Germany, the group's largest market by far, we were able to defend our exceptionally high output volume.

"We expect that the race to catch up on German transportation investments will finally be reflected in the output volume in the years to come. The Central and Eastern European market also gives us grounds to be optimistic."

The **order backlog** of € 14.8 billion (+13 %) allows us to expect a more dynamic 2017. 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 to a new record high. We expect that the race to catch up on German transportation investments will finally be reflected in the output volume in the years to come. The Central and Eastern European market also gives us grounds to be optimistic – not just for each respective construction segment, but also with regard to our own position in these markets. We have further strengthened our positions in several countries and are now a **market leader** in **Germany, Austria, the Czech Republic, Slovakia, Hungary** and **Romania**!

This starting position should be reflected in the figures for the 2017 financial year as follows:

- **The output volume should climb to at least € 14.0 billion. We expect growth in all three of our operating segments, North + West, South + East and International + Special Divisions.**

- **In terms of our EBIT margin, we want to again achieve at least 3 %.**

We expect to see 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, we expect stable demand in the Austrian transportation infrastructures segment and in Slovakia. Negative contributions, on the other hand, are again expected from the regional business in Switzerland. So much for the operating influences. From a "technical" point of view, the numbers for 2016 already show, and the future also promises, a higher result below the line. The net income after minorities – i.e. the earnings less interest and taxes and excluding the portion attributable to the minority shareholders – is influenced positively by our full **acquisition** in 2016 of the shares of our subsidiary **Ed. Züblin AG** of Stuttgart. It is now no longer necessary to subtract the 42.7 % share of the earnings that had previously been owed to the minority shareholders.

THE MOST IMPORTANT FACTS
FOR OUR SHAREHOLDERS

Share price of STRABAG SE on 31 December 2016: .... € 33.65
Proposed dividend per share .... € 0.95
Earnings per share .... € 2.71
Dividend yield .... 2.8 %
Ex-dividend date .... 30 June 2017
Payment date for dividend .... 4 July 2017
Annual General Meeting .... 23 June 2017

A higher net income after minorities naturally means that our shareholders can also expect a higher **dividend**. In 2015, we paid out € 0.65 per share. For 2016, the Management Board will propose to the Annual General Meeting on 23 June 2017 a dividend of € 0.95. The dividend payout ratio of 35 % is thus within the range of 30–50 % of the net income after minorities as defined by our dividend policy. The dividend yield stands at 2.8 % in relation to the share price at 31 December 2016.

The **STRABAG SE share** on the Vienna Stock Exchange reacted to the continuously improved margin with a plus of 43 %, clearly surpassing not only the performance of 9 % of the Viennese key index ATX but also that of the construction industry index STOXX Europe 600 Construction & Materials, which grew by 9 % as well.

To now confirm the **earnings improvement** as **sustainable** – that is an essential task for us on the Management Board team so that the STRABAG SE share price continues to reflect the value of the company now and in the future. To help ensure that everyone works toward this goal, the management and certain members of the staff are given a long-term share of the earnings in the form of bonuses and profit percentages.

Besides the risk management and the “STRABAG 2013ff” task force, our earnings are also influenced by our strong balance sheet, which puts us in a position to respond quickly and flexibly to opportunities on the market – e.g. to tenders for public-private partnership projects. This makes it so important for us to maintain our **financial strength**: The equity ratio stands at 31 % – quite high once again; and we continued to have a net cash position of € 449.06 million at the end of 2016 (2015: € 1,094.48 million). Both of these figures contributed to the decision by Standard & Poor’s to confirm our investment grade rating of BBB, outlook stable, in July 2016.

These achievements are team achievements. And so I – also on behalf of my Management Board colleagues – **thank** all of the nearly **72,000 people** in the group as well as all **partner companies** for their reliability and commitment. We are pleased if you, our shareholders, share these values with us and continue to give us your trust.

Yours,

Thomas Birtel

Thomas Birtel
CEO of STRABAG SE

Vienna, 27 April 2017

THE STRABAG GROUP AT A GLANCE

- OUR BUSINESS: INTEGRATE SERVICES ALONG THE CONSTRUCTION VALUE CHAIN AND ASSUME RESPONSIBILITY FOR THEM
- OUTPUT VOLUME OF € 13.5 BILLION IN 2016
- BUSINESS IN FOUR OPERATING SEGMENTS: NORTH + WEST (46 % OF THE GROUP OUTPUT VOLUME), SOUTH + EAST (30 %), INTERNATIONAL + SPECIAL DIVISIONS (23 %) AND OTHER (1 %)

Our mission statement and guiding principles

STRABAG is a European-based technology group for construction services, a leader in innovation and financial strength. Our services span all areas of the construction industry. We create added value for our clients by our specialised entities integrating the most diverse services and assuming responsibility for them. We bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price. In short: We assume a part of the risk, thus relieving our clients.

Thanks to the hard work and dedication of our close to 72,000 employees, we are one of the few companies capable of offering services along the entire construction value chain – from design to planning, from construction to property and facility services, from operation all the way to demolition. In this way, we generate an annual output volume of about € 14 billion. At the same time, a dense network of numerous subsidiaries in many European countries and on other continents is helping to expand our area of operation far beyond the borders of Austria and Germany. This broad diversification puts us in a position to build cost- and resource-effectively.

We keep our mission statement in mind when planning our future and distributing our resources – such as financial means or employee capacities – within the company. Moreover, we let the following principles guide us in all of our considerations:

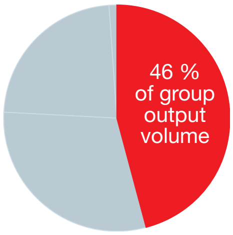
Commitment
Trust
Reliability
Respect
Partnership
Solidarity
Sustainability
Modesty
Innovative spirit

How we see these guiding principles in detail > www.strabag.com

Four segments

We provide our services in four operating segments:

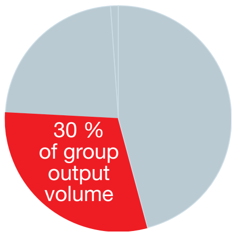
NORTH + WEST



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

	2016	2015
Revenue (€ mln.)	5,802.44	5,895.10
EBIT (€ mln.)	169.89	105.17
EBIT margin (%)	2.9	1.8
Employees	22,233	22,421

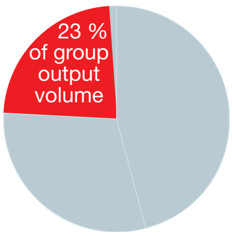
SOUTH + EAST



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

	2016	2015
Revenue (€ mln.)	3,888.52	4,412.35
EBIT (€ mln.)	188.00	197.05
EBIT margin (%)	4.8	4.5
Employees	17,758	18,043

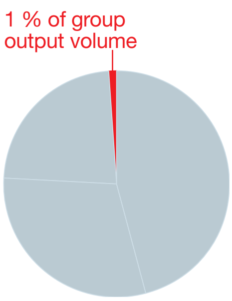
INTERNATIONAL + SPECIAL DIVISIONS



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. Additionally, most of the services in non-European markets are also bundled in the International + Special Divisions segment.

	2016	2015
Revenue (€ mln.)	2,681.02	2,790.88
EBIT (€ mln.)	48.87	46.79
EBIT margin (%)	1.8	1.7
Employees	26,027	27,077

OTHER



This segment contains the intra-company Central Divisions and Central Staff Divisions.

	2016	2015
Revenue (€ mln.)	28.48	25.15
EBIT (€ mln.)	0.47	0.22
EBIT margin (%)	1.7	0.9
Employees	5,821	5,774

STRABAG
TEAMS WORK.

TEAMS WORK. reflects the essence of what matters in the construction industry: namely the work of people and their smooth cooperation with one another. In this way, we breathe life into our vision. Teamwork – on a small or large scale, internally or externally, across brands, countries and organisational boundaries – makes possible what cannot be done alone.

STRATEGY

- SIX STRATEGIC FIELDS: ECONOMIC RESPONSIBILITY, ECOLOGICAL RESPONSIBILITY, CORPORATE CITIZENSHIP, PEOPLE & WORKPLACE, CORPORATE GOVERNANCE, BUSINESS COMPLIANCE
- MATERIALITY MATRIX CREATED
- ISSUES OF URBANISATION, ENERGY EFFICIENCY AND FINANCING ENVIRONMENT INFLUENCE OUR BUSINESS

Our strategic approach

We operate across Europe as well as on other continents and offer services along the entire construction value chain. The consequences from our business activities, therefore, are many. And it is our intention to assume responsibility for these consequences. To help us succeed, the concept of entrepreneurial responsibility forms an integral part of our corporate strategy. For us, responsibility is strategic.

Doing business responsibly means, on the one hand, that we work within our defined values such as partnership. But assuming responsibility also means giving balanced consideration to the increasingly complex demands placed on our core business. We build according to our clients' wishes, which means that we basically orient ourselves in line with the requirements of the market. In making our decisions about how we build and design our processes, however, we take into account criteria that go beyond purely economic considerations.

Our internal stakeholders aren't the only impulse in this regard. Demands in this direction include, for example, aspects of labour law in our supply chain or standards regarding the environment, and are placed upon us from many different sides: from non-governmental organisations, from our investors, or from an increasingly sensitised clientele – in particular in our markets in Western and Northern Europe.

A systematic approach makes it easier to deal with these many diverse demands. We have therefore defined **six strategic fields** which represent our full understanding of responsibility.

For us, upholding our earnings responsibility toward our shareholders and employees is in accord with demonstrating environmental awareness and, as a member of society, promoting its prosperity – as linking the strategic fields helps us to **ensure the long-term existence** of our company: Our comprehensive, certified energy management system helps us to increase our efficiency and save resources through the reduction of CO_2 emissions (Ecological Responsibility), while at the same time achieving cost reductions that are reflected in the earnings (Economic Responsibility). We train our employees with regard to the consequences of and measures against corruption (Business Compliance), but also to increase their methodological and professional skills and to ensure their safety (People & Workplace). The tight mesh of these fields shows quite clearly that close cooperation is necessary across the various group organisations and with our external partners in order to successfully deal with these tasks.

"How we measure our strategy's success", p. 32

We also use this strategic approach as a framework for structuring our **reporting**. In each field, we report on the most important themes, explain why we consider them to be relevant and clarify the strategic importance that they have for the STRABAG Group.

Materiality analysis

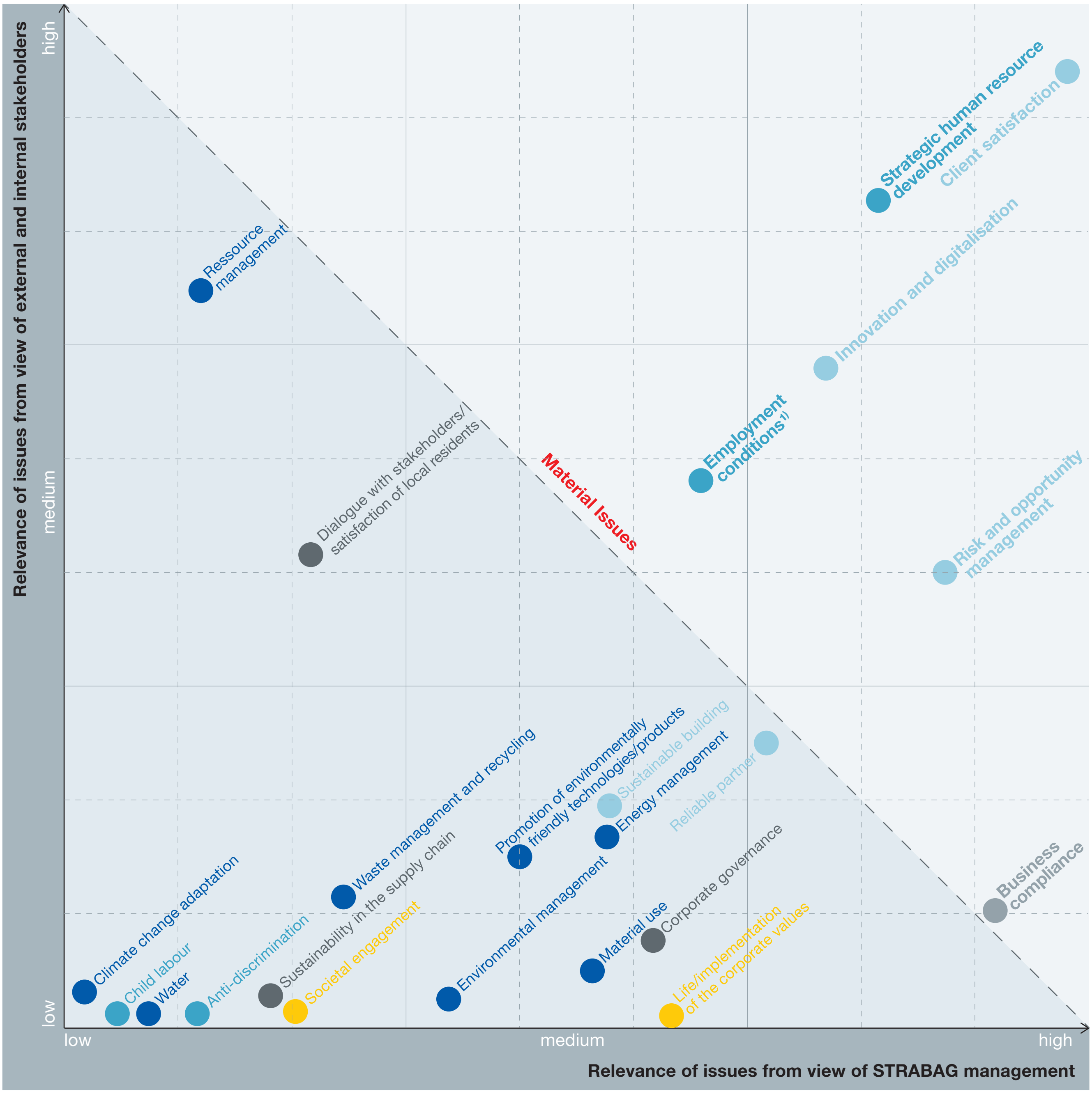
Find detailed information at www.strabag.com > Strategy

Given the many issues of relevance for our organisation, we want to focus in our reporting and our daily work on issues which, considering among other things our economic, ecological and societal impact, are of material importance both from STRABAG's own point of view as well as from the viewpoint of our stakeholders. These topics are decisive for our competitiveness and future viability and the relevant group representatives are developing a management approach in this regard. To identify the material issues, we conduct an annual materiality analysis involving a multistep process. The process involves the internal and external stakeholders in order to assess the relevance of the issues from various perspectives. A first important milestone in the materiality analysis was reached in 2015 with our identification of the 20 central issues that are especially relevant for the group's development. And we complemented our assessment as to which issues STRABAG will have to deal with in the future with the inclusion of, on the one hand, the demands and expectations of stakeholders that reach us in the process of contract acquisition and in the dialogue with investors and, on the other hand, political specifications, legal requirements and industry- or market-specific trends.

The results of this first analysis were reviewed, discussed, complemented and prioritised throughout 2016 at various internal and external **dialogue events** with selected representatives of the most important stakeholder groups together with the CEO (see the Stakeholder Dialogue section). The catalogue of the original 20 issues was expanded with additional issues during the dialogues. Building on this basis, we created the first STRABAG materiality matrix, which was reviewed and approved by the STRABAG SE Management Board.

Among the now 23 relevant issues, the following six were defined as being of especially material importance for the sustainable development of our organisation. We will devote more of our attention to this matter and will present the management approach, as much as already developed, in this report:

- Client satisfaction, management approach on pages 102–103
- Strategic human resource development/training, management approach on pages 36–38
- Working conditions, management approaches for occupational safety and health on pages 40–41, for equal treatment of women and men on pages 58–59; the management approach for human rights is currently being developed
- Innovation and digitalisation, management approaches on pages 98–101
- Risk management, management approach on pages 78–89
- Business compliance, management approach on pages 60–61



The materiality matrix contains the 23 relevant issues for the sustainable development of the organisation, of which six were defined as being of material importance.

The materiality matrix will now be reviewed annually, and adapted as needed, by our organisation with the involvement of our stakeholders.

1) Includes i. a. work safety and health, equality of women and men and human rights

Stakeholder dialogue

Partnership and trust are central guiding principles of STRABAG. In keeping with these guiding principles, we constantly, and with transparent communication, attend to the concerns, wishes and needs of our stakeholders. With stakeholders, we mean those groups who are influenced by our services or who, for their part, influence the business activity of our company.

In 2016, we complemented the **dialogue formats** that had already existed in our daily work, e.g. through regular client talks, by initiating the stakeholder dialogue at the group level as outlined by the Global Reporting Initiative (GRI). The stakeholder dialogue is an important process step in the materiality analysis. Its organisation is handled by the Corporate Responsibility staff division. In 2016, we limited the dialogue to the two countries with the largest contribution to the group output volume, Germany and Austria. There are plans to expand it to other group countries in the medium and long term.

The dialogue is founded on a **stakeholder analysis** that helped us to identify the most important stakeholder groups with regard to their influence from and on our organisation. These include our employees, clients, investors and suppliers. Furthermore, we maintain contacts to universities, the media, non-governmental organisations and political institutions as well as the people living in direct proximity to our projects.

The dialogue formats we use include not only online and print media but also attendance-based events, e.g. in the form of workshops, as well as written surveys. One example that is particularly worth mentioning was a dialogue event held at our company headquarters in Vienna in March 2016 in which external representatives from our most important stakeholder groups and our CEO came together to discuss and prioritise the issues of strategic relevance for STRABAG. Besides our clients, suppliers and investors, our invitation was also answered by representatives from universities and the media as well as by people living in direct proximity to our projects. Just as valuable for us was the participation of representatives from environmental organisations and human rights groups. We thank our external stakeholders for their committed contribution, which allowed us to include new points of view in our strategic considerations and to incorporate additional aspects into the catalogue of the most urgent topics for the future.

Our employees were equally committed in their contributions to prioritising the issues in 2015 and 2016. In addition to talks at the management level, selected workshop participants in the two business fields of building construction & civil engineering and transportation infrastructures across all hierarchies and functions discussed the preselection of relevant and further issues. Written surveys were also conducted.

The stakeholder dialogues allowed us to identify a number of factors, such as the necessity to focus more strongly on innovative solutions, that need to be developed in close coordination with our partners especially given the progress of digitalisation. Strategic human resource development is another key issue for STRABAG that will have decisive influence on the sustained success of the entire construction sector. Compliance, risk management and resource protection are issues which already have a solid foundation but in which the stakeholders expect to see continuous further development. It goes without saying that STRABAG's future viability depends to a large degree on the satisfaction of our clients. **Client satisfaction** was therefore identified as the **most material issue**. All initiatives related to the other issues contribute to client satisfaction.

Factors influencing the business model of construction

Investment story: three trends that make the construction sector attractive

Construction can be described as a sustainable industry in itself, as the buildings and structures are made for use over a very long period of time. It seems reasonable to conclude, therefore, that the industry would be of interest to long-term investors; after all, the fundamental demand for construction is unlikely to dry up. But you don't need to have centuries in mind for an investment in construction to pay off – the following three trends make the construction sector an attractive option for the current decade:

Trend 1 – Urbanisation: By the year 2050, some 66 % of the world's population will live in cities – this represents an increase of the urban population by 2.5 billion people. Accompanying this growth is a higher demand for infrastructure. In our home market of Germany, for example, the 2012 report by the Daehre Commission notes that more than € 2.6 billion of additional investments will be needed annually over a period of 15 years for the modernisation and expansion of the transportation network.

Ecological Responsibility

Trend 2 – Energy efficiency: The European Union wants to cut its greenhouse gas emissions by the year 2030 to 40 % below 1990 levels and is aiming at a reduction of 80–95 % by the year 2050. For this reason, among others, clients are increasingly demanding that existing buildings be adapted with a view toward higher energy efficiency and lower levels of emission during operation.

Trend 3 – Financing environment: The historically low interest rates and an extremely volatile financial environment make real estate an attractive investment for several investor groups – a situation we are currently observing to a great degree in our largest market of Germany. Moreover, low interest rates are facilitating the financing of project developments.

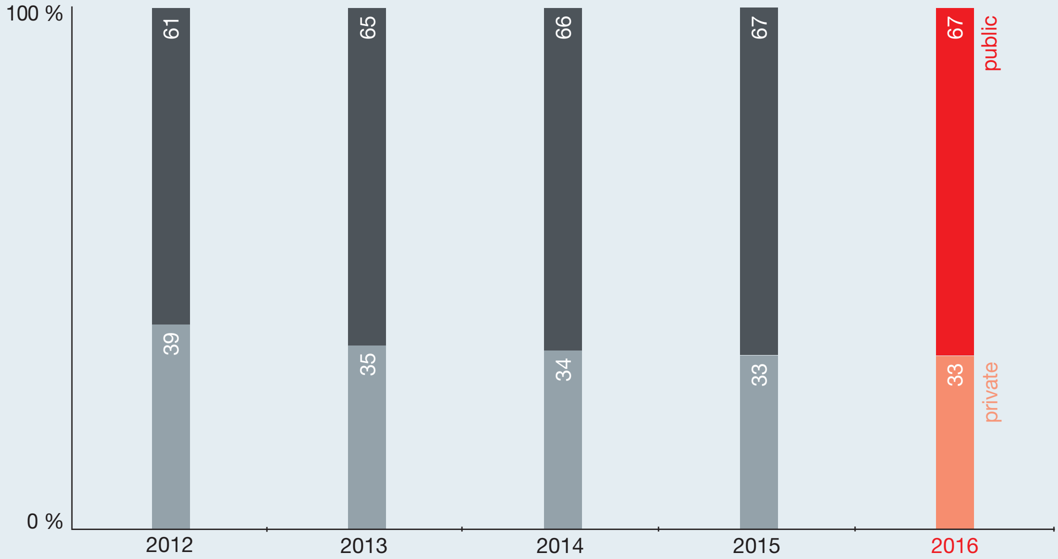
These three large trends are thus decisive for the attractiveness of the sector. But what is decisive in determining which company is awarded a contract? What do building clients look for in this regard?

Here it is important to make a distinction between the public and the private sector: while price is still mostly the decisive criterion for public-sector clients, private clients often look for the best offer – and this need not always be the lowest bid. The costs over the entire life cycle, including the operating costs, are also taken into consideration. Additional criteria play a role as well. As every building is unique, clients must be able to trust the abilities of the construction company. This trust is established through references, among other things. During tender processes, we are often asked about comparable projects that we have successfully completed in the past. Just as important are the experience and the know-how of the staff of the bidding construction company, the technical characteristics of the bid, and the existence of innovative solutions which may save the client money and time.

In some parts of the public sector, the **best bidder principle** is beginning to catch on. This principle entails public-sector contracts not being automatically awarded to the company with the lowest monetary bid, but also taking social, environmental and sustainability criteria into account. The STRABAG Group supports this principle, an initiative that is being driven by the trade unions and other organisations. From an overall perspective, the best bidder principle is better for the population and for the national economy than choosing what at first glance appears to be lowest bid. On the one hand, it is a way of securing local jobs. On the other hand, the building costs after the actual construction phase must also be taken into consideration – best bids include these costs in their cost estimate so as to minimise expenses over a building's full life cycle.

Every building is unique. Unlike in industries with standardised products, therefore, it is not possible in the construction sector to perform sensitivity analyses showing the influence of changes to a dominant production factor on a company's key performance indicator. Our business is not determined by just one driving factor; rather, the margins are influenced by several factors. These include certain business realities, such as the risk management system or the quality of our employees, as well as external influences such as economic growth (GDP) and demographic trends which affect the availability of qualified personnel as well as the demand for infrastructure. The level of public infrastructure spending – a euro invested in construction leads to demand in other sectors, with the result that the positive impact is multiplied in production and employment – and the financing environment for our clients constitute further factors.

OUR CLIENT STRUCTURE



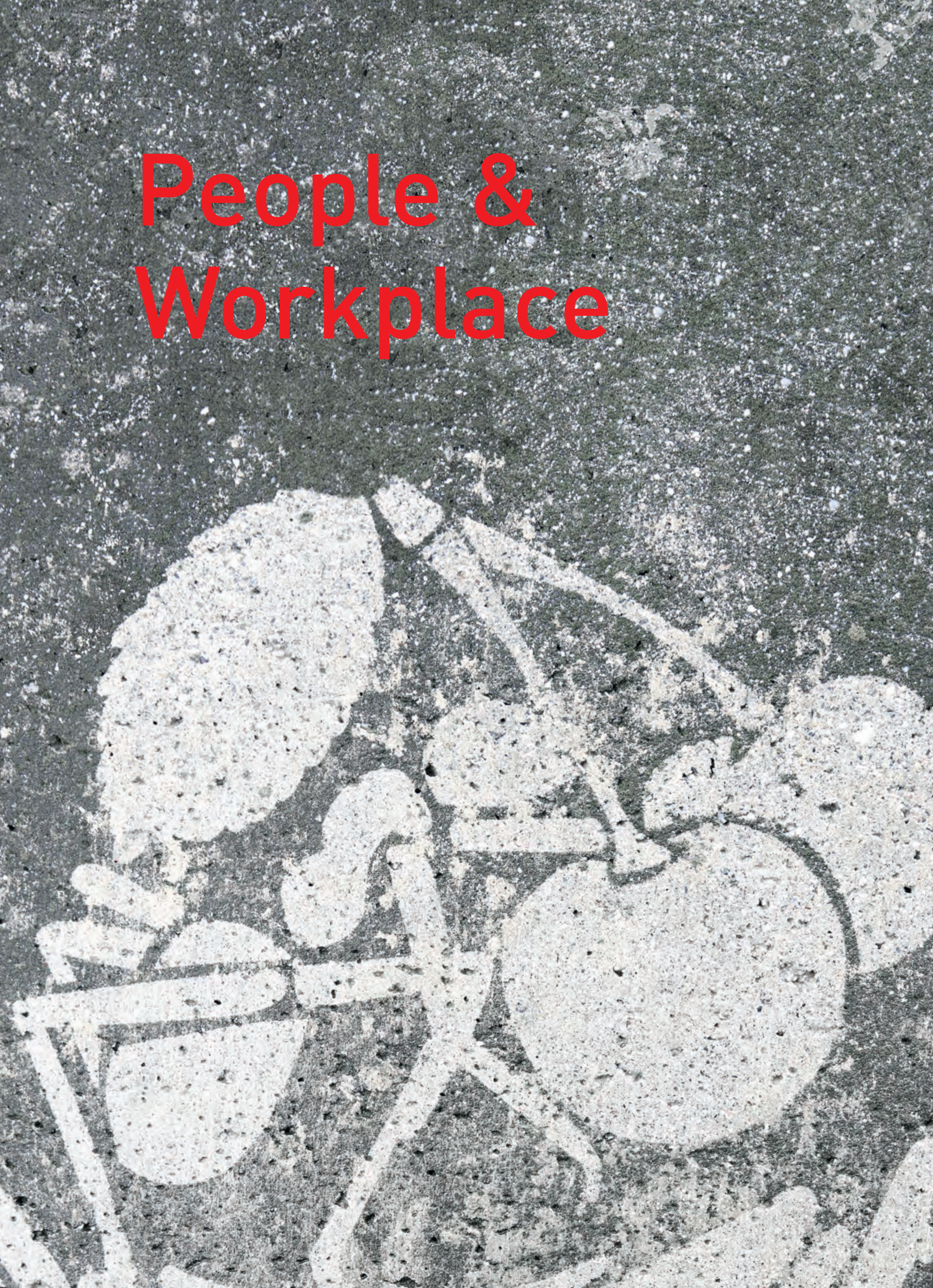
Public-sector clients such as state agencies or local governments make up our largest client segment. These are followed by the private clients – e.g. project developers and industrial companies. The exact proportion varies depending on the economic situation in STRABAG's individual markets.

How we measure our strategy's success

We translate our strategy into action in numerous initiatives. So we can also measure our success, we have set targets for each of the strategic fields and have worked out the following key figures. In this way, we can review whether we are coming closer to reaching our target of doing business responsibly from start to finish:

Strategic field	Key figure/Criteria	2016	2015	Targets
Economic Responsibility	Equity ratio	31.5 %	31.0 %	≥25 %
	S&P rating	BBB	BBB	Maintain investment grade rating
	EBIT margin	3.4 %	2.6 %	2017: ≥3 %
	Output growth	-6 %	5 %	2017: ≥4 %
	Dividend	35 % of net income after minorities	43 % of net income after minorities	30–50 % of net income after minorities
	Client satisfaction (index)	1.87	1.96	• Review/adaptation of the current standardised systematic for client satisfaction surveys • Creation of a catalogue of methods and criteria to assess client satisfaction on the basis of best practice in the group • Evaluation of online survey tools
	Innovation & digitalisation	• Project “Accelerated Introduction of BIM.5D®” concluded successfully • Project “The Integrated Construction Site” launched	n. s.	• Gather ideas on social business platforms • Precisioning of the indicators and targets
People & Workplace	Percentage of women in the company and in management	• 14.9 % of all employees • 8.4 % in management	• 13.9 % of all employees • 8.7 % in management	Grow percentage annually
	Occupational safety	• Set up standardised reporting in the group • Expansion of the country-specific occupational safety training and awareness-raising activities • Derivation of the following activity from the key indicators: identification of trip, slip and fall causes	Accident reporting and documenting standardised in the group	• Establishment of a group-wide SHE organisation (safety, health, environment) • Expansion of the e-learning tools
Ecological Responsibility	Fuel management	• FuelTracker rolled out for the passenger car and commercial vehicles fleet (excl. construction machinery) across Europe with the exception of Germany and Russia • A pilot project was concluded to analyse mobility patterns and e-mobility. Technical solutions for comprehensive implementation within the group are currently not available on the market.	• Efficiency potential of passenger car and commercial vehicles fleet of 3.2 % identified for Germany and Austria • First measures introduced to lower fuel consumption on a trial basis	Digitalisation of the construction fuelling; pilot project launched at start of 2017
	Energy management system	Introduction and certification to ISO 50001 energy management in Germany completed	Energy management in Austria introduced and certified to ISO 50001	Further development of the data management and improvement of the data quality of the energy consumption figures
Corporate Governance	Austrian Code of Corporate Governance (ÖCGK)	Compliance with all C-Rules and R-Rules	Compliance with all C-Rules and R-Rules	Compliance with all C-Rules and R-Rules and transparent reporting thereof
Business Compliance	Ethics training	• 81 % of all management employees trained • 83 % of all employees trained	• ~95 % of all management employees trained • ~90 % of all employees trained	• ~95 % of all management employees trained • ~90 % of all employees trained • Development of key figures for ethics training
Corporate Citizenship	Support of projects	Sustained support of: • CONCORDIA Sozialprojekte • Tyrolean Festival Erl • Ensemble:Porcia • STRABAG Kunstforum	Sustained support of: • CONCORDIA Sozialprojekte • Tyrolean Festival Erl • Ensemble:Porcia • STRABAG Kunstforum	Long-term support of selected initiatives

People & Workplace



PEOPLE & WORKPLACE

- ABOUT 72,000 EMPLOYEES WORLDWIDE
- STRABAG COACHES NEARLY 1,500 TRAINEES AND APPRENTICES
- PERCENTAGE OF WOMEN IN THE GROUP 14.9 %, IN MANAGEMENT 8.4 %

Manifold possibilities

We construct thousands of buildings and structures around the world every year by bringing the right people, materials and equipment together in the right place and at the right time. This would not be possible without teamwork – across geographic boundaries and business units. When our employees take the initiative, assume responsibility and pull together to work as one, the possibilities are manifold – including the possibilities for their future career.

Employee figures

For more about the measures to increase the percentage of women see the chapter "Corporate Governance"

As a result of the typical winter break in construction, the STRABAG Group is subject to seasonal fluctuations in employee numbers. For this reason, the number of employees – as is usual in the industry – is only stated as an annual average. **71,839 employees** (43,381 blue-collar and 28,458 white-collar) worked for STRABAG in 2016. The number of employees thus 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 company's strong international nature is reflected in the **number of nationalities**. In the 2016 financial year, STRABAG employed people from a total of 84 nations, compared to 88 nationalities in 2015.

During the past financial year, we had 1,217 blue-collar apprentices (2015: 1,195) and 272 white-collar trainees (2015: 277) in **training** with us. This corresponds to a slight increase by 1 %.

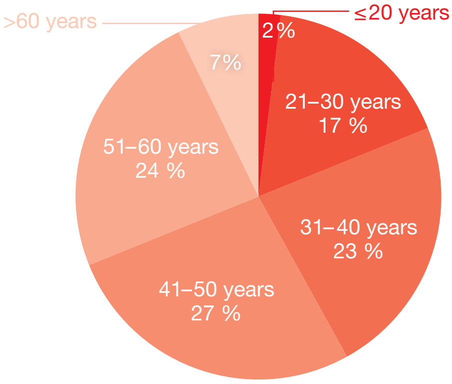
Traditionally, the construction industry employs primarily men. **Women** are therefore underrepresented at all hierarchy levels. In 2016, the number of women as a percentage of employees within the entire group amounted to 14.9 % after 13.9 % the year before. The group management – i.e. persons with a management position as defined by Section 80 of the Austrian Stock Corporation Act (AktG) – is composed of 8.4 % women (2015: 8.7 %). We have set the goal to annually raise the percentage of women within the group.

NUMBER OF EMPLOYEES 2016 BY SEGMENT AND COUNTRY

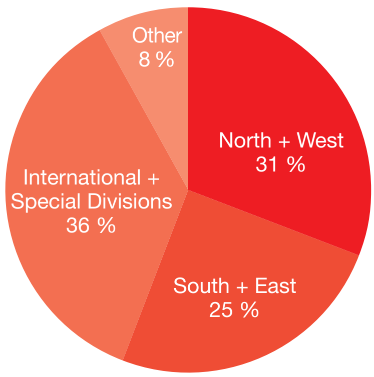
	North + West	South + East	International + Special Divisions	Other	Group
Germany	16,669	559	9,231	2,387	**28,846**
Austria	101	6,757	2,303	1,153	**10,314**
Americas	55	2	4,948	2	**5,007**
Middle East	98	24	4,514	0	**4,636**
Poland	3,467	40	453	594	**4,554**
Czech Republic	1	2,570	736	365	**3,672**
Hungary	5	1,582	735	273	**2,595**
Slovakia	0	1,301	321	209	**1,831**
Romania	63	872	217	171	**1,323**
Switzerland	81	945	59	139	**1,224**
Russia	128	639	268	116	**1,151**
Africa	70	57	883	0	**1,010**
Rest of Europe	130	694	146	20	**990**
Serbia	0	726	44	110	**880**
Asia	0	6	724	0	**730**
Croatia	0	508	98	99	**705**
Benelux	515	3	59	57	**634**
Denmark	479	1	12	0	**492**
Sweden	369	8	25	30	**432**
Bulgaria	0	261	22	59	**342**
Italy	2	29	203	23	**257**
Slovenia	0	174	26	14	**214**
Total	**22,233**	**17,758**	**26,027**	**5,821**	**71,839**

Balanced age structure

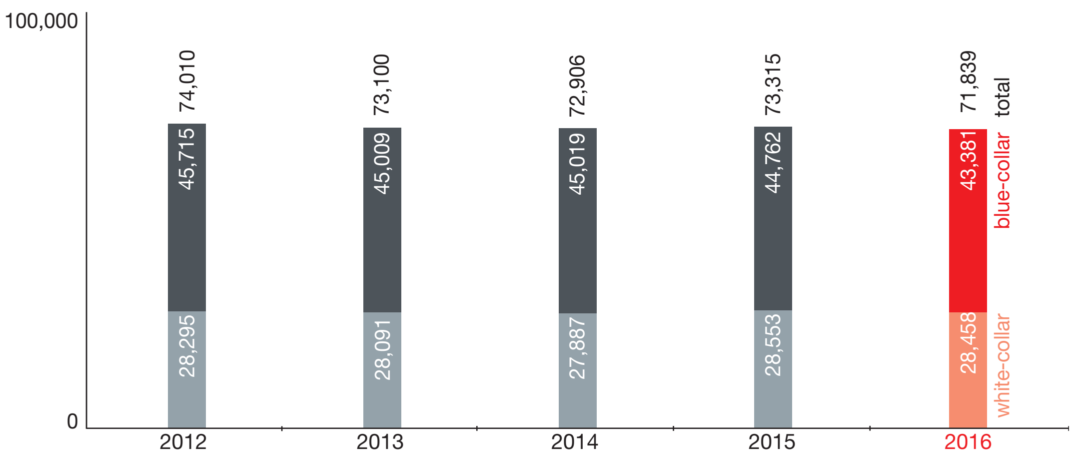
EMPLOYEE AGE STRUCTURE 2016



EMPLOYEES BY SEGMENT 2016



DEVELOPMENT OF EMPLOYEE FIGURE



96.4 % of our employees are employed full-time (2015: 97.0 %) and 3.6 % part-time. 97.2 % have a permanent contract (2015: 97.0 %). Work is continuing on the expansion and more precise specification of the human resource indicators as defined by GRI G4.

Strategic human resource development

Material issue according to GRI: see p. 17

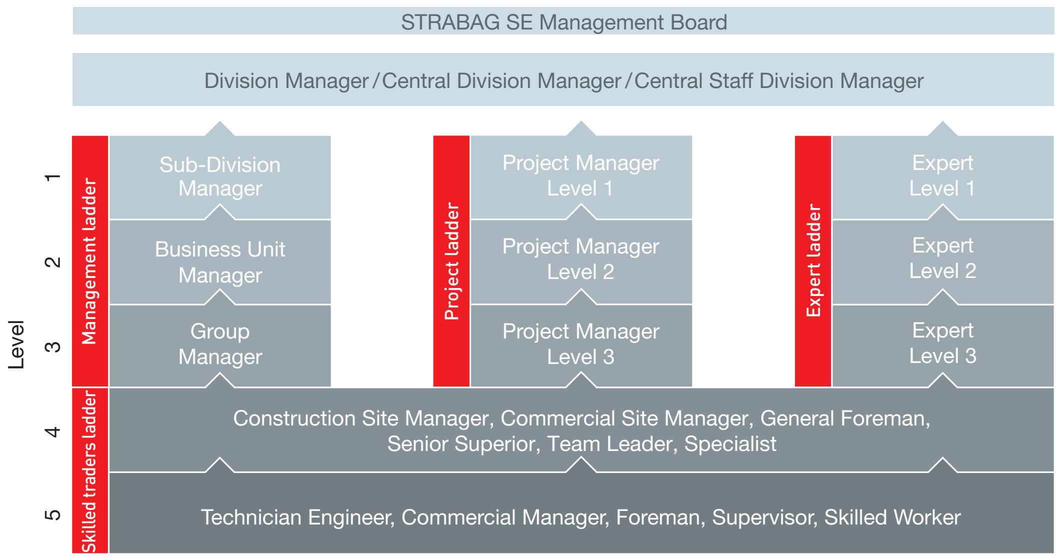
We constantly strive to develop and optimise the professional and personal qualifications of our employees. The construction sector is a human-resource-intensive industry in which the commitment shown by our workers has a significant influence on business success – not least because, in light of shortages of skilled personnel and seasonal bottlenecks, they represent a critical factor. The STRABAG Group's response is consistent **strategic human resource planning** and the continuous **training and development** of its employees.

FINDING, DEVELOPING AND BINDING HIGH POTENTIALS

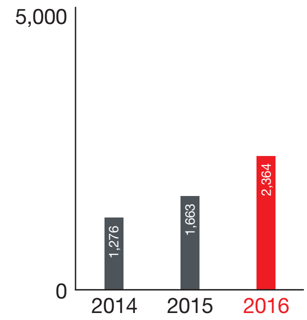
Our systematic talent management, which has been rolled out across the entire group since 2015, has as its objective the development of enough young talents with the best possible qualifications from within our own ranks to fill especially key positions internally. Based on the **career model**, internal parameters are applied to identify high-potential employees, provide them with individual support and deploy them in the right positions. Besides the management ladder, which focuses on general management tasks, two other career paths are available: The expert careers are characterised by a high degree of technical expertise in a specialty field. Project managers can fall back on their years of experience in the field of project management and are responsible for complex construction projects.

Individual activities such as a development centre, special training programmes or job rotation schemes are offered to help develop the recognised potential. The goal-oriented recognition and promotion of high-potential employees creates a stronger bond to the group and, in the long term, helps to secure quality, continuity and performance within the group.

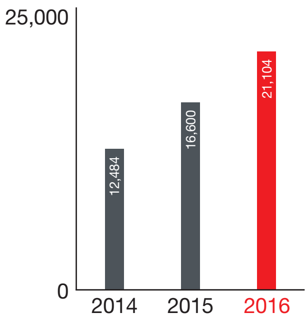
CAREER MODELS



NUMBER OF SEMINARS



NUMBER OF PARTICIPANTS



GROUP ACADEMY: WE INVEST IN EDUCATION

The group academy is the central platform for further training and education at STRABAG. This is where our employees can find **specially developed training offers** in the categories of technology, law, business management, IT, personality and leadership. The trainers are internal and external experts who pass on their expertise to the participants. 2,364 training and further education seminars were offered in 2016 (2015: 1,663) and attended by 21,104 employees (2015: 16,600). More than 39,000 persons successfully completed an e-learning course.

Basis for the individual development planning is, among other things, the annual appraisal interview between superiors and employees. The interview participants discuss the achievements of the past year and use this as a basis to derive the main tasks for the future as well as the further goals and development activities. Additionally, all employees have the possibility to make proposals for new training offers using the internal knowledge management tool. They and their managers, depending on their position, also receive recommendations for a selection of seminar options.

The Group Academy offers regular modular **qualifications** to reinforce and deepen the training of people in key positions:

The versatile project manager

"Die vielseitige Projektleiterin/Der vielseitige Projektleiter" ("The Versatile Project Manager") is a practical training series for current and future project managers offered in cooperation with the University of Applied Sciences FH Campus Wien. The aim of the course is to provide current and future commercial and technical project managers with comprehensive professional and personal development for the handling of medium-sized and large projects. In six modules, the course participants attend a series of lectures and workshops to elaborate case studies on a variety of different subjects. A written exam must be passed on the content of each module, for which participants will receive a certificate from FH Campus Wien that is recognised by educational institutions throughout Europe.

Successful construction management – practical programme for group leaders

As a way to support the personal career path, the group came up with a training series called "Erfolgreiches Baumanagement" ("Successful Construction Management") designed especially for current and future group leaders. The aim of the course is the completion of the necessary specialist, leadership and method skills that are required for this position. The lecturers, both internal and external experts, instruct participants in a variety of different modules. This course structure, in combination with interactive elements, ensures the networking among course participants and thus supports the group-wide knowledge exchange.

EDUCATION TO COUNTER THE SHORTAGE OF SKILLED LABOUR

STRABAG invests a lot of time and money in the training and education of its **apprentices and trainees**[1)]. For dedicated young people who have completed an apprenticeship, the door to a career at STRABAG is wide open.

Our main apprenticeship careers in **Austria** are bricklayer, ground engineering specialist, formwork carpenter and paver. But we also offer training as construction plant mechanic, electrical engineering technician, facilities and building technician, mechatronics technician, metal technician, sheet metal worker as well as plasterer and drywall finisher to complement our team. In Austria, STRABAG continually offers apprenticeship placements at around 50 locations nationwide. A special feature of STRABAG's offer is the possibility for apprentices to attend the group's own apprentice academy "BASIC-ADVANCED" during the winter months. At two locations in Austria, specially trained STRABAG forepersons and site managers work with our apprentices to reinforce their practical and theoretical knowledge. Just how successful an apprenticeship at STRABAG can be was demonstrated at World Skills 2015 in Brazil: the STRABAG team won the career world championships and took home the title in concreting and formwork. A team from STRABAG was again able to beat out the competition at the Austrian national championships in 2016 and will attend the world championships in Abu Dhabi in October 2017.

1) Due to the differences in training systems from country to country, only the situation in the core markets of Austria and Germany can be presented here.

Increase of apprentice and trainee numbers planned

In **Germany**, STRABAG and its construction equipment subsidiary BMTI are pursuing the selective training of its young talents at the Group Training Workshop in Bebra. The focus here is on the commercial and technical fields. In Bebra, our apprentice road workers, ground engineering workers and construction equipment operators enjoy top quality vocational training and individual attention. The aim is to secure an efficient knowledge transfer under aspects of quality and time away from the daily working routine.

In Germany, Austria and Switzerland, a total of 424 (2015: 400) blue-collar apprentices were taken on in 2016. A significant increase of the apprentice and trainee numbers is expected in Germany and in Austria in the years to come. More information about the apprentice professions and work placement positions is available at karriere.strabag.com.

TRAINEE PROGRAMME TO DEVELOP YOUNG TALENTS

It is our aim to recognise, promote and develop young talents. In the competition for the best employees, STRABAG therefore offers a practical familiarisation programme for graduates with little professional experience holding selected Bachelor/Master degrees from universities and universities of applied sciences. The aim of the trainee programmes is to best prepare the graduates for the requirements of their future position in the group. As at 31 December 2016, the STRABAG Group had 73 technical and 16 commercial **trainees** working for it, thereof 65 men and 24 women.

89 trainees at work for us

Trainees have their own personal schedule as a way of addressing individual wishes and needs and to offer flexible entry times. The commercial trainee programme lasts between eleven and 13 months, the technical programme varies between twelve and 15 months and both programmes include a period of three months abroad. At the beginning of the programme, trainees meet with a mentor to design the trainee schedule according to the specific professional and personal requirements of the target position. This experienced mentor is available to the trainee throughout the entire training period. Regular feedback interviews help focus on the trainee's individual development.

With instruction from experienced specialists and management employees, the trainees pass through different organisational divisions and are introduced to various areas of business and responsibility. Both the commercial as well as the technical programme include mandatory sessions, for example on the construction site. Specific training activities are used to develop the applicant's personal and professional skills. An individual training schedule is developed for each trainee. In 2016, our trainee programme was again recognised as career-enhancing and fair by the job exchange Absolventa.

Integrating our guiding principles in the everyday work routine

Our colleagues from the Central Technical Division at the planning process

In all of our considerations, we want to let ourselves be guided by the principles of partnership, trust, innovative spirit, modesty, commitment, reliability, solidarity, respect and sustainability. In order to evaluate the degree to which these values are anchored in our organisation, we designed and conducted an anonymous online survey in mid-2016 among randomly chosen employees from several group countries.

The results of the survey serve as the foundation for the "STRABAG Culture Project" in which managers from the respective countries work together with their project teams to define measures that will help to anchor these values more strongly in our everyday work routine. The goal is for all employees to develop a joint understanding of the STRABAG guiding principles and to allow these to be experienced in the daily work. The STRABAG Culture Project was launched in September 2016 and is slated to run for two years, at which point the survey will be repeated to evaluate the changes.

Human resource marketing

Qualified skilled workers and management employees form the heart of our company, and only with a positive image and as an attractive employer will the group continue to be able to cover the strongly growing demand for this key ressource. For this reason, we put a lot of our energy into addressing the target groups. Our focus is on school-age students as much as on university students and recent graduates. In order to reach prospective employees, our human resource marketing activities include participating in job fairs, presenting our company at educational institutions, organising company tours, offering internships and work placement, and sponsoring bachelor and master theses. We also are proud of our successful partnerships with more than 185 educational institutions in 2016. Additionally, we have our own profiles on social media platforms like Facebook, LinkedIn, Xing and YouTube in order to be more accessible for interested person.

We can gauge the success of our efforts by looking at different **employer rankings**. The independent consulting firm Universum, for example, ranked us in 3rd place of the most popular employers in Austria in the category of Engineering/IT. In Germany, our company moved up seven slots to rank among the top 20 employers in this category for the first time. For outstanding quality in recruiting and human resource marketing in our industry, we were also awarded the "Best Recruiter" seal in Austria and Germany in a study commissioned by the publishing house CAREER.

Work safety and health

We have launched a number of initiatives in recent years to help maintain and promote the safety and health of our employees. This helps to guarantee a uniform high standard of safety within the group.

Material issue according to GRI: see p. 17

The **lost-time accident rate** in 2016 – calculated as the number of working hours lost to accidents versus productive working hours – stood at 0.25 % in the group, with 0.36 % among blue-collar and 0.07 % among white-collar workers (2015: 0.24 % in group, 0.34 % blue-collar, 0.07 % white-collar). The accident incident rate[1)] – calculated as the number of accidents at work per 1 million productive working hours – was overall comparable to that of last year with 17.6 in the group, 25.0 among blue-collar and 5.2 among white-collar workers (2015: 17.6 in group, 24.5 blue-collar, 5.6 white-collar).

Work safety as criterion in subcontractor selection

The further development of work safety is in the interest of all stakeholders – as evidenced by the high priority given this matter in the establishment of the materiality matrix. For this reason, training and further education seminars, site inspections with managers and site supervisors, analyses of (near) accidents and prevention measures belong to the daily repertoire of our work safety experts.

In 2016, these experts for work safety as well as those for occupational medicine at the joint construction site inspections put the **focus** on reducing the risks from **UV radiation and high temperatures**. Construction work is largely performed outdoors. Individual people react quite differently to certain climatic factors, e.g. with sunburns or skin cancer, sunstroke and heatstroke. But attention must also be drawn to the negative influence of UV radiation on the conjunctiva and retina of the eyes. For this reason, workers are to be provided not only enough mineral water and sunscreen but also safety glasses that offer UV protection. Moreover, employees should be regularly informed about the dangers of solar radiation through various communication media – for example in video form – to increase their willingness to actually use the products offered without hesitation.

Improved **hygiene** had been a focus of the work safety experts in 2015. In the 2016 financial year, the group continued the hygiene activities that had been launched subsequent to the site inspections.

The goal of the workshop **“Work Safety on Building Construction Sites”** held at the end of 2015 in Stuttgart, Germany, was to help protect high-risk subcontractor trades against serious accidents. Workshop participants included experts from work safety, purchasing and integrated quality management (IQM) as well as members of the Management Board. A first step taken in 2016 was to adapt the construction site regulations; contractual rules are being reviewed. In the future, the work safety experts will be included in the assessment of subcontractors and will grade their work safety performance. In a workshop at the end of 2016, the transportation infrastructures segment decided to launch a campaign to significantly reduce accidents from slips, trips and falls.

On behalf of the Management Board of the group, the staff unit for Integrated Quality Management, Safety and Health Protection, together with Human Resource Development, developed an e-learning course titled “Basic Instructions in Work Safety for White-Collar Workers”. The training imparts basic knowledge on the subject of operational organisation, workplace design, as well as accident and emergency organisation. The courses were successfully introduced to Austria, Germany and Switzerland in 2016 and are to be repeated every three years. Additional modules on other issues will follow.

Currently, the organisation concerning issues of safety, health and environment (SHE) – which had previously operated autonomously in the individual countries – is being set up as a group-wide organisation. This includes the establishment of an SHE committee to steer interdisciplinary issues such as work safety communication, e-learning courses and the use of digital means to assess, process and avoid unsafe situations/ near-accidents on construction sites.

1) The figures include accidents at work (excluding accidents occurring on the way to or from work as well as occupational illness) with lost time of at least one calendar day, counted from the day after the accident incident.

Healthcare

OCCUPATIONAL MEDICINE HELPS WITH HEALTHCARE MATTERS

The **lost-time illness rate** in 2016 – calculated as the ratio of sick leave days to working days – stood at 5.09 % in the group, with 6.65 % among blue-collar and 3.57 % among white-collar workers (2015: 4.99 % in group, 6.53 % among blue-collar, 3.64 % among white-collar). To reduce this rate as much as possible, we are working together with a team of occupational physicians who conducted health days in branch offices, as well as vaccination campaigns (TBE, tetanus, hepatitis, influenza, travel vaccinations, etc.), check-ups and follow-ups (hearing and vision tests, pulmonary function, etc.) and spinal screenings. In addition, training on proper lifting and carrying is offered on construction sites. Employees are also given the possibility of eye, stress and preventive examinations.

The employee survey **"Evaluation/Risk Assessment of Psychological Stress"** carried out among white-collar workers has – in addition to Austria – been carried out in Germany, Poland, the Czech Republic, Slovakia, Hungary and Croatia. The results were presented in the individual organisational entities, several measures have been worked out, and some have already been put into action. The legally mandatory survey among blue-collar workers has already been completed in Austria. The six-aforementioned countries and Switzerland will follow 2017 and the employee survey will be carried out also among blue-collar workers.

WORKPLACE HEALTH MANAGEMENT

WHM rolled out in eight countries

Maintaining the health and productivity of our employees is a central concern for us and inevitable for the long-term success of the company. Our workplace health management (WHM) introduces this issue into all of our operational decisions and processes. The legal provisions for work safety and health protection form the basis for us as a minimum requirement. Apart from this, we have set ourselves the goal of systematically, specifically and sustainably promoting the health of our employees and to firmly anchor workplace health management in the group.

Building on measures from the areas of work safety, healthcare protection and ongoing activities of workplace health promotion, we therefore began to implement WHM in Austria, Germany and Switzerland in 2014. In the meantime, it has been rolled out across five additional countries. Steered at the group level, the issue can be expanded uniformly and systematically in the individual countries by national WHM coordinators. These coordinators are responsible for implementing the measures at the individual locations with support by dedicated site teams. The aim of the measures is to improve the working conditions and strengthen the personal workplace resources of all employees and members of the management.

Our management employees play an especially important role in anchoring WHM in the company culture. Creating a culture of health promotion requires managers who serve as role models, on the one hand, and are familiar with healthy leadership on the other. The two-day seminar "Success through Healthy Leadership" teaches our management employees how they can individually strengthen their own resources and how to implement healthy leadership. The seminar has already been carried out in several countries and has so far been attended by 108 participants. But also our non-management employees are learning about this topic. The "Fit-4Work" seminar that has been offered since 2015 explains how an individual health strategy can counter challenges such as lack of exercise, an unbalanced and unhealthy diet, and habituated stress patterns. In 2016, 256 employees defined their own personal strategy for more wellness at the workplace.

Employee and social fund

In order to help employees who are experiencing **financial difficulties** through **no fault of their own**, e.g. as a result of accidents, illness, natural disasters, etc., the STRABAG Group set up a private foundation called the “Arbeits- und Sozialfonds” (“Employment and Social Fund”) more than ten years ago. When it was established, the foundation was endowed with about € 3.60 million, an amount which by the year 2013 had been raised to about € 10.20 million in response to the rising number of employees. The application for financial assistance can be submitted by the affected employees, by their supervisors or by an employee representative.

Applications are reviewed by the foundation’s board before a socially appropriate decision is made. The board is chaired by an employee representative and consists of four employer and four employee representatives. Financial assistance is granted primarily in the form of monthly payments for an employee’s dependent children, but may also take the form of one-off payments for a specific purpose.

Corporate Governance & Business Compliance

CONSOLIDATED CORPORATE GOVERNANCE REPORT

- COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE
- REMUNERATION OF MANAGEMENT BOARD RISES ON HIGHER VARIABLE INCOME
- REGULAR EVALUATION OF MANAGEMENT AND SUPERVISORY BOARDS
- CONTINUOUS OPTIMISATION OF LEGAL AND ETHICAL STANDARDS

General principles

CONSOLIDATED REPORT

The present report is a consolidated corporate governance report as defined by Section 267a UGB (Austrian Commercial Code) which also covers the corporate governance report as defined by Section 243b UGB.

COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

The consolidated corporate governance report explains the rules, structures and processes implemented by STRABAG SE in the interest of a well-functioning corporate governance system. We are fully and without exception committed to the Austrian Code of Corporate Governance (ÖCGK) and its aims and we see compliance with all the rules contained within the Code as a top priority. This commitment represents a self-obligation on the part of STRABAG SE with the aim to boost shareholder confidence and to constantly optimise our high internal legal, behavioural and ethical standards. We are further obligated to fulfil the standards of the Code due to the listing of our shares in the Prime Market segment of the Vienna Stock Exchange.

The Austrian Code of Corporate Governance is a set of rules for good corporate governance and control systems on the Austrian capital market. It was introduced in 2002 in line with international standards and has been revised several times since. The aim of the Code is to establish a responsible system of management and supervision of companies that is geared toward creating sustainable, long-term value while ensuring a high level of transparency for all stakeholders. Investors and issuers therefore recognise the Code as an indispensable part of the Austrian system of corporate governance and of Austrian business life.

The Austrian Code of Corporate Governance defines three categories of rules: L-rules refer to legal requirements with mandatory compliance on the part of publicly listed companies in Austria. Deviation from C-rules (comply or explain) must be explained and the reasons stated. R-rules are recommendations requiring neither disclosure nor explanation. The version of the Code that was valid for the 2016 financial year is the January 2015 version – it is available for download from the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and from STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Formal Obligation and Evaluation).

The Management Board and the Supervisory Board of STRABAG SE declare that STRABAG SE has complied with all L-rules of the Austrian Code of Corporate Governance as well as all C-rules with the exception of those rules stated and explained below. The company furthermore endeavours to abide not only by the minimum requirements but also by all of the Code's R-rules without exception.

NON-COMPLIANCE WITH THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

C-Rule 2: On the basis of a resolution passed by the Annual General Meeting, the shares of STRABAG SE include two special registered shares with an associated right to nominate one member of the Supervisory Board each. The registered shares bind significant shareholder groups more strongly to the company and guarantee the availability of know-how from important stakeholders for the Supervisory Board. This is in the interest of good corporate governance and represents a sustainable advantage for STRABAG SE, which further benefits especially from the commitment, expertise and experience of the respective Supervisory Board member. It also significantly improves the contact and communication between the company and its shareholders and promotes the transparency of the shareholder structure.

C-Rule 27: It is a key concern for STRABAG SE that the remuneration of the Management Board members be made according to measurable criteria in a way that is transparent and easily comprehensible. The remuneration of the Management Board is based on the scope of the work, the responsibilities and the personal performance of the individual Management Board member, the achievement of the corporate goals as well as the size and the economic situation of the company. The variable component of the remuneration also considers sustainable, long-term, multi-year performance criteria if these can be measured. It may not exceed a fixed maximum. It is nearly impossible, however, to meaningfully define non-financial criteria that would be applicable equally to all segments. Very general non-financial criteria don't say very much about the sustainable success and economic situation of the company. On the other hand, a differentiated definition of non-financial criteria for each business segment would be to the detriment of transparency and ease of understanding. As a result of thorough debate in the Executive Committee of the STRABAG SE Supervisory Board, the decision was made not to use non-financial criteria to calculate the remuneration of the members of the Management Board.

Boards

MANAGEMENT BOARD

Management Board composed of five members

Peter Krammer, Thomas Birtel, Hannes Truntschnig, Christian Harder, Siegfried Wanker (from left to right)

Name	Year of birth	Position held	Responsible for	First appointment	End of current period of office	Supervisory board mandates or similar functions in national or foreign companies not included in the consolidated financial statements	Management and supervisory tasks at important[4] subsidiaries
Dr. Thomas Birtel	1954	CEO	Central Staff Divisions and Central Divisions Zentrale Technik, BMTI and TPA Group Division 3L Russia	1 January 2006 (Member of the Management Board) 15 June 2013 (CEO)	31 December 2018	Deutsche Bank AG, Germany (Member of the Advisory Board) HDI-Global SE, Germany (Member of the Advisory Board) VHV Allgemeine Versicherung AG, Germany (Member of the Supervisory Board) VHV Vereinigte Hannoversche Versicherung a.G., Germany (Member of the Supervisory Board) VHV Holding AG, Germany (Member of the Supervisory Board)	Bau Holding Beteiligungs AG, Austria (Chairman of the Supervisory Board) Ed. Züblin AG, Germany (Chairman of the Supervisory Board) STRABAG AG, Germany (Chairman of the Supervisory Board) STRABAG AG, Austria (Chairman of the Supervisory Board) STRABAG Sp. z o.o., Poland (Chairman of the Supervisory Board)
Mag. Christian Harder	1968	CFO	Central Division BRVZ	1 January 2013	31 December 2018	Syrena Immobilien Holding AG, Austria	AKA Alföld Koncessziós Autópálya Zártkörüen Müködö Részvény-társaság, Hungary (Member of the Supervisory Board) Bau Holding Beteiligungs AG, Austria (Member of the Supervisory Board) Ilbau Liegenschaftsverwaltung AG, Germany (Chairman of the Supervisory Board) STRABAG AG, Austria (Vice Chairman of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Member of the Supervisory Board)
Dipl.-Ing. Dr. Peter Krammer	1966	Member of the Management Board	Segment North + West[1]	1 January 2010	31 December 2018	None	Bau Holding Beteiligungs AG, Austria (Member of the Supervisory Board) Ed. Züblin AG, Germany (Member of the Supervisory Board) STRABAG AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board)
Mag. Hannes Truntschnig	1956	Member of the Management Board	Segment International + Special Divisions[2]	1 April 1995	31 December 2018	Raiffeisen evolution project development GmbH, Austria[5] (Vice Chairman of the Advisory Board until 31 March 2016) Syrena Immobilien Holding AG, Austria (Vice Chairman of the Supervisory Board)	AKA Alföld Koncessziós Autópálya Zártkörüen Müködö Részvény-társaság, Hungary (Member of the Supervisory Board) Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ilbau Liegenschaftsverwaltung AG, Germany (Vice Chairman of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Chairman of the Supervisory Board) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board
Dipl.-Ing. Siegfried Wanker	1968	Member of the Management Board	Segment South + East[3] (exept Division 3L Russia)	1 January 2011	31 December 2018	None	Bau Holding Beteiligungs AG, Austria (Member of the Management Board) Ilbau Liegenschaftsverwaltung AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Property & Facility Services GmbH, Deutschland (CSTRABAG a.s., Czech Republic (Member of the Supervisory Board)

Dr. Thomas Birtel

Thomas Birtel graduated with a doctorate degree in economics from Ruhr-University Bochum in 1982. He began his career in 1983 at the former German trading and plant construction group Klöckner & Co, where he advanced to head of accounting for Klöckner Industrie-Anlagen GmbH. In 1989, he moved on to a management position at Sweden's Frigoscandia Group. He joined the STRABAG Group in 1996 as a member of the Management Board of STRABAG Hoch- & Ingenieurbau AG, was appointed to the Management Board of STRABAG AG, Cologne, in 2002 and to the Management Board of STRABAG SE in 2006. Thomas Birtel has held the position of CEO of STRABAG SE since 15 June 2013.

1) North + West: Germany, Poland, Benelux, Scandinavia, Ground Engineering, Waterway Construction
2) International + Special Divisions: Tunnelling, Construction Materials, Services, Real Estate Development, Infrastructure Development, Direct Export
3) South + East: Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Technology
4) € 10 million minimum average consolidated output volume over past two years
5) Company fully consolidated after share purchase in December 2016.

Mag. Christian Harder

Christian Harder completed a degree in applied business administration at the University of Klagenfurt before joining the STRABAG Group through its predecessor Bau Holding Group in 1994. He advanced to director of accounting, to head of financial accounting and, finally, to Central Division director of Bau-, Rechen- und Verwaltungszentrum Gesellschaft m.b.H. (BRVZ). From 2008, he held the position of managing director of BRVZ. He was appointed CFO of STRABAG SE effective on 1 January 2013.

Dipl.-Ing. Dr. Peter Krammer

Peter Krammer graduated with a doctorate degree in engineering sciences from the Faculty of Civil Engineering at TU Wien in 1995. He gained his first professional experience at Porr Technobau AG, STRABAG and Swietelsky Bau GesmbH before returning to the Austrian STRABAG AG in 2005. As a member of the Management Board, he was in charge of building construction and civil engineering in Eastern Europe and of environmental technology for the entire group. Peter Krammer has been a member of the Management Board of the group since 1 January 2010.

Mag. Hannes Truntschnig

After completing studies in business administration at Karl Franzens University in Graz, Hannes Truntschnig in 1981 joined ILBAU AG (today's STRABAG Group) where he acquired profound leadership experience through various commercial management positions at a number of different group companies. In 1992, he was appointed authorised signatory for Bau Holding Aktiengesellschaft. Hannes Truntschnig has been a member of the Management Board of STRABAG SE since 1 April 1995.

Dipl.-Ing. Siegfried Wanker

Siegfried Wanker studied civil engineering at Graz University of Technology before joining the STRABAG Group as site manager in 1994. Between 2001 and 2004, he held the position of managing director at several engineering service providers before rejoining the STRABAG Group in 2005. As a member of the Management Board of the Austrian STRABAG AG he was initially in charge of the international building construction business, then for corporate development and services, and finally for infrastructure project development. Siegfried Wanker has been a member of the STRABAG SE Management Board since 1 January 2011.

Working method of the Management Board: Open exchange in meetings at least every two weeks

Open exchange and close cooperation between Management Board and Supervisory Board

The Management Board of STRABAG SE – like the Supervisory Board – sees it as a priority obligation and task to comply with all the rules of the Austrian Code of Corporate Governance and to continually optimise the high internal legal, behavioural and ethical standards of STRABAG SE. Collegiality, openness, a constant exchange of experience and short decision-making chains are among the main guiding principles. In line with the rules of the Code, the Management Board of STRABAG SE works closely together with the Supervisory Board. In particular,

- the Management Board regularly and extensively informs the Supervisory Board as to all relevant matters concerning the development of the company's business, including the risk situation and risk management in the company and the important group entities;
- a regular exchange of information and opinions takes place between the CEO and the Chairman of the Supervisory Board concerning strategy, the development of the business, risk management and important business transactions, particularly acquisitions and disposals;
- the Chairman of the Supervisory Board is informed immediately of any important occurrences.

The Management Board of STRABAG SE and its individual members conduct their business in accordance with the prevailing laws and legislation, the Articles of Association, and the Management Board's Rules of Procedure as approved by the Supervisory Board. The Rules of Procedure obligate the Management Board and its individual members to provide extensive information and reporting to the Supervisory Board. The Rules of Procedure also define an extensive catalogue of measures and legal transactions requiring approval by the Supervisory Board.

Coordination within the Management Board occurs during regular meetings held approximately every two weeks as well as in the form of the daily informal exchange of information. Matters discussed at the Management Board meetings include the current operations and the long-term company strategy. Also coordinated are any current or outstanding management measures to be implemented by the relevant Management Board members.

Name	Year of birth	Citizen of	Position held	First appointment	End of current period of office	Other supervisory board mandates or similar functions in national or foreign listed companies	Independent pursuant to Rule 53 ÖCGK
Shareholder representatives							
Dr. Alfred Gusenbauer	1960	Austria	Chairman of the Supervisory Board	18 June 2010	ends with 2020 Annual General Meeting	Gabriel Resources Ltd., Canada (Member of the Board of Directors) RHI AG, Austria (Member of the Supervisory Board)	Yes
Mag. Erwin Hameseder	1956	Austria	Vice Chairman of the Supervisory Board	10 September 1998	indefinite as of 17 August 2007	AGRANA Beteiligungs-AG, Austria (Chairman of the Supervisory Board) Flughafen Wien AG, Austria (1st Vice Chairman of the Supervisory Board) Raiffeisen Bank International AG, Austria (1st Vice Chairman of the Supervisory Board) Südzucker AG, Germany (2nd Vice Chairman of the Supervisory Board) UNIQA Insurance Group AG, Austria (2nd Vice Chairman of the Supervisory Board)	Yes
Mag. Hannes Bogner	1959	Austria	Member of the Supervisory Board	14 June 2013	ends with 2020 Annual General Meeting	None	Yes
Mag. Kerstin Gelbmann	1974	Austria	Member of the Supervisory Board	18 June 2010	ends with 2020 Annual General Meeting	Binder+Co AG (Member of the Supervisory Board since 13 April 2016) SEMPER CONSTANTIA PRIVATBANK AG, Austria	Yes
Andrei Elinson	1979	Russia	Member of the Supervisory Board (until 13 January 2016)	21 April 2009	–	None	Yes
Dr. Gulzhan Moldazhanova	1966	Russia	Member of the Supervisory Board (since 13 January 2016)	17 August 2007 to 20 April 2009; rejoined on 13 January 2016	ended on 6 February 2017	None	Yes
William R. Spiegelberger	1961	USA	Member of the Supervisory Board	12 June 2015	ends with 2020 Annual General Meeting	None	Yes

Name	Year of birth	Citizen of	Position held	First appointment	End of current period of office	Other supervisory board mandates or similar functions in national or foreign listed companies	Independent pursuant to Rule 53 ÖCGK
Delegated by the works council							
Dipl.-Ing. Andreas Batke	1962	Germany	Member of the Supervisory Board	1 October 2009	indefinite	STRABAG AG, Germany (Member of the Supervisory Board)	Yes
Miroslav Cerveny	1959	Czech Republic	Member of the Supervisory Board	1 October 2009	indefinite	None	Yes
Magdolna P. Gyulainé	1962	Hungary	Member of the Supervisory Board	1 October 2009	indefinite	None	Yes
Georg Hinterschuster	1968	Austria	Member of the Supervisory Board	13 October 2014	indefinite	None	Yes
Wolfgang Kreis	1957	Germany	Member of the Supervisory Board	1 October 2009	indefinite	None	Yes

SUPERVISORY BOARD

Supervisory Board composed of eleven members

Shareholder representatives

Dr. Alfred Gusenbauer
Chairman of the Supervisory Board

Alfred Gusenbauer studied law, philosophy, political science and economy at the University of Vienna, completing his doctorate in 1987. In 1991, he became a member of the Austrian senate, two years later a member of parliament. From 2000 to 2008, Alfred Gusenbauer was President of the Social Democratic Party of Austria, serving as Federal Chancellor of the Republic of Austria and member of the European Council from 2007 to 2008. In addition to his current activities at Brown University and Columbia University, Alfred Gusenbauer is President of the Dr. Karl Renner Institute, the Austrian Institute for International Affairs and the Austrian-Spanish Chamber of Commerce.

Mag. Erwin Hameseder
Vice Chairman of the Supervisory Board

Erwin Hameseder received a master of law degree from the University of Vienna. From 1975 to 1987, he served as an officer in the Austrian army, where he achieved the rank of colonel in the directorship services in 2002 and of brigadier in 2006. In 1987, he joined the legal department of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. From 1988 to 1994, he was responsible for investment management, from 1991 as head of the department. He was managing director of RAIFFEISENLANDESBANK NIEDERÖSTERREICH WIEN reg. Gen.m.b.H. from 1994 to 2001 and director-general of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H (a spin-off from RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG) from 2001 to 2012. From 2007 to

2012, Erwin Hameseder also assumed the position of chairman of the Management Board of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG. Since 4 May 2012, he has been chairman of RAIFFEISEN-HOLDING NIEDERÖSTERREICH WIEN reg.Gen.m.b.H. Erwin Hameseder has been a member of the Supervisory Board since 1998. In 2007, he was delegated to the Supervisory Board of STRABAG SE for an indefinite period of time by the authorised holder of registered share number 1. *Annex 1 of the 2015 Austrian Code of Corporate Governance allows periods of office of more than 15 years for Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.*

Mag. Hannes Bogner

Hannes Bogner studied business administration at the University of Innsbruck and qualified as a tax advisor in 1988 and as a statutory auditor in 1993. He worked at THS Treuhand Salzburg Wirtschaftsprüfungsgesellschaft from 1984 to 1988 and at Price Waterhouse from 1988 to 1994. From 1994 to 2016, he worked for UNIQA and its predecessor companie. From 1998 to 1999, he served as deputy member of the Management Board of Bundesländer-Versicherung AG and Austria-Collegialität. In 1999, he was appointed to the Management Board of UNIQA Versicherungen AG as Chief Financial Officer. He was CFO at UNIQA Insurance Group AG from 2011 to 2014 and held the function of Chief Investment Officer (CIO) from 2015 to 2016.

Mag. Kerstin Gelbmann

Kerstin Gelbmann studied trade and commerce in Vienna. After graduating, she began her career at Auditor Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH. Kerstin Gelbmann has worked for E.F. Grossnigg Finanzberatung und Treuhandelsgesellschaft m.b.H. since 2002, most recently as managing director, and for grosso holding Gesellschaft mbH since 2007. In January 2010, she assumed the additional position of managing director at Austro Holding GmbH.

Dr. Gulzhan Moldazhanova (from 13 January 2016 to 6 February 2017)

Gulzhan Moldazhanova graduated from Kazakh State University with an honours degree in physics in 1989. She received a doctorate degree from Moscow State University in 1994 and subsequently graduated from the Russian State Finance Academy. She also holds an EMBA (Executive Master of Business Administration) from the Russian Academy of National Economy and the University of Antwerp, Belgium. Her professional experience includes various positions in the fields of strategy, finance and management at the Russian companies Siberian Aluminium, Basic Element and Rusal. Since July 2012, she has been CEO of Company Bazovy Element LLC. In January 2016, she was again appointed to the Supervisory Board of STRABAG SE for an indefinite period of time by the authorised holder of registered share number 2, after having already been a member from 17 August 2007 until 20 April 2009.

Gulzhan Moldazhanova left the Supervisory Board of STRABAG SE effective 6 February 2017. She was succeeded by Thomas Bull.

William R. Spiegelberger

William R. Spiegelberger has been Director of the International Practice Department at Rusal Global Management B.V. in Moscow since March 2007, where he is responsible for all major legal risks of the RUSAL Group outside the Commonwealth of Independent States. From 1994 to 2007, he worked as a lawyer in New York, Paris and Moscow for the international law firms White & Case LLP and Milbank, Tweed, Hadley & McCloy LLP. Spiegelberger is a graduate of Columbia University in New York (B.A., M.A., M.Phil, J.D.) and member of the National Advisory Council of the Harriman Institute (Columbia University).

Andrei Elinson
(until 13 January 2016)

Andrei Elinson was Deputy CEO of Russian conglomerate Basic Element from December 2009 until his departure from the Supervisory Board of STRABAG SE. Previously, he was Basic Element's director of corporate governance and internal control, responsible for the development and implementation of corporate governance standards. Before joining Basic Element, he was a partner at Deloitte & Touche CIS. Andrei Elinson graduated from the Finance Academy of the Government of the Russian Federation with a degree in accountancy and audit. He is a certified public accountant and fraud examiner in the US, a licensed Russian auditor, and holds a Certificate in Company Direction from the Institute of Directors (IoD) in the UK. Andrei Elinson left the Supervisory Board of STRABAG SE effective 13 January 2016. He was succeeded by Dr. Gulzhan Moldazhanova.

Thomas Bull
(since 6 February 2017)

Thomas Bull has 25 years of experience in international project management, M&A projects and corporate investment management in Russia, Central and Eastern Europe, and the United States. After graduating from Voronezh State University in Russia in 1987, he held various management positions at Hochtief, E.ON and Enel Russia, among others. From 2013 to 2014, he was Director of the Central Department for Construction Projects at OAO Sberbank. Since 2014, Thomas Bull has been a member of the Supervisory Board of engineering company NGI Group. He holds a Master of Business Administration from the University of Dresden.

Delegated by the works council

Dipl.-Ing. Andreas Batke

Andreas Batke joined STRABAG AG as a land surveyor in 1991. He has been a member of the works council since May 1998. Batke currently serves as chairman of the group works council and member of the Supervisory Board of STRABAG AG, Cologne, as well as vice chairman of the STRABAG SE works council.

Miroslav Cerveny

Miroslav Cerveny has worked for a Czech subsidiary of the STRABAG Group since 1988, holding positions in IT administration, accounting, and occupational health and safety.

Magdolna P. Gyulainé

Magdolna P. Gyulainé is chairwoman of the works council of STRABAG Hungary. She joined a predecessor company of STRABAG Hungary as bookkeeper in 1981.

Georg Hinterschuster

Georg Hinterschuster completed an apprenticeship in commercial site management at STRABAG Bau GmbH from 1984 to 1987. He then worked as group commercial manager in the engineering ground works business in St. Valentin, Austria, before taking over a commercial management task for the Transportation Infrastructures and the building construction & civil engineering segments in the Czech Republic from 1997 to 2000. Hinterschuster has been active in the works council since 1991 and has been a full-time employee representative in the group and central works council since 2008.

Wolfgang Kreis

Wolfgang Kreis joined Ed. Züblin AG as a commercial clerk in 1979. In 1987, he was elected to the works council and today is works council chairman for the Karlsruhe subdivision and chairman of the works council at Ed. Züblin AG. He has been vice chairman of the Supervisory Board of Ed. Züblin AG since 2002 and chairman of the works council of STRABAG SE since October 2013. In additional functions, he dedicates his time to the issue of occupational safety.

All members independent in accordance with the Austrian Code of Corporate Governance

All members of the Supervisory Board of STRABAG SE and its committees are independent in accordance with the conditions contained within the Austrian Code of Corporate Governance (see also www.strabag.com > Investor Relations > Corporate Governance > Supervisory

Board > Independence of the Supervisory Board) and have declared in writing explicitly to adhere to all conditions of the Austrian Code of Corporate Governance. New members of the Supervisory Board receive detailed information regarding the avoidance of conflicts of interest upon assumption of their activities. The independence of the Supervisory Board members is defined by the following guidelines (excerpt from the Rules of Procedure for the Supervisory Board as amended on 28 April 2014):

Guidelines for the Independence of Supervisory Board Members of STRABAG SE ("the company") in Accordance with C-Rule 53 of the Austrian Code of Corporate Governance

A member of the Supervisory Board of the company shall be deemed independent if he or she has no business or personal relations with the company or its Management Board which would constitute a material conflict of interest and thus could influence the member's behaviour. Moreover, the members of the Supervisory Board shall comply with the following guidelines adapted from the Austrian Code of Corporate Governance:

- The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.

- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board according to C-Rule 48 does not automatically mean the person is qualified as not independent.

- The Supervisory Board member shall not have been auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.

- The Supervisory Board member shall not be a member of the Management Board of another company, in which a Management Board member of the company is a Supervisory Board member.

- The Supervisory Board member shall not be a close relative (direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the aforementioned positions.

It shall be the responsibility of each member of the Supervisory Board of the company elected by the Annual General Meeting or delegated by the shareholders to declare his or her independence according to the criteria defined.

According to C-Rule 54 of the Austrian Code of Corporate Governance, the Supervisory Board of the company shall include at least one independent member delegated by the shareholders who is not a shareholder with a share of more than 10 % or who represents such a shareholder's interests. The independence of Supervisory Board members shall be published in the Annual Report. The Supervisory Board shall judge whether it and its committees contain a sufficient number of independent members in accordance with the Austrian Code of Corporate Governance (C-Rules 39 and 53).

In the period under report, no contracts subject to approval by the Supervisory Board were concluded by the company with members of the Supervisory Board (C-Rule 49 of the Austrian Code of Corporate Governance).

Diversity with regard to age, sex and national origin

Prerequisites for an appointment to the Supervisory Board of STRABAG SE include the right expertise and personal qualifications as well as sufficient years of experience in management positions. Furthermore, the Supervisory Board strives to fulfil its supervisory and consulting functions through the diversity of its members. Attention is therefore given to achieving the broadest possible spectrum of skill and experience through an aspect of diversity that regards internationalism, career background, the representation of both sexes and the age structure. On 31 December 2016, the Supervisory Board included three women and six non-Austrian nationals. The members of the Supervisory Board were between 42 and 60 years of age on the reporting date.

Working methods of the Supervisory Board: Six meetings in 2016

Details > Supervisory Board Report

In the 2016 financial year, the Supervisory Board diligently performed the duties incumbent upon it under Austrian law, the Articles of Association, the Austrian Code of Corporate Governance (ÖCGK), and the Rules of Procedure. It met for a total of six meetings last year and so complied with the Code's minimum requirement to meet at least once every three months (C-Rule 36). All members personally attended at least three meetings, so no Supervisory Board member failed to attend more than half of the meetings (C-Rule 58). Furthermore, there were three meetings of the Audit Committee and one meeting of the Presidential and Nomination Committee. One meeting of the Audit Committee did not have a quorum due to the absence of a member. Besides these regular meetings, there is a constant open discourse and exchange of opinion among the individual members of the Supervisory Board as well as between the individual members of the Supervisory Board and the Management Board.

In accord with its tasks and obligations, the Audit Committee dedicated itself to monitoring the accounting procedures (including the preparation of the consolidated financial statements), the work of the auditor (including the audit of the consolidated financial statements) and the effectiveness of the internal control system, the risk management system and the audit system. The committee also reviewed and monitored the qualification and independence of the auditor (group financial auditor), especially with respect to the additional services provided to the company being audited. Following a proper assessment of potential threats to the independence of the auditor, the Audit Committee decided to allow authorised non-audit-related services to be provided under consideration of legal limitations on scope of practice. The internal audit department informed the Audit Committee of the auditing plan and of material findings pursuant to C-Rule 18 of the Austrian Code of Corporate Governance.

Committees: Executive Committee, Presidential and Nomination Committee, and Audit Committee

Details > Supervisory Board Report

Committee decisions are made by a simple majority. In the event of a tie, the vote of the committee chair is the deciding vote. The individual committees have the following composition and tasks:

Committee	Members	
Executive Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Andrei Elinson[1)]/Dr. Gulzhan Moldazhanova	The Executive Committee deals with all matters affecting the relations between the company and the members of the Management Board, especially matters relating to the remuneration of Management Board members, but excluding decisions regarding the appointment or removal of a Management Board member or regarding the granting of stock options.
Presidential and Nomination Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Andrei Elinson[1)]/Dr. Gulzhan Moldazhanova • Georg Hinterschuster • Wolfgang Kreis	The Presidential and Nomination Committee submits proposals to the Supervisory Board for filling new mandates or ones that become free on the Management Board, deals with issues relating to successor planning and remuneration policy, and makes decisions in urgent cases.
Audit Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Mag. Hannes Bogner • Andrei Elinson[1)]/Dr. Gulzhan Moldazhanova • Dipl.-Ing. Andreas Batke • Georg Hinterschuster • Wolfgang Kreis	The Audit Committee is responsible for the audit and preparation of the approval of the financial statements, the proposal for the appropriation of net income and the management report, as well as the audit of the consolidated financial statements and the consolidated corporate governance report. The committee also deals with the management letter written by the financial auditor as well as with the auditor's report as to the efficiency of the risk management. The Audit Committee makes a proposal for the selection of the auditor and prepares the proposal of the Supervisory Board to the Annual General Meeting for voting. Pursuant to C-Rule 81a of the Code, the Audit Committee must meet with the auditor to define a mode of communication between the auditor and the Audit Committee.

1) Andrei Elinson left the Supervisory Board and all committees of STRABAG SE effective 13 January 2016. He was succeeded by Dr. Gulzhan Moldazhanova.

ANNUAL GENERAL MEETING AND SHAREHOLDERS

The shareholders, as owners of the company, exercise their rights by vote at the Annual General Meeting. More information about the Annual General Meeting and the shareholder structure is available in the chapter “Shares, Bonds & Investor Relations”.

Transparency through constant communication

In the interest of an open communication with shareholders, creditors, clients, analysts, employees and the interested public, transparency is of great importance to STRABAG SE. Important elements of this open communication are the quarterly reporting of STRABAG SE, ongoing direct investor and analyst contacts, the participation in roadshows and conferences, as well as publications and disclosures online and especially on the company website. More details about the company’s extensive information activities in this regard is available in the chapter “Shares, Bonds & Investor Relations”.

CONFLICTS OF INTEREST

Both the Management Board and the Supervisory Board are required to disclose conflicts of interest. The members of the Management Board must immediately disclose to the Supervisory Board any material personal interests in transactions of the company and group companies as well as any other conflicts of interest. Furthermore, they must also inform the other members of the Management Board of this. Members of the Management Board who hold management positions at other companies must work toward a fair balance of interests of the companies involved.

Conflicts of interest must be reported immediately

Supervisory Board members who find themselves in a conflict of interest must immediately disclose this to the Chairperson of the Supervisory Board. If the Chairperson of the Supervisory Board finds himself or herself in a conflict of interest, he or she must immediately disclose this to their deputy. The conclusion of contracts with members of the Supervisory Board in which such members are committed to the performance of a service outside of their activities on the Supervisory Board for the company or a subsidiary pursuant to Section 228 Para 3 UGB for a remuneration not of minor value requires the consent of the Supervisory Board. This also applies to contracts with companies in which a member of the Supervisory Board holds a considerable economic interest.

To avoid potential conflicts of interest, the two Supervisory Board members Hannes Bogner and Erwin Hameseder abstained from voting on the acquisition of 80 % of the shares of Raiffeisen evolution project development GmbH in the year under report.

Remuneration report

REMUNERATION OF THE MANAGEMENT BOARD

REGULAR INCOME OF THE MANAGEMENT BOARD

T€

Name	Fixed		Variable		Total	
	2016	2015	2016	2015	2016	2015
Birtel	703	700	1,082	833	1,785	1,533
Harder	472	469	772	605	1,244	1,074
Krammer	472	469	772	605	1,244	1,074
Truntschnig	472	469	772	605	1,244	1,074
Wanker	472	469	772	605	1,244	1,074
Total	**2,591**	**2,576**	**4,170**	**3,253**	**6,761**	**5,829**

Management Board remuneration rises on higher variable income.

The total income of the Management Board members in the 2016 financial year amounted to € 6.76 million (2015: € 5.83 million). The payments are based on a long-term, multi-year remuneration plan which, in addition to a fixed base salary, foresees a variable portion dependent on the achievement of specific earnings and profitability targets for the STRABAG Group calculated using cost accounting methodology. Bonuses are calculated as a fixed percentage on the net income after minorities less minimum earnings of € 100 million. The variable portion of the income can amount to a maximum of 200 % of the fixed salary. If a minimum yield is surpassed (earnings under cost accounting versus output volume), a defined minimum applies for the variable income portion. Furthermore, on the basis of sustainable, long-term, multi-year performance criteria, 25 % of the bonuses are retained and deposited in a personal clearing account of the members of the Management Board. Any balance in the personal clearing account is paid out following expiration of the Management Board contract.

Long-term, multi-year remuneration plans

The members of the Management Board also have the right to a company car. A private liability policy covers the legal liability of the members of the Management Board with regard to third-party personal injury, property damage or financial losses. Accident insurance provides coverage in the event of death or disability. The board members are also covered by a legal expense insurance in the event of claims resulting from administrative or criminal violations. The existing directors and officers (D&O) insurance covers damage claims resulting from financial losses for third parties or the company as the result of neglect of duty on the part of the Management Board members during their service as officers of the company. The company bears the costs for these insurance policies. The members of the Management Board are subject to a competition clause for the period of their service. If a member of the Management Board is dismissed without cause, the fixed base salary is paid for the full term of the contract. The management contracts of all members of the Management Board expire on 31 December 2018.

One Management Board member is entitled to non-growing pension payments from subsidiaries of the company. No other pension agreements exist – and no new entitlements may be acquired – between the company and the members of the Management Board. In the event of the termination of service to the company, one Management Board member has a right to legal and contractual severance pay on the basis of the stipulations of the Austrian Employee Act (oAngG). All Management Board members perform their services on the basis of employment contracts and are subject to income tax regulations.

No stock option programme

STRABAG SE has decided against a stock option programme for Management Board members. No additional recompense is granted for internal group mandates or functions. The Management Board contracts contain no prior agreements or diverging provisions for the hypothetical case of a public takeover offer.

REMUNERATION SYSTEM FOR MANAGEMENT EMPLOYEES

Across the group, the three management levels directly below the Management Board are also remunerated with a fixed base salary plus a variable income portion. For these management employees, the variable income is also based on the earnings attributable to them as calculated under cost accounting methods. The variable portion of the income can amount to a maximum of 200 % of the fixed salary. On the basis of sustainable and long-term performance criteria, 25 % of the bonuses are also retained and deposited in a personal clearing account that may accrue a maximum of 200 % of the fixed salary. Any balance in the personal clearing account is paid out upon retirement, at the latest, or when the employee leaves the company at the company's request.

SUPERVISORY BOARD REMUNERATION

REMUNERATION OF THE SUPERVISORY BOARD

€	2016	2015
Alfred Gusenbauer	50,000	50,000
Erwin Hameseder	25,000	25,000
Kerstin Gelbmann	15,000	15,000
Hannes Bogner	15,000	15,000
Gulzhan Moldazhanova	14,508	–
Andrei Elinson	492	15,000
William R. Spiegelberger	15,000	8,301
Siegfried Wolf	–	6,699
Total	**135,000**	**135,000**

Supervisory Board remuneration unchanged

The Annual General Meeting of 10 June 2011 approved annual compensation of € 15,000 for the regular members of the Supervisory Board, € 25,000 for the Vice Chairman and € 50,000 for the Chairman. Members of the Supervisory Board who are elected to or who leave the board during a financial year are remunerated in accordance with the actual period of their membership on the Supervisory Board pro rata temporis. Changes to the amount of the annual compensation of the members of the Supervisory Board elected or nominated by the shareholders, as well as on any additional remuneration for special tasks and obligations performed, require a resolution to be passed by the Annual General Meeting.

Additionally to their annual compensation, the Supervisory Board members also receive cash compensation for expenses. The members of the Supervisory Board are further covered by a company D&O (directors and officers) liability insurance – it covers the personal liability of the Supervisory Board members in the event of careless neglect of duty during their service as directors of the company – up to a certain maximum amount. In 2016, no other remuneration was paid to the members of the Supervisory Board. There also were no other transactions with members of the Supervisory Board.

DIRECTORS' DEALINGS

No transactions subject to disclosure obligation in 2016

Proprietary transactions with STRABAG SE shares and/or bonds by members of the company's boards, by persons or companies who maintain a close relationship to the board members, and by other management-level employees with groupwide responsibilities are reported as required by law and continually posted on the website of STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Directors' Dealings) as well as on the website of the Austrian Financial Market Authority (www.fma.gv.at > Companies > Issuers > Directors' Dealings).

In 2016, no proprietary transactions with STRABAG SE shares and/or bonds were made by members of the aforementioned group of people. The following persons from the aforementioned group held shares and/or bonds of STRABAG SE on 31 December 2016:

Person subject to disclosure obligation	Board member	Number of shares	Number of bonds
Dr. Hans Peter Haselsteiner		70,002	0
Haselsteiner Familien-Privatstiftung	Dr. Hans Peter Haselsteiner Dr. Alfred Gusenbauer Mag. Christian Harder	29,017,451	0
Mag. Erwin Hameseder		210	0

Measures for the advancement of women

People & Workplace

Material issue according to GRI: see p. 17

Ombudspersons: See the "Business Compliance" section

STRABAG SE is convinced that diversity sustainably increases the success of a company. STRABAG understands diversity to include different nationalities and cultures, a balanced age structure and men and women working together. Diversity needs fertile ground in which to grow – a working environment that is free from discrimination, harassment and retaliation. STRABAG has in place a system of ombudspersons and actively takes measures to allow diversity to thrive, for example with respect to the promotion and inclusion of women.

The construction industry employs predominantly men in the technical professions. Women are therefore underrepresented at all hierarchy levels. The shortage of skilled personnel, however, requires the sector to build on female labour in the future more strongly than before. To maintain our competitiveness and to benefit from the diversity of different points of view, STRABAG in 2013 set itself the goal to annually increase the global percentage of women in the group. By signing the UN Women's Empowerment Principles, then-CEO of STRABAG SE Hans Peter Haselsteiner demonstrated the company's commitment to this goal.

In 2016, the number of women as a percentage of employees within the entire group amounted to 14.9 % after 13.9 % the year before. Women make up just 8.4 % (2015: 8.7 %) of the group management – i.e. persons with a management position as defined by Section 80 of the Austrian Stock Corporation Act (AktG). Currently there are no women on the five-member Management Board of STRABAG SE. It is noteworthy, however, that in 2016 three women sat on the eleven-member Supervisory Board of the company: Kerstin Gelbmann, Gulzhan Moldazhanova (since 13 January 2016) and Magdolna P. Gyulainé. Women thus make up about 27 % of the Supervisory Board and account for 20 % of the members delegated by the works council.

If we can interest more women for a career in construction and/or with STRABAG, then we will have laid the foundation for a higher representation of women at the management levels. For this reason, an internal team led by a STRABAG SE Management Board member has been hard at work since 2012 to develop and introduce measures in this regard. The team met for three meetings in 2016. The STRABAG SE Management Board knows that it must continue the existing initiatives and remain open to new ones in order to increase the percentage of women in more highly qualified positions. The activities to date to increase the percentage of women and to promote the careers of women within the STRABAG Group focus on three areas:

- **Targeted marketing:** STRABAG uses both the masculine and feminine forms in its texts and job announcements in order to target female students and graduates and so secure a higher percentage of female applicants especially from the technical universities. Student surveys testify to the effectiveness of these measures and that women with a technical education in particular rank STRABAG high up in the list of attractive employers – in 2016, STRABAG rose from 7th to 2nd place in the Universum Student Survey among women studying in the engineering and IT fields. Some of our activities target potential women employees even earlier on, namely at school age: several of the group's organisational units in Germany and Austria regularly organise events on "Töchtertag" ("Take Your Daughter to Work Day") or Girls' Day.

- **Compatibility of career and family:** Especially with regard to high potentials and top performers, STRABAG is in competition with other construction companies for workers that are flexible and as mobile as possible. But if you want flexibility, you have to offer flexibility. For this reason, STRABAG is also working to increase its attractiveness as an employer through a better compatibility of family and career. Employees who are sent abroad, for example, have the possibility of taking their families with them. In 2014, a set of guidelines was worked out regarding parental leave, part-time work for parents and return management. The corresponding pilot project to put these guidelines into practice was launched in Austria in 2015 and in Germany in 2016. Another pilot project for a general flexibilisation of working time was launched in a local organisation in Austria. The measures have also borne fruit. In 2016, the two group companies STRABAG AG, Cologne, and Ed. Züblin AG were listed among Germany's most family-friendly companies in the construction, raw materials, energy and construction materials production sectors by German parent's magazine ELTERN in cooperation with the statistics portal Statista.

- **Career opportunities:** There are no salary differences in the company between men and women who perform equal work and have the same level of education. Based on the results

Adequate considera-tion of women in the management of high potential

of internal surveys, workshops and analyses, STRABAG is also working towards adequately considering women in promotion and further education. Attention is therefore given to the adequate representation of women within the management of high potentials and in the composition of teams and working groups. Moreover, the results of all measures in this regard are constantly being evaluated. When it comes to developing management employees, STRABAG SE sees joint measures for men and women as the most promising way. In addition to the events organised for members of the high-potential management pool, the group supports its female employees especially in their career planning and in further education. The group academy, for example, also offers seminars designed especially for women; a 2016 workshop on how to plan one's own career was received very positively. Among the trade-specific training offers for all employees, those on business management and IT registered an above-average participation by women.

As networking helps boost career opportunities, a STRABAG intranet platform offers female employees the opportunity to network with each other – an offer that has already been used by 280 employees (2015: >180). To increase the visibility of women in the group and to support the personal networking, the company also held its first STRABAG Women Engineers Day in Vienna in 2015. Some 70 female colleagues from technical fields in Austria and Switzerland answered the invitation to listen to lectures, take part in workshops and get to know their colleagues. In 2016, planning began on a similar event series that will start in Germany in 2017.

As the goal to annually increase the percentage of women employees is a group goal, the above-stated applies to the group as a whole.

Sustainability

High priority, long-term perspective

For STRABAG, doing business responsibly and sustainably means working within its defined values such as partnership. Assuming responsibility also means giving balanced consideration to the impact of the core business on society and the environment, systematically registering the increasingly complex wishes and needs of the various stakeholders and through continuous dialogue actively remaining up to date. This allows the group to remain competitive and to constantly realign its portfolio of services to the demands and developments on the market. At the same time, the company remains on the lookout for pioneering solutions outside of the group that could create fresh forward momentum in the core business.

Corporate Responsibility (CR) at STRABAG has been placed within the responsibility of the CEO. This sends an important signal that sustainability and corporate responsibility at STRABAG are carried by the top management and that they are seen from a long-term perspective. Sustainable management and entrepreneurial responsibility at STRABAG are integrated into the group strategy: Proposals for priority strategic issues as well as relevant indicators and objectives are drawn up by the responsible managers, with support from the internal CR organisation and in coordination with the CEO, and subsequently discussed by the STRABAG SE Management Board before being reworked if necessary and finally cleared for release. Strategically critical incidents are addressed ad hoc during the Management Board meetings.

Corporate governance & business compliance

CONTINUOUS DEVELOPMENT OF THE CORPORATE GOVERNANCE

Self-evaluation of the Supervisory Board

STRABAG strives to constantly improve its corporate governance system in the interests of the company and all stakeholders. In the year under review, the Supervisory Board again performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian Code of Corporate Governance. At its meeting on 12 December 2016, the Supervisory Board examined in detail the efficiency of its work, especially of its organisation and working methods, which were largely evaluated as positive as in the years before. This time, however, the board stronger than before seized the opportunity to make concrete proposals on how to raise efficiency. In the end, the exchange led, among other things, to the introduction of additional standard agenda items with regard to strategy, construction projects of great weight on the balance sheet, and the possibility of the members of the Supervisory Board to regularly exchange ideas without the Management Board.

BUSINESS COMPLIANCE

Business Compliance

Business compliance system: System is well implemented and developes dynamically

Material issue according to GRI: see p. 17

On the basis of numerous international initiatives to fight bribery and corruption (e.g. United Nations Convention against Corruption, OECD Anti-Bribery Convention), the national authorities in many countries have passed laws and regulations making it illegal to offer rebates to win new contracts or contract extensions or to achieve any other improper advantage. In Austria, the anti-corruption legislation, the Federal Bureau of Anti-Corruption and the special Austrian Public Prosecutor's Office for the Enforcement of Business Crimes and Corruption are clear examples of the anti-corruption efforts being made in both the public and private sectors.

Corruption is a risk in any business, including the business of construction. For this reason, STRABAG has implemented proven anti-corruption instruments across the group. The STRABAG business compliance model is based on the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and a corresponding compliance staff structure consisting of a group-wide business compliance coordinator, the regional business compliance representatives, the internal ombudspersons and the external ombudsman.

Various measures to further develop the business compliance management system, especially regarding targeted certification to current audit standards, were elaborated during a status check of the system conducted in 2016 by KPMG. The status check left KPMG with an overall positive impression of the STRABAG business compliance management system – with regard to both the system's organisation and structure as well as its processes. On this basis, the following priority issues were identified for the next planning period:

- additional staffing in view of the increasing importance of business compliance internationally
- intensified training through shorter training intervals
- formalised business compliance in the operating entities
- installation of a whistle-blowing hotline

Corresponding measures will be arranged over the course of 2017.

E-learning and classroom training to help fight corruption

The e-learning module on the right behaviour in day-to-day business dealings, which was adapted during the last update of the STRABAG business compliance system, was in use in all relevant languages and in all group countries at the start of 2016. On 31 December 2016, the percentage of persons trained in this area reached 83 % of all employees in the group. This is close to the targeted penetration of 90 %. This training is generally mandatory for all new employees, with refresher courses required every three years. In cooperation with human resource development, a software tool was completed at the end of October 2016 to make the e-learning

General target for training penetration: 100 %

training available to employees who are not administrated via the group's IT platform. These employees can now also be integrated into the group training programme. For 2017 STRABAG has again set itself the goal of a targeted penetration of 90 % of its employees.

The group also continued classroom training for members of the management on the avoidance of corruption and cartel violations conducted by external legal experts in the form of one-day training sessions for new employees and half-day refresher courses every three years for existing members of the management. As of 31 December 2016, 81 % of managers had taken part in the initial training. The goal of reaching at least 95 % of all management employees in 2016 was not met due to several new appointments. The focus in the future will therefore be on a stricter monitoring of the completion of training in order to ensure that training is carried out in a timely manner despite fluctuations. STRABAG basically strives to train all members of the management as planned. Given the fluctuation, however, a ratio of 95 % is realistic which is why STRABAG will at least set itself this goal for 2017.

This measure was complemented by the introduction of more intense cartel law training for all management-level employees in 2015. Like the training on avoiding corruption and cartel violations, this module is designed as classroom-based training to be repeated in a three-year cycle. In 2016, this training was completed by 376 of the approximately 1,084 managers in the group. Including the participants from the year 2015 (795), the initial in-depth training of the existing management on cartel issues can largely be regarded as complete. Classroom training is being continually offered for new members of the management.

Risk management and audit

RISK MANAGEMENT

The STRABAG Group is subject to a number of different 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. More information is available in the Management Report.

INTERNAL AUDIT REPORT

Business Compliance

Internal audit as part of the risk management

The STRABAG Group's internal audit department is a neutral and independent authority which again conducted approximately 180 (2015: 180) internal audits in all group divisions worldwide in the 2016 financial year. In accordance with the rules of the Austrian Code of Corporate Governance, the internal audit department is set up as a staff unit of the Management Board of STRABAG SE and so enjoys the greatest possible amount of independence. The internal audit department – after planning the audit independently and making continual adaptations to risk assessment – conducts process-independent and neutral audits across all of the group's divisions and regions both nationally and abroad. Given its technical and commercial competence, the internal audit department is an important element of the group's internal control systems. The internal audits serve to monitor the effectiveness of the risk management and control and to evaluate the management and monitoring processes. The comprehensive approach, the use of uniform auditing standards and the neutral reporting further contribute to the standardisation of processes and structures.

The routine and special audits serve to recognise and avoid risks, to reveal opportunities and to constantly monitor proper conduct and compliance with the group's value and business compliance system. In 2016, the internal audit department again audited both individual projects as well as entire organisational units. The audits covered all of the group's sub-divisions as well as the most important contracts and orders of the year.

The internal audit department reported regularly to the CEO and to the Audit Committee of the Supervisory Board regarding the audit plan and significant results of its work. The audit reports were sent to the audited units and divisions, to the unit and division managers, and to the Management Board, and were made available to the financial auditors.

FINANCIAL AUDIT

The Annual General Meeting of STRABAG SE, upon proposal of the Supervisory Board, on 10 June 2016 designated KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as auditor of the financial statements and of the consolidated financial statements for the 2016 financial year. In the 2016 financial year, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft charged a fee of T€ 600 excl. VAT (2015: T€ 594 excl. VAT) for the auditing of the separate and consolidated financial statements as well as T€ 549 excl. VAT (2015: T€ 544) for the auditing of financial statements at subsidiaries of STRABAG SE. For additional consulting services, it received a fee of T€ 86 excl. VAT (2015: T€ 116 excl. VAT).

EXTERNAL EVALUATION

Details as to the results of the evaluation are available at www.strabag.com

In keeping with C-Rule 62 of the Austrian Code of Corporate Governance, STRABAG SE regularly subjects its compliance with the Code to an external evaluation every three years. The evaluation performed for the 2016 financial year by Fellner Wratzfeld & Partner Rechtsanwälte GmbH revealed no indications that the declarations provided by the Management and Supervisory Board members regarding observation of and compliance with the C-Rules and R-Rules of the Austrian Code of Corporate Governance were untrue. The C-Rules and R-Rules of the Code were complied with – inasmuch as these were included in the formal obligation of STRABAG SE. Some rules did not apply to STRABAG SE during the evaluation period. The next external evaluation will be conducted in 2020 for the 2019 financial year. The complete report including the results of the evaluation is available at www.strabag.com.

Corporate governance reports of publicly listed subsidiaries

The following publicly listed subsidiaries of the STRABAG Group were required to create and publish a corporate governance report in 2016:

- STRABAG AG, Cologne – available at www.strabag.de > Investor Relations > Corporate Governance > Erklärung zur Unternehmensführung
- “PUTEVI“ A.D. CACAK, Cacak – available at www.putevicacak.rs
- Vojvodinaput-Pancevo a.d. Pancevo, Pancevo – available at www.vputpa.co.rs

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

SUPERVISORY BOARD REPORT

Dear shareholders, associates and friends of STRABAG SE,

Dr. Alfred Gusenbauer

STRABAG SE had resolved to achieve an EBIT margin of 3 % for the 2016 financial year. With a margin of 3.4 % – 3.2 % when adjusted for non-operating profit –, the group even managed to surpass its target. This was made possible by the efforts to further improve the risk management and to increase efficiency – efforts that were regularly and closely followed by the Supervisory Board. The company is therefore well on track to sustaining the adjusted margin at the current level. The Supervisory Board, together with the Management Board and in the interest of all shareholders, will continue to work intensely in this regard. It will make the corresponding strategic decisions to expand the order situation and, consequently, the market position in the core markets and to achieve stability in those markets that are more difficult.

Open exchange of information and opinion in six Supervisory Board meetings

In the 2016 financial year, the Supervisory Board correctly performed the duties assigned to it by law, by the Articles of Association, by the Austrian Code of Corporate Governance (ÖCGK) and by the Rules of Procedure by regularly advising the Management Board in its management function as well as reviewing and monitoring its management agenda. Six meetings of the Supervisory Board and three meetings of the Audit Committee were held. All members of the Supervisory Board and its committees acted and made decisions independently as stipulated by the Austrian Code of Corporate Governance. They were duly represented at the respective meetings.

During the meetings, the Supervisory Board was regularly and extensively informed by the Management Board about the market situation, the course of the business and the situation of the company. The open discussions during the meetings gave rise to an intense exchange of information and opinions that provided the Supervisory Board with a clear picture of and extensive information about STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, investment and project development plans, and large projects. The Management Board always obtained consent from the Supervisory Board on important business transactions. The Supervisory Board studied the corporate planning and subsequently the relevant variance analyses in depth and on an on-going basis. Specifically, the following agenda items of the Supervisory Board meetings should be emphasised:

SUPERVISORY BOARD MEETING 1: 2016 PLANNING INCLUDING EXPENDITURES AND BUDGET SITUATION

In its first meeting of the year on 1 March 2016, the Supervisory Board met with the Management Board to discuss the planning for the year 2016 as presented by the latter, in particular with regard to the budgeting and expenditure planning and under special consideration of the acquisition of the minority interest of Ed. Züblin AG and the purchase of the Tech Gate Vienna office building near the STRABAG headquarters in Vienna. Other issues included the medium-term planning for the period 2017–2019.

SUPERVISORY BOARD MEETING 2: ANNUAL FINANCIAL STATEMENTS 2015

In its second meeting on 25 April 2016, the Supervisory Board met with the Management Board to discuss the annual financial statements, the management report, the corporate governance report, the consolidated financial statements and the group management report of STRABAG SE. The Audit Committee reported on the audit of the annual financial statements, the consolidated financial statements, the management reports and the corporate governance report. There were no objections to the audit by the financial auditor and all questions of the Audit Committee could be answered satisfactorily.

The Supervisory Board thereupon acknowledged completion of the 2015 financial report. The Management Board's proposal for the appropriation of net income was also reviewed, with a recommendation for its acceptance by the Annual General Meeting. Also discussed and approved were the Supervisory Board report as well as the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor. These issues also were on the agenda of the first meeting of the Audit Committee held earlier that same day. In this meeting, the Supervisory Board further approved the motion by the Management Board for the new construction of an office building in Cologne. The meeting was also used to make preparations for the Annual General Meeting on 10 June 2016.

SUPERVISORY BOARD MEETING 3: PROJECT HOLSTEN AREAL, HAMBURG

Topic of the Supervisory Board meeting of 10 June 2016 was the obtaining of the Supervisory Board's consent for the acquisition of HOLSTEN Areal, Hamburg, under an asset deal. The Supervisory Board approved the acquisition, but in the end the object could not be acquired.

SUPERVISORY BOARD MEETING 4: ACQUISITION OF OWN SHARES APPROVED

The Supervisory Board meeting of 15 July 2016 heard a report about the successful 12th Annual General Meeting. Following detailed information from the Management Board about the current situation of the company, the Supervisory Board approved the Management Board's decision to exercise its authorisation to acquire own shares in accordance with Section 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG).

SUPERVISORY BOARD MEETING 5: UPSTREAM MERGER SQUEEZE-OUT DECIDED AT STRABAG AG, COLOGNE

Upstream merger squeeze-out at STRABAG AG, Cologne

In the Supervisory Board meeting on 12 September 2016, the Management Board reported on the current situation of the group and the developments among the group's infrastructure and real estate development projects and asked for approval of the necessary measures to enact an upstream merger squeeze-out. The Supervisory Board approved the attempt as well as the motion for a circular resolution regarding the acquisition of 80 % of the shares of Raiffeisen evolution project development GmbH – a transaction that was later also approved.

SUPERVISORY BOARD MEETING 6: FOCUS ON HIGH ORDER BACKLOG AND INFRASTRUCTURE PROJECTS

In the last Supervisory Board meeting of the 2016 financial year on 12 December 2016, the Management Board began with a report on the latest developments. The strong growth of the order backlog as well as infrastructure projects were especially discussed in detail.

The Management Board also reported on the increase of the existing D&O liability insurance. The Supervisory Board took note of this with approval. It also approved participation in the bidding competition for a concession project in the United Kingdom and authorised the use of the necessary resources if successful.

Finally, the Supervisory Board discussed the results of its annual self-evaluation. Overall, the working methods of the Supervisory Board were again rated positively. Some members of the Supervisory Board nevertheless requested, among other things, that additional items be added to the standard agenda of the meetings – a wish that will be granted.

Consolidated financial statements awarded unqualified audit opinion

In accordance with Rule C-18 (ÖCGK), the internal auditing unit reported to the Audit Committee on the auditing plan and on any material findings. The Audit Committee also monitored the accounting procedures (including group accounting) and the financial audit and was able to convince itself of the effectiveness of the internal control system, the risk management system and the audit system. The independence of the financial auditor and group financial auditor was also reviewed and monitored by the Audit Committee, in particular as regards the additional services provided to the audited company.

The annual financial statements and the management report of STRABAG SE for the 2016 financial year were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz. As the findings of the audit did not give rise to any issues of concern, the financial auditor awarded an unqualified audit opinion.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, also reviewed and gave its unqualified audit opinion to the consolidated financial statements and the group management report of STRABAG SE for the 2016 financial year as prepared by the Management Board under application of Section 245a of the Austrian Commercial Code (UGB) and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that were applicable at the end of the reporting period.

The auditor's and group financial auditor's reports were presented to the Supervisory Board. The Audit Committee thereupon reviewed the 2016 annual financial statements and the management report including the proposal for the appropriation of net income and the consolidated corporate governance report as well as the 2016 consolidated financial statements and group management report and prepared the approval of the annual financial statements by the Supervisory Board. The Audit Committee duly performed its new obligations in accordance with Section 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and reported to the Supervisory Board on the result of the financial audit. The report presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

The consolidated corporate governance report was audited externally by Fellner Wratzfeld & Partner Rechtsanwälte GmbH, Vienna. This audit did not give rise to any issues of concern.

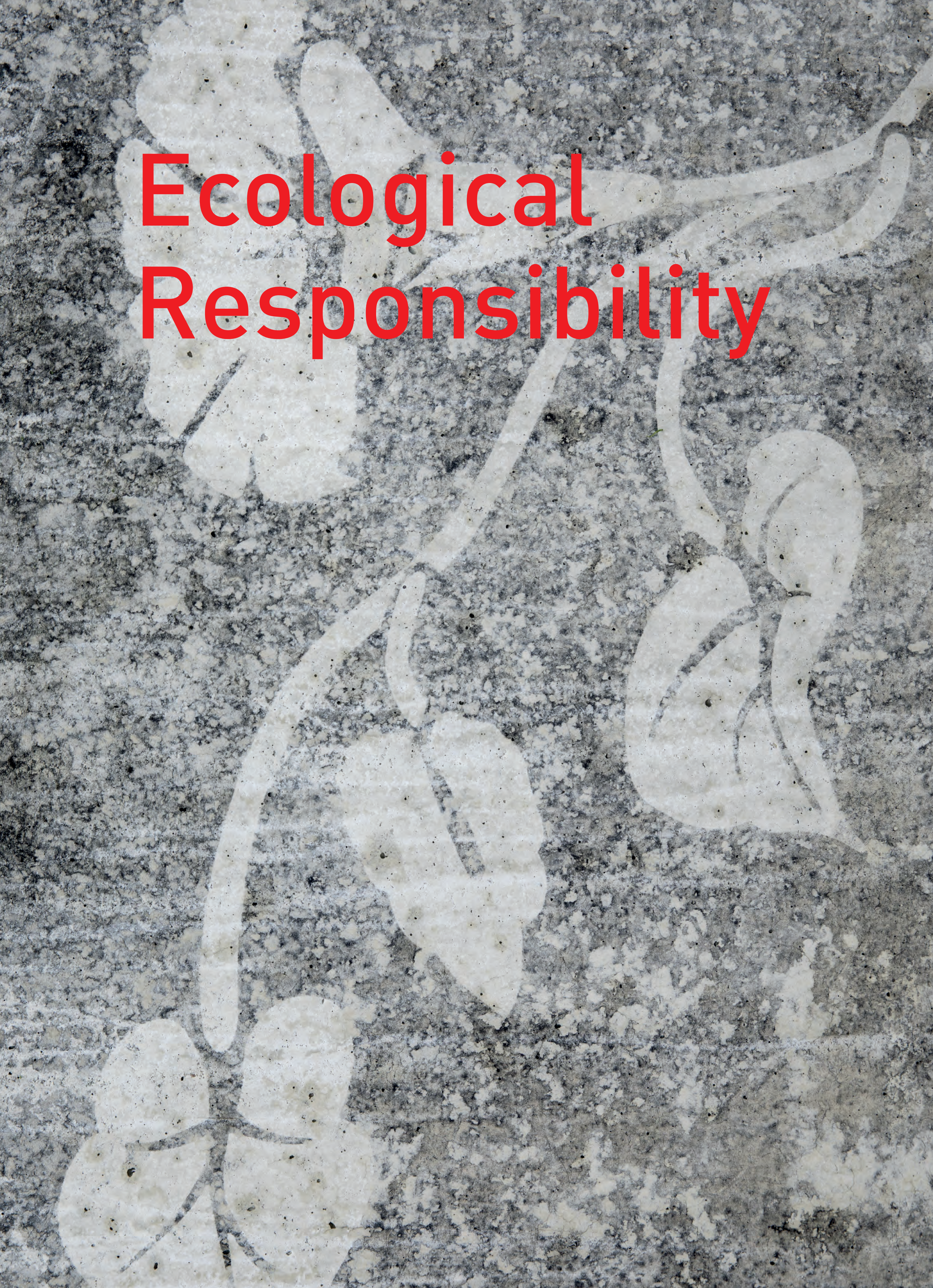
The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 24 April 2017, it declared its agreement with the 2016 annual financial statements and consolidated financial statements and approved – and so adopted – the 2016 annual financial statements. The Supervisory Board also followed the Management Board in its proposal for the appropriation of net income. The Supervisory Board proposed appointing KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor for the 2017 financial year, in accordance with the proposal of the Audit Committee. In its meeting of 24 April 2017, the consolidated report on payments to government agencies as per Section 243c of the Austrian Commercial Code (UGB) in connection with Section 276b as amended by BGBl I 2015/22 was presented. The report was reviewed by the Supervisory Board and taken note of without cause for complaint.

Word of thanks to Management Board and all employees

By way of closing, the Supervisory Board would again like to express its gratitude and appreciation to the Management Board of STRABAG SE and to all employees for their valuable contribution in the past financial year.

The Chairman of the Supervisory Board of STRABAG SE, Dr. Alfred Gusenbauer
Vienna, 24 April 2017

Ecological Responsibility



ECOLOGICAL RESPONSIBILITY

- CONSTRUCTION AND REAL ESTATE SECTOR RESPONSIBLE FOR 40 % OF ENERGY CONSUMPTION
- PROPRIETARY SOFTWARE CARBONTRACKER COLLECTS ENERGY AND CO_2 DATA FOR THE ENTIRE GROUP
- RECYCLING OF CONSTRUCTION MATERIALS IN TRANSPORTATION INFRASTRUCTURES REDUCES GREENHOUSE GAS EMISSIONS
- INCREASING FOCUS ON A BUILDING'S LIFECYCLE COSTS: WE OFFER OUR CLIENTS SUSTAINABLE CONSTRUCTION AND AUDITING IN ACCORDANCE WITH THE CERTIFICATION SYSTEMS DGNB, LEED, ÖGNI AND BREEAM

Foundations

More information about ecological responsibility is available at www.strabag.com > Strategy > Strategic Approach > Ecological Responsibility

Almost daily we hear about the limits to growth, the finiteness of our natural resources, and the advancing climate change. The construction industry contributes its share. The production of buildings and other structures, their operation and use, as well as the demolition and dismantling uses resources and releases material into the environment. About **40 % of the total energy consumption** and around 35 % of the related greenhouse gas emissions in the European Union can be ascribed to the **construction and real estate sector**.

STRABAG wants to keep the negative impact of its business activity on the environment as low as possible. We place top priority on those **targets** which we can directly influence through our own actions:

1. Reduction of the direct and indirect negative environmental impact during construction
2. Reduction of energy use and CO_2 emissions
3. Continued development of processes and technologies for resource- and energy-efficient buildings

To help us reach these targets, we are continuously working on the internal development of our comprehensive energy and fuel management. But an increasing awareness among society and politics, as well as the changed environmental conditions due to climate change, have also already caused a shift in client demands. Our strategic focus, our innovative strength and our Sustainable Building technology centre help to prepare us for the growing demand for resource-friendly services and products and allow us to proactively offer the corresponding solutions.

Integrating different disciplines over different lifecycle segments is our core competence as a general contractor. As such a general contractor, we are familiar with the entire value creation process and are capable of thinking and planning across lifecycles. This – primarily in cooperation with private clients – gives us the possibility to perpetuate the philosophy of sustainability with the best-possible technical solutions and the early interconnection of all involved. The decision lies with the client, however. In designing a building, for example, this involves decisions in terms of energetic qualities or the materials used. We welcome the development that quality-oriented clients are not only considering aspects of cost vs. benefit but are also thinking about the environmental impact of a building over its entire lifecycle or the social consequences of hiring a certain bidder according to the best bidder principle. Demand is still low, however. We estimate the number of the **tenders** in which **non-financial aspects** explicitly form part of the performance specifications or tender criteria at under 5 %. But with our teamconcept partnership model, for example, we offer the possibility of the early inclusion of all involved in the projects so as to lend more weight to ecological and social aspects. Our focus on an end-to-end approach thus stimulates new, advanced solutions and internal improvement processes and encourages client participation during project design and execution.

Energy management

The construction industry is an energy-intensive sector. The topic of energy therefore is of great importance for the STRABAG Group not only for ecological but also for economic reasons. The **energy costs** for the companies within STRABAG SE's scope of consolidation decreased to € 235.09 million in 2016 (2015: € 262.77 million). This reduction is caused by varied external influences.

STRABAG's group-wide energy management is an instrument with which it is possible to determine and monitor energy consumption. On this basis, concepts are developed with which we can reduce the use of fossil fuels and the resulting greenhouse gas emissions through more efficient conventional or new and innovative machines in the long term. To this end, we are developing operational targets for energy consumption, CO_2 emissions and the development and implementation of corresponding measures. Group employees are further sensitised to contribute to increasing the **energy efficiency**. This can occur through training courses in which the staff is informed on the issues of safety, environment and energy, or it may be done via notices at the asphalt mixing plants, information screens at the locations and publications on the intranet as well as team meetings on the subject of energy. We also use the internal energy audits and the accompanying audit reports to win over both staff and management for higher energy efficiency. The positive results of the energy management can be seen in the reduction of energy costs, the higher tax savings potential and the protection of the environment through lower emissions.

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

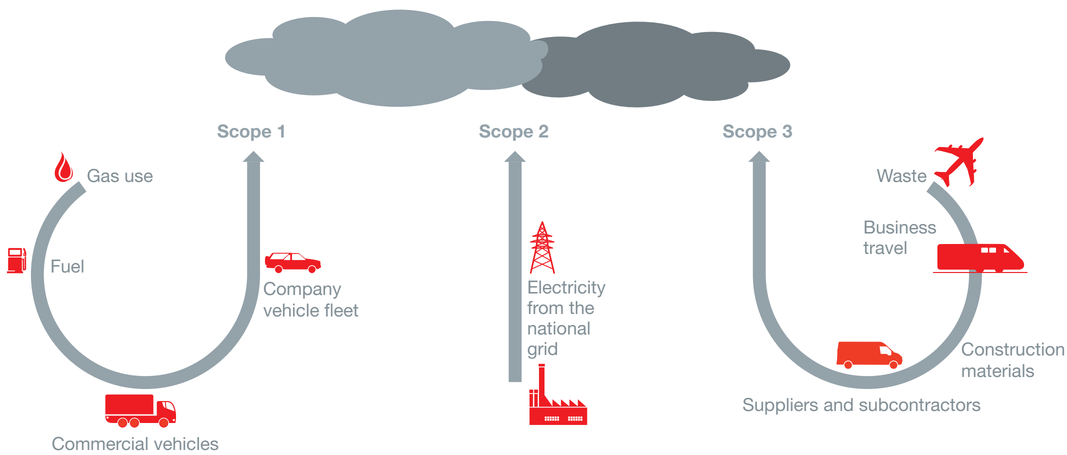
FUEL MANAGEMENT AS IMPORTANT BUILDING BLOCK OF ENERGY MANAGEMENT

The group's most important energy source is **fuel**, which accounts for about 70 % of the total energy costs and therefore holds the greatest potential for savings for the group. In the 2015 financial year, we analysed the efficiency potential of the passenger car and commercial vehicles fleet for the group's two largest markets, Germany and Austria. From today's point of view, there is a **savings potential** for fuel by 3.2 %. The **energy and CO_2 data** for the group are systematically **captured** and analysed using **CarbonTracker**. The software was developed in-house and has been in use since 2012. This was followed in 2014 by **FuelTracker**, specifically designed to handle the group's fuel management. The software was developed further in 2015 and 2016. FuelTracker allows us to exactly analyse the fuel use of the STRABAG passenger car and commercial vehicles fleet.

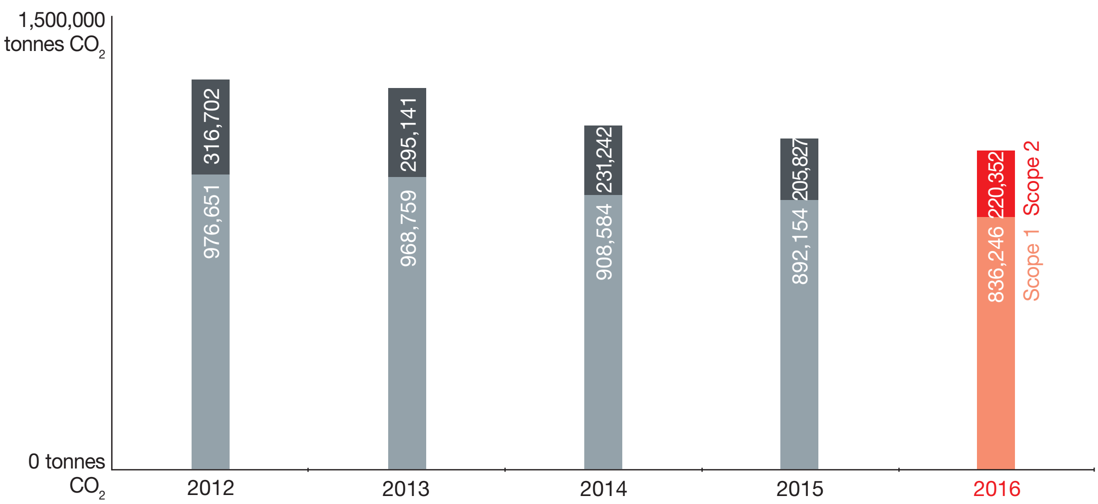
DRIVING ENERGY MANAGEMENT: CURRENT NATIONAL AND EU LEGISLATION

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 also 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 has also been established in Hungary, Serbia, Croatia and Slovenia. In Denmark, external energy audits are performed to comply with the requirements. The necessary measures in Poland, Slovakia and Sweden are centrally coordinated and arranged in the individual countries.

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 CO_2 in a year-on-year comparison. The emissions are reported separately for Scopes 1 and 2 as defined by the Greenhouse Gas Protocol. More than half of the CO_2 emissions in the group resulted from the use of fuels, mainly diesel. This was followed by electricity and pulverised lignite with 20 % and 15 %, respectively. Germany, Poland, Austria and the Czech Republic are responsible for the greatest share of these emissions (66 %). With 72 %, these countries also account for the greatest share of the group's output volume in 2016.

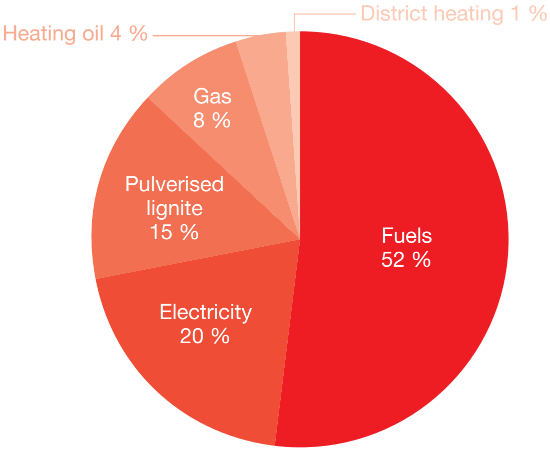


EMISSIONS OF THE STRABAG GROUP[1)]

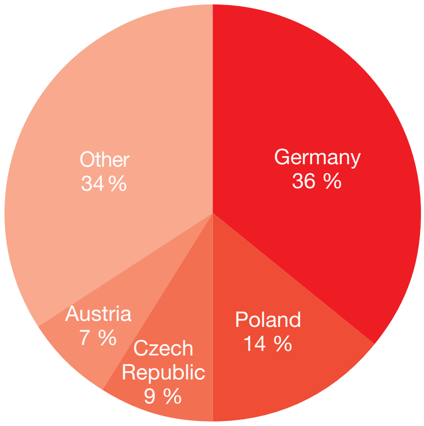


1) We are currently working on the evaluation of Scope 3.

CO_2 EMISSIONS BY ENERGY SOURCE 2016



CO_2 EMISSIONS BY COUNTRY 2016



Material use and resource savings

MATERIALS USED

Material	Unit	2012	2013	2014	2015	2016
Stone/Gravel	thousands of tonnes	67,980	60,360	59,910	60,670	58,020
Asphalt	thousands of tonnes	13,900	13,110	13,840	13,690	13,660
Concrete	thousands of m^3	5,187	5,053	4,934	4,986	4,589

Economic growth, population increase and the development of infrastructure in structurally weak regions will keep resource demand at a high level around the world. This contributes to global environmental problems such as climate change, soil degradation and biodiversity decline. For this reason – and because many resources are finite –, a transition must take place toward a more resource-friendly and more sustainable level of recycling management.

The construction industry traditionally is an energy- and resource-intensive sector. Germany alone uses about 550 million tonnes of mineral resources a year, which corresponds to around 85 % of all processed raw materials within the country[1)]. Given this high value, the construction sector plays a key role in the future development of efficient ways to use primary raw materials. STRABAG recognised this development years ago and is increasing its resource efficiency through **optimised production processes** for concrete, cement and asphalt, on the one hand, and, on the other hand, through the reprocessing and **recycling of construction materials**. In a European comparison, the recycling rates in two of our core countries – Austria and Germany – are already quite high. Technological advances and stricter legislation help to promote this positive development.

The transportation infrastructures segment holds especially high potential. The recycling of used materials reduces greenhouse gas emissions and saves valuable primary raw materials. Moreover, with a rate of 78 %, we cover most of our asphalt needs ourselves. This puts us in a position to optimise the production process as needed and to initiate measures to raise energy efficiency.

1) Source: VDI ZRE publications: Kurzanalyse Nr. 2, Ressourceneffizienz der Tragwerke, 2014

THE NEW LIFE OF PLASTER

Plaster and gypsum-based products are commonly used materials in the construction industry – for example, in the fit-out of building interiors. They are easy to work with, create a pleasant indoor climate and offer very good fireproofing qualities. Only when it comes to their disposal as construction waste do they present a problem. Without proper sealing, the water-soluble gypsum could find its way into, and contaminate the groundwater.

Against this background, STRABAG Umwelttechnik GmbH set up a completely new site to reprocess plaster waste. The facility is the only one of its kind in southern Germany with an approved annual capacity of 50,000 t. The plaster waste passes through several treatment stages followed by post-treatment sifting and recycling of the oversized particles.

Once the waste has passed through all of the reprocessing stages, and the plaster powder has been fully separated out from the other materials, it is granted end-of-waste status as defined by the German Waste Management Act (Kreislaufwirtschaftsgesetz). The material receives product status and can be re-introduced into the subsequent production cycles.

Environmental and quality management

In the planning and execution of construction projects and services, we strive to use energy and raw materials in a resource-friendly manner and to keep dust, noise, pollutants and waste to a minimum. This premise is also anchored in the environmental policy that is valid throughout the group. Our **environmental management system**, which has been introduced with **ISO 14001 certification** in accordance with international standards nationwide in nearly all group countries, helps us to recognise the most important areas for improvement, to set appropriate measures and to achieve our own targets. We can thus systematically contribute to improving our own environmental footprint as well as that of our clients.

Sustainable building

Rising energy prices, the increasingly noticeable impact of climate change, and rapid urban growth present the construction industry with new challenges: buildings are no longer optimised only according to investment criteria – lifecycle costs, quality and resource efficiency are also becoming more important. Thinking and working in cycles results in economical, environmentally friendly, low-resource buildings which also meet the high demands for functionality and flexibility.

Seven group buildings with DGNB or ÖGNI certification

Taking a building's entire lifecycle into account, **energy demand** is **highest** during the **operating phase**. An important and growing business field for STRABAG therefore is to optimise buildings so they consume little or no energy, or even generate their own, during their period of use. We have the technical know-how and the necessary experience to design and construct sustainable buildings. In addition to consultation and execution, we also conduct audits of new and existing buildings in accordance with the established certification systems **DGNB, LEED, ÖGNI**, and **BREEAM**.

We also want to offer our own employees a chance to experience the health benefits and level of comfort which the users of sustainable buildings enjoy: seven of our group buildings at five locations have been built either fully or in part by STRABAG and its subsidiaries with subsequent certification according to DGNB or ÖGNI criteria.

Corporate Citizenship

CORPORATE CITIZENSHIP

- LONG-TERM SUPPORT OF SELECTED INITIATIVES
- IMPROVE STANDARDS AND SUPPORT CULTURAL PROJECTS
- INITIATIVES INCLUDE CONCORDIA SOZIALPROJEKTE, TYROLEAN FESTIVAL ERL, ENSEMBLE:PORCIA AND STRABAG KUNSTFORUM

What does corporate citizenship mean to us?

Focus on cultural and social projects as well as team sports

Our business activity – the business of building – directly shapes people's living environment. The result is an interaction between construction and society: only in a successful society can we succeed. At STRABAG, we therefore feel obliged to contribute to the healthy development of society as a whole. This means that we make contributions to maintain the social standards in Central Europe, to improve them in other countries, and that we support cultural projects as well as team sports to enhance team spirit.

We do not extend our social commitment indiscriminately, but instead support selected initiatives over the long term in order to make a lasting contribution. If and in which form we lend our support is decided by the STRABAG SE Management Board according to eligibility criteria such as:

- Can STRABAG, given the nature of its business, make a contribution to the project that companies in other industries could not?
- Is the project worth our long-term commitment?
- Does the project fit our strategy and our public image?

In the year 2016, we spent a total of about € 4.85 million on the projects mentioned below.

Social projects

We are especially committed to helping children and youth in Eastern and South-East Europe by giving them an opportunity for an education and the chance for a better future. This also helps to secure the future of our company in these markets.

With STRABAG's support, CONCORDIA helps people in need.

CONCORDIA SOCIAL PROJECTS

CONCORDIA is an internationally active, independent charity organisation for children, youth, the elderly, and families in need. From its start in 1991 as a social project for street children in Bucharest, CONCORDIA has grown into an organisation which today helps more than 1,000 children in Romania, Bulgaria and the Republic of Moldova.

The organisation's most important goal is keeping families together. Many parents are forced to leave the country in search for work. Sometimes children are unable to stay with their families due to existential poverty. CONCORDIA's services therefore comprise family-like children's homes, foster care, social centres for youth in precarious situations, assisted living facilities for young adults and outreach work. Another focus is on educational projects: from educational assistance or music instruction to separate training facilities for e.g. cooking/baking or the carpentry trade.

Giving children a chance for a better future

In the Republic of Moldova, CONCORDIA also attends to the needs of more than 5,000 people who have to live in extreme poverty. All over the country, CONCORDIA's social centres and soup kitchens provide elderly people and children in need with the essentials they require every day. STRABAG has been a partner of CONCORDIA for years, helping to build living facilities for (orphaned) children, setting up social centres and soup kitchens, and offering continuous support of the organisation's activities.

In 2016, the organisation celebrated its 25th anniversary with the establishment of the CONCORDIA Social Projects Foundation Germany. And with STRABAG's support, CONCORDIA launched several projects for children from socially vulnerable families in Austria as well as for unaccompanied minor refugees.

More information: www.concordia.or.at

Cultural projects

TYROLEAN FESTIVAL ERL

Tyrolean Festival Erl was founded in 1997 and has been held in the illustrious Passion Play town of Erl in Austria under the overall direction of Gustav Kuhn every year since 1998. STRABAG has been a supporting partner from the beginning. An attractive winter season programme was added to the summer programme in 2012 when performances became possible in the STRABAG-built festival theatre.

Tyrolean Festival Erl has become a respected fixture in the cultural life of Tyrol and internationally. The focus in the summer is on Wagner and Strauss as well as on a classical and romantic concert repertoire. In the winter, the unique acoustics in the new festival theatre do justice to the works of Mozart, Bach, Italian composers and belcanto. 2016, Gustav Kuhn's production of Rossini's "Guglielmo Tell" was the first to be broadcast from Erl as part of the Austrian public television station's cultural summer programme.

More information: www.tiroler-festspiele.at

"Guglielmo Tell" was the first production to be broadcast from Erl on Austrian public television station.

ENSEMBLE:PORCIA

Highest stop of the theatre wagon in 2016 at 2.059 m above sea level

Ensemble:Porcia, one of Austria's oldest summer theatre festivals, can look back on more than 55 years of tradition in comedy at its historic venue of Porcia Castle in Spittal an der Drau in Carinthia, Austria. Under the direction of Angelica Ladurner, the troupe returned to its original name, Ensemble:Porcia, which had been bestowed on the theatre by founding father Herbert Wochinz. Performances are held not only in the courtyard of Porcia Castle, but also at the Salamanca Gallery; the Theatre Wagon – "Komödie unterwegs" ("comedy on the road") – tours through all of Carinthia between June and August. Every summer season from June to August, the professional ensemble performs six new productions of great comedies – a programme that comes up to the limits of a medium-sized city theatre.

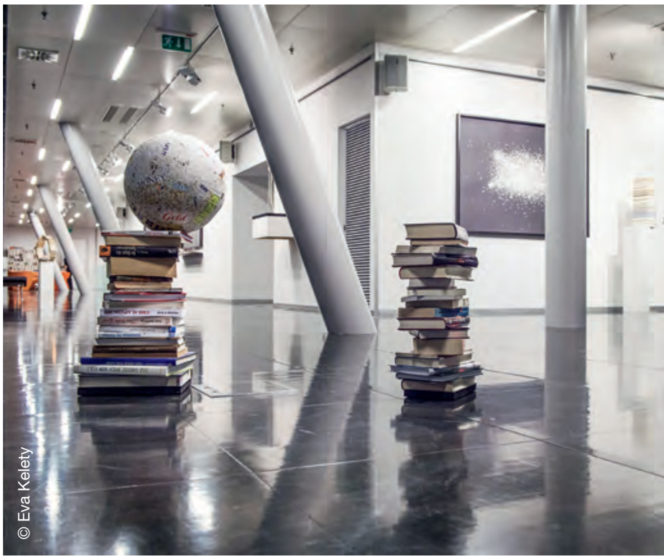
More information: www.ensemble-porcia.at

STRABAG KUNSTFORUM

STRABAG Kunstforum has long been in the service of international arts patronage – as organiser of the STRABAG Artaward International, with the exhibitions at the STRABAG Artlounge and through the establishment and maintenance of the permanent collections at more than 70 offices throughout Europe. The STRABAG Artaward has been presented since 1994 in Austria and since 2009 as an international award for artists aged 40 and under in the fields of painting and drawing. The 2016 award went to Jochen Höller, with special recognition for Aldo Giannotti, Vivian Greven, Stefan Peters and Nadim Vardag. Following the awards ceremony and the group exhibition of the award-winning works, the five artists also exhibited their oeuvre in individual exhibitions in the STRABAG Artlounge in Vienna. Additionally, two exhibitions under the title "Artlounge special" were organised last year with artists whose works form part of the collection. On the occasion of his 70th birthday, Wolfgang Stifter showed an exhibition of his latest artistic accomplishments, while artist couple Elisabeth Gabriel and Daryoush Asgar presented a new series of works along with an accompanying book.

More Information: www.strabag-kunstforum.at

Jochen Höller won the Artaward International in 2016.



Jochen Höller's works "Financial Bubble" and "Budget Hole"

Economic Responsibility

RISK AND OPPORTUNITY MANAGEMENT

- SECURE EXISTENCE IN THE LONG TERM, INCREASE MARGINS IN THE SHORT TERM
- REMAIN DIVERSIFIED: BROAD POSITIONING BY COUNTRY AND SEGMENT
- MAINTAIN FINANCIAL STRENGTH: HIGH EQUITY RATIO, NET CASH POSITION AND INVESTMENT GRADE RATING
- SHOW FLEXIBILITY: OWN CONSTRUCTION MATERIALS NETWORK FOR MORE INDEPENDENCE

Why manage risks and opportunities?

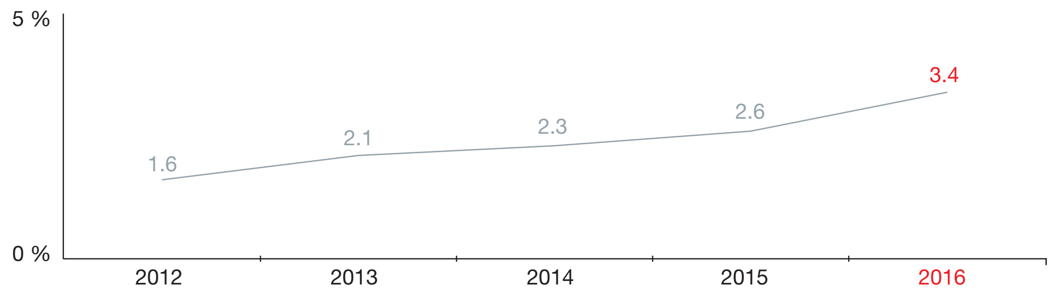
Material issue according to GRI: see p. 17

Managing risks and opportunities is part of the daily work at STRABAG. Additional information can therefore be found in the management report under "Risk management", "Financing/Treasury" and "Order backlog" or in the consolidated corporate governance report.

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 through an appropriate risk management policy. This risk management policy is an integral part of the management system. It describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories. But we do more than just watch out for risks; we are also on the lookout for new opportunities every day. We do this, on the one hand, to **secure** the **long-term existence of our company**. After all, a risk and opportunity management system – being quite time-intensive to set up – represents a competitive advantage that is difficult for the competition to copy. On the other hand, we also have short- to medium-term goals that we want to reach with the help of our risk and opportunity management.

Increasing the **EBIT margin** is one of these goals – and our **most important financial control parameter**. The margin is especially important for our investors. Given our policy of paying out 30–50 % of the net income after minorities in the form of a dividend, our investors are especially interested in seeing the earnings grow.

DEVELOPMENT OF EBIT MARGIN



Despite the macroeconomic development, the significant overcapacities in the highly competitive European construction industry and the accompanying drop-off in prices, we have managed to increase our EBIT margin gradually within the last years. In the 2016 financial year, we achieved our EBIT margin target (EBIT/revenue) of 3.0 %; thanks to a positive non-operating non-recurring item, we even managed to surpass our target to reach a margin of 3.4 %. The goal now must be to at least defend this level of a minimum margin of 3.0 %.

To do so, it was not and will not be necessary for the market – i.e. the macroeconomic environment – to improve. On the one hand, we are maintaining our focus on **cost efficiency** and the disciplined use of capital. This was at the centre of the work of the internal **"STRABAG 2013ff" task force** that starting in mid-2012 had evaluated the STRABAG Group's options regarding its future positioning. The task force successfully completed its work in 2016, visiting the locations of all of our organisational entities, viewing construction sites and engaging in conversations with the local management. The members of the task force travelled to nearly all group countries, including Germany, Austria, Poland, the Czech Republic, Slovakia, Hungary, Switzerland, the countries of South-East Europe and several non-European locations. Based on the task force analysis, the Management Board has been able to make constructive choices about where to streamline management structures or strategically and organisationally reorganise business fields and company entities. The result is a simplified organigram, a more appropriate market positioning and lower fixed costs. The aim now is to make the efficiency improvements permanent. Help and assistance in this regard should come from the **central division Project-Related Risk Management System/Organisational Development/International BRVZ Coordination** that was created in 2015.

Observe not only the macroeconomic development; also, and above all, take a close look at a construction company's risk management system!

Capital market participants or suppliers who take a close look at a company in the construction sector usually place great store in the forecasts for the macroeconomic development of the individual markets. Of course, our business is influenced by economic growth and public spending; at least as important for a construction company, however, is its risk management! After all, the large number of unique projects translates into an increased risk potential. Keeping this under control requires a focused organisational structure with clearly defined responsibilities and effective instruments for an active risk and opportunity management.

Responsibilities for risk management

The organisation and responsibility for risk management is clearly established in our group. The identification, analysis, assessment, control and monitoring of risks and opportunities is a **core task of management** with responsibility at the relevant management level. The risk control and risk monitoring processes incorporate our integrated quality management system, the supportive central divisions and central staff divisions, as well as our Internal Audit as a neutral and independent auditing entity.

Strengthening our project-related risk management system

For a consistent and sustainable reduction of our flop rate, we must increase the efficiency of our project-related risk management in the long term. The necessary measures and responsibilities have been established as follows:

Responsibility for the implementation of the project-related risk management system 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.

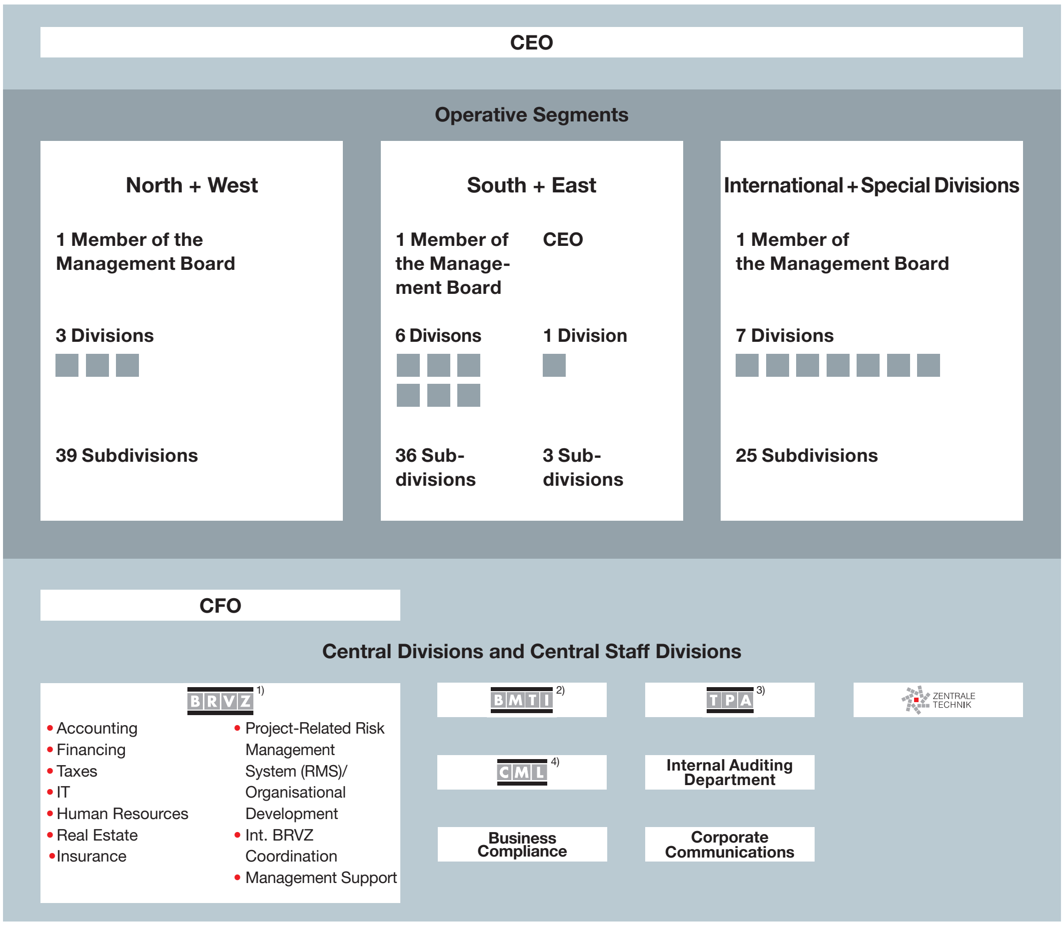
These proposals for improvements are already being partially implemented:

- introduction of minimum standards with group-wide validity for the procurement and execution of construction projects (common project standards)
- continuous identification and monitoring of opportunities and risks in the entire system
- improvement and development of the decision-making foundations in the project acquisition and tendering phase to support the decision-making process in final tender meetings or price committees
- implementation and expansion of a periodically filled digital knowledge database with flexible analysis options regarding essential positive and negative earnings causes as well as lessons learned as a basis for demand-oriented transfer of knowledge between all stakeholders
- derivation of key figures and the development of efficient early-warning systems on the basis of the periodically analysed lessons learned and experiences in order to avoid errors or the repetition of errors

An essential prerequisite for the improvement of our project-related risk management system is the active contribution of all employees with a clear commitment to an open error culture. This is where our values of partnership, trust and respect, based on honesty, fairness and mutual appreciation, are of particular importance, as they form the foundation for a learning organisation.

Organisational structure with central entities

ORGANISATION CHART OF THE GROUP



1) BRVZ Bau-, Rechen- und Verwaltungszentrum, 2) BMTI Baumaschinentechnik International, 3) TPA Gesellschaft für Qualitätssicherung und Innovation, 4) CML Construction Services (Legal Services and Contract Management)

Last updated: 1 February 2017

The management of the risks and opportunities receives significant support from the group's organisational structure. The uniformity of the organisation creates economies of scale and results in efficient controlling and reporting. Under the roof of the parent company STRABAG SE, a number of legally independent subsidiaries are active in their respective national markets. The top level of organisation are the segments North + West, South + East, International + Special Divisions and Other (this segment comprises the central divisions and the central staff divisions), each of which is headed by at least one member of the Management Board.

The STRABAG SE **Management Board** is the group's top management body. It is responsible for maintaining the group's financial balance and determines its strategic goals. The Management Board regularly discusses matters of corporate responsibility and sustainability. During the execution of these tasks, the Management Board is supported by the divisions as well as by the central **divisions** and central staff divisions (service companies).

The division managers coordinate and steer their subdivisions and report directly to the member of the Management Board responsible for their division. They manage their business independently and on their own responsibility within the framework of the group's business policy. It is their responsibility to reach the objectives laid out in the strategic and operative planning and to realise the specified individual measures. The operating business is managed by the **subdivisions**, which in turn are organised into individual business units. They are responsible for the greatest possible success in their regional markets or business fields and are managed by the superordinate division managers.

The **central divisions** handle the group's internal services in the areas of accounting, taxes, finances, IT, human resources, real estate, insurance, technical development and review, construction equipment management, quality management, process management, logistics, project-related risk management system and organisational development, legal affairs and contract management. As competence centres, they support the operating units so these can concentrate on the core business and deliver their services to the clients in an efficient manner. The **central staff divisions** are responsible for internal audit and communications and report directly to the CEO.

While important decisions at the Management Board level are made during regular board meetings, the **four-eyes principle** applies at the levels below. For us, this dual management structure ensures efficient risk management and foresees that responsibility is largely assumed jointly by one technical and one commercial manager.

Project selection and internal price committees

Project-related risks often have their origin long before contract signing. In order to recognise significant risks and opportunities at an early stage, we select projects before participation in a prequalification or before the start of bid processing on the basis of defined criteria and disclosure thresholds. Especially with large projects, the management can set framework conditions for the further bid processing and for the early inclusion of specialists from the group's central divisions and central staff divisions. When defined disclosure thresholds are exceeded, a bid, before it is submitted, must be closely reviewed and approved by internal **price committees** composed of members from various hierarchy levels depending on the project size.

"We have a self-developed management information system that helps us to apply the same standards in all regions in which we operate. That means clear criteria for the assessment of new projects, a standardised process for the submission of bids, and control systems that serve as filters to avoid loss-bringing projects."

Thomas Birtel, CEO of STRABAG SE

Management information system

Our management information system gives us an up-to-date overview of the financial status of all our projects with data that can be compared from country to country. In addition, evaluations are analysed by the respective management and members of the STRABAG SE Management Board at regular intervals.

Digitalisation brings new tools to reduce risks in construction

See Chapter “Innovation & Digitalisation”

The new tools being used in BIM.5D® processes facilitate a regular consistency review of the construction designs. This can help uncover and correct errors at an early stage, thus minimising the risks in a construction project, the roots of which are often found in the design phase.

Strategic principles for the management of risks and opportunities

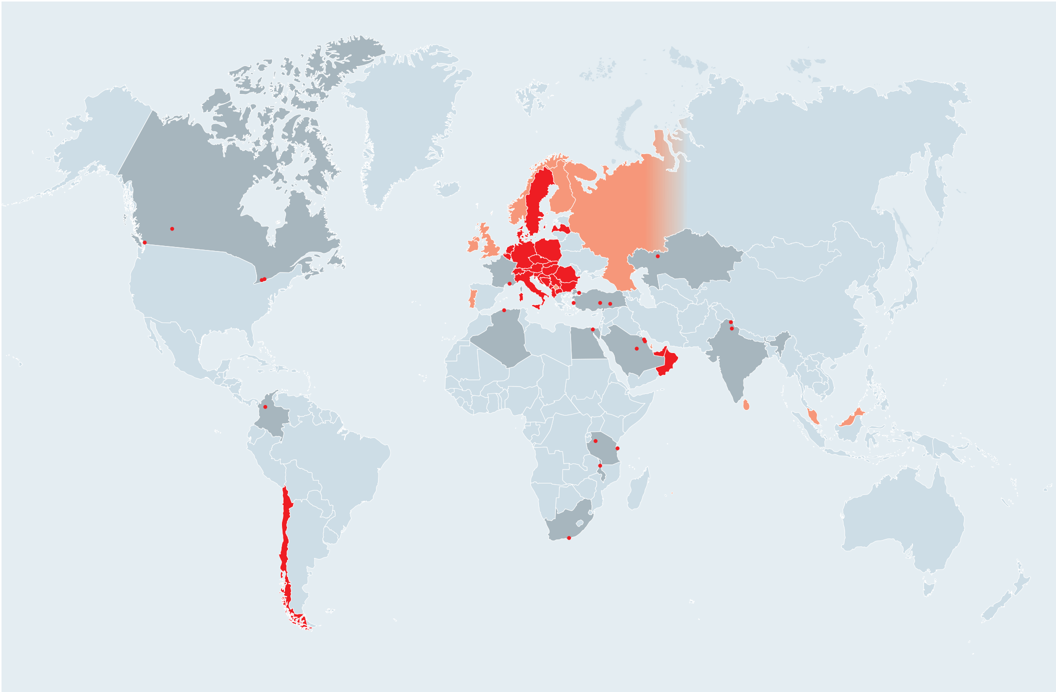
With these strategic principles, we try to keep the risks inherent in the construction business within a reasonable range and remain open to opportunities when they arise:

#1 – STAYING DIVERSIFIED

The various forces driving the construction industry and its subsectors advise a corporate strategy that is built on diversity. This diversity can be seen in our employees but also in the regions and segments in which we operate.

We therefore see ourselves as a European group that offers a broad range of construction services internationally. Selective diversification brings a number of advantages. For one, it allows us to respond quickly to opportunities in different markets. Also, the existing country network helps us in our expansion, allowing us to deploy large equipment to different regions and to pass on know-how and technologies to the local management so they are of benefit there. Moreover, we spread our risk by not concentrating our business on just a few countries (see graph “Total construction output by country”, page 84). Firmly established in our home markets of Austria and Germany – which account for 62 % of our output –, we generate an additional 22 % of our business in Central and Eastern Europe and another 10 % in other European countries. We are also active outside of Europe in projects requiring a high degree of technological know-how, currently in places such as Chile, Canada or the Middle East. We handle these international markets – they account for 6 % of our output volume – mostly as part of the direct export business.

STRABAG – AN INTERNATIONALLY ACTIVE, EUROPEAN-BASED GROUP[1)]



region-wide presence

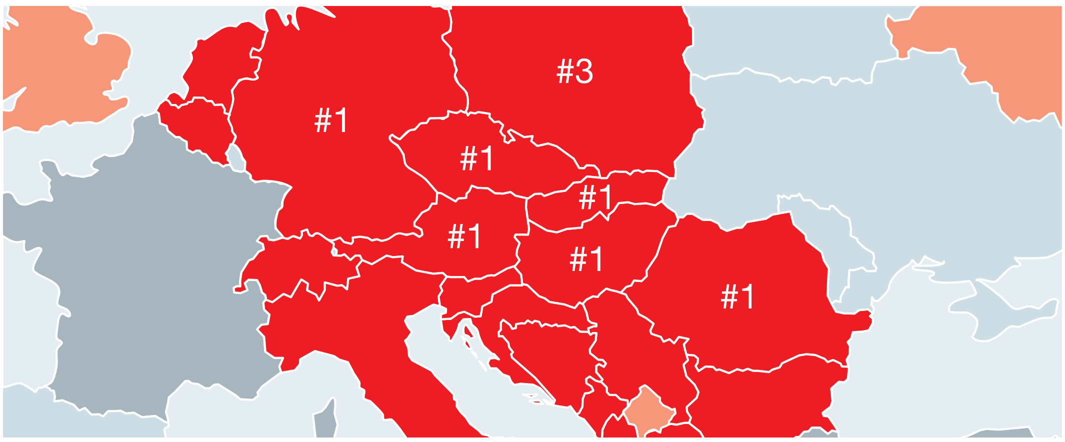
project business; in Russia, the STRABAG Group operates exclusively in the western part of the country.

single projects

More information: see country report

In addition to a broad level of diversification, we also believe it is important for us to achieve a strong **market position** in the markets in which we operate. Construction companies need a critical mass and sufficient capital resources, especially in the more mature markets, in order to successfully bid for and pre-finance large-scale projects. This also makes it possible to take advantage of economies of scale. Size is further associated with qualities such as reliability and stability – and this, together with the references, creates trust.

STRONG MARKET POSITIONS



region-wide presence

project business; in Russia, the STRABAG Group operates exclusively in the western part of the country.

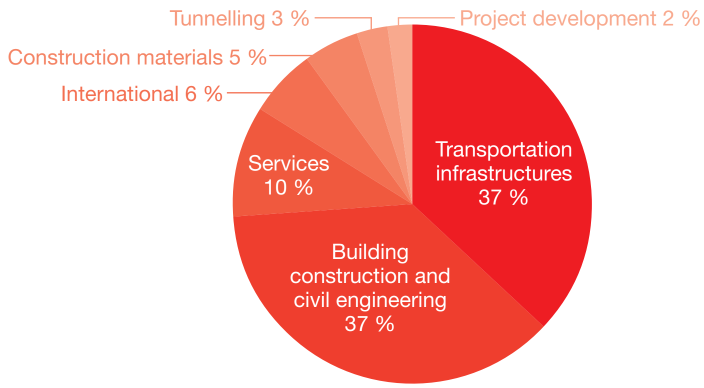
single projects

1) Only countries with a minimum annual output volume as well as a minimum order backlog of € 1 million are considered

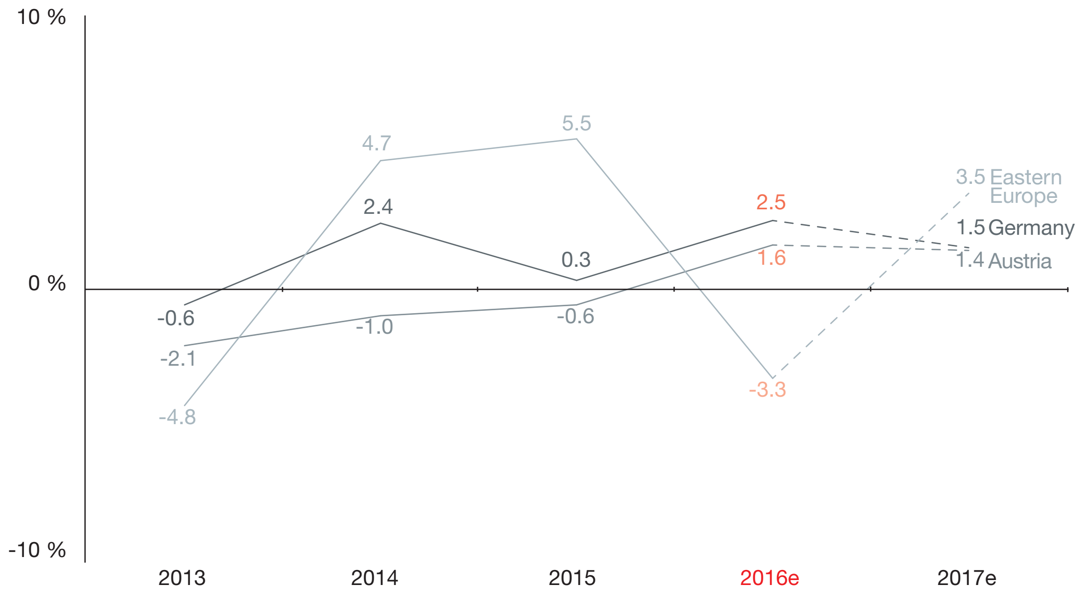
More information on our activities in the various segments is available in our segment report

In addition to diversifying geographically, we also try to offer services along the entire construction value chain and in different **construction segments**. After all, the construction industry does not follow just one cycle; each segment – differentiated in part by the type of client – follows its own. In economically difficult times, for example, the public sector invests more in infrastructure as a way of stimulating the economy, and the transportation infrastructures segment booms. Lower interest rates, on the other hand, are of benefit especially in building construction. The diversification in different construction segments thus reduces risk, and the extension of the value chain balances out cyclical and seasonal effects by trend. This is why we expanded our range of services a few years ago, for example in the field of intelligent transport systems and electronic toll solutions or in the services business, so that today around 83 % of our business comes from construction, 10 % from services, 5 % from the construction materials sector and 2 % from real estate project development and concessions. The output volume from the latter segment is low by nature, however, as it refers only to the management of a project without including its actual construction.

OUTPUT VOLUME BY SEGMENT

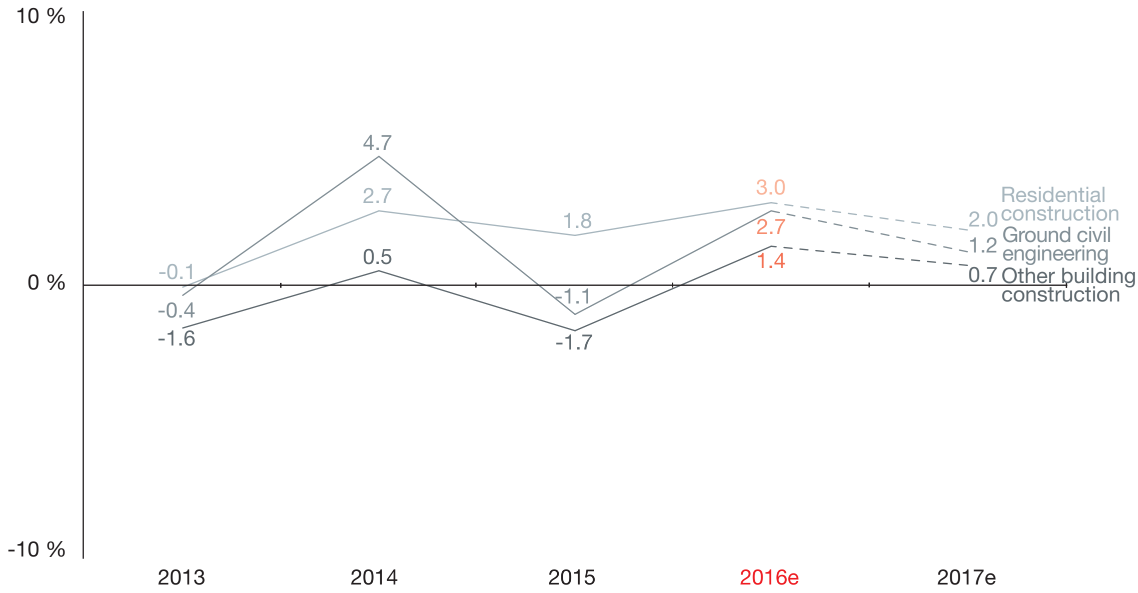


TOTAL CONSTRUCTION OUTPUT BY COUNTRY[1]



1) Source: Euroconstruct, winter 2016

SUBSECTOR COMPARISON IN GERMANY[1)]



Clients benefit from our broad positioning

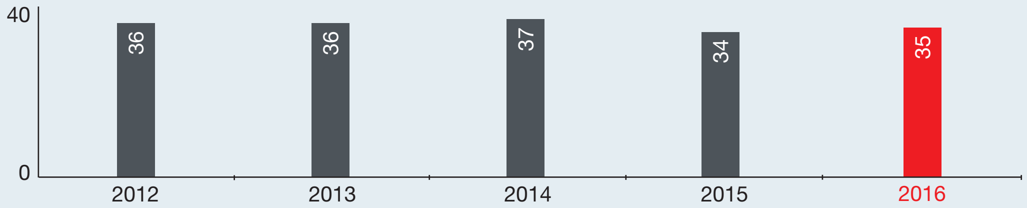
We began to focus on diversification at an early stage – and this strategy has paid off. It is thanks to this strategy that the STRABAG Group has not had to report a drop in output volume and earnings in recent years. Germany, a market which had not been given a lot of hope ten years ago, has for some time now proven itself to be a growth driver. Investors are seeking refuge in real estate, as other investment options involve high risk without being very lucrative. Additionally, public-sector infrastructure investments are picking up speed in Germany. Especially in economically difficult times, it is important not to depend on just a few specific markets.

But we are not the only ones who benefit from our broad geographic presence and diversification in different construction segments; our clients profit as well, as they can expect the same quality from STRABAG-executed works at all of their sites. Partnership arrangements such as our "teamconcept" and the single-source execution of all works – from the design to the construction all the way to a building's operation – reduce redundancies and simplify the process so projects are completed quickly and smoothly.

1) Source: Euroconstruct, winter 2016

PUBLIC-PRIVATE PARTNERSHIPS AS PART OF A DIVERSIFIED SERVICE PORTFOLIO

NUMBER OF PPP PROJECTS IN THE GROUP



>€ 11 billion total investment volume

€ 400 million[1)] equity invested

We have been working successfully with operator models for more than two decades. In the areas of building construction and infrastructure, the portfolio comprises 35 public-private partnership (PPP) projects with a total investment volume of € 11.1 billion (2015: € 10.3 billion). Of these, 18 projects are building construction and 17 are infrastructure projects. The project sizes tend to be much larger in the infrastructure sector than in building construction, however, with nearly € 10.4 billion of the **total investment volume** attributable to projects in infrastructure. Across all concession projects, we had a proportionate share of **equity** in the amount of € 399.81 million[1)] invested in 2016 and had committed a further € 132.93 million[1)] for a total of € 532.74 million[1)].

In the 2016 financial year, the **Colombian road construction project Mar 1** with a total investment volume of nearly € 800 million was taken up in the concession portfolio of the STRABAG Group. The financial close, however, is expected over the course of 2017.

In addition to the more efficient utilisation of resources during a project's life cycle, the driving forces behind PPP projects include the public finance situation and the financing environment. This involves at times conflicting effects: On the one hand, PPP financing widens the public sector's scope of action; on the other hand, a low interest environment reduces the importance of this financing alternative.

Due to the **regular cash flows** in later project phases, institutional investors in particular, such as insurance companies or pension funds, have an interest in making capital available for PPP projects in the long term. Moreover, competitive advantage gives STRABAG good chances in the PPP business: our strong financial position allows us to act as equity provider for concession companies more easily than other companies. Thanks to the inclusion of specialist providers from within the group, such as STRABAG Property and Facility Services, A-WAY, and EFKON, we are in a position to efficiently and completely cover all specifications from structuring to financing and planning all the way to construction and operation. This gives both the client as well as the capital providers a high degree of security regarding contract fulfilment.

Measurement principles

How the individual projects are recognised in the balance sheet depends on the legal definition. An **intangible asset** is recognised if the concession grants the company the right to charge users a usage fee. The **accounts receivable** approach is used if the company has an unconditional contractual right to receive a payment (see Receivables from Concession Arrangements, item 18 in the Notes). Non-recourse debt resulting from these consolidated project companies is considered in the liabilities section of the consolidated balance sheet. A large portion of the existing PPP projects within the STRABAG Group is handled by associated group companies. These are incorporated into the consolidated financial statements using the **equity method**. The investment in the concession company is therefore recognised with the proportional equity.

We are pleased to say that our portfolio is developing in line with the financing models underlying the projects, which form the basis for measurement according to the DCF method. This underlines the careful and conservative method of our measurement.

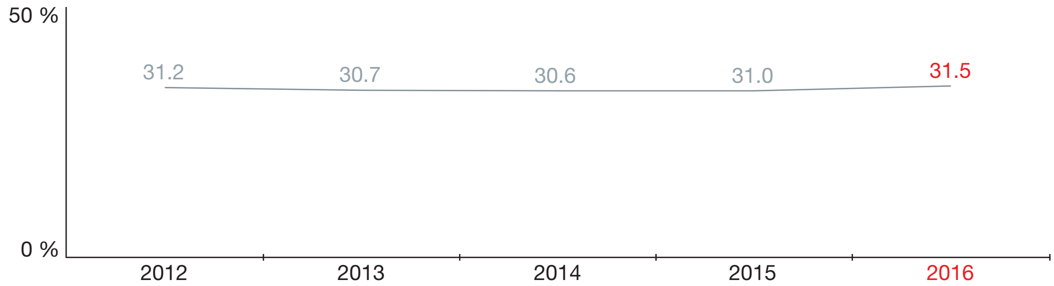
1) As at 30 June 2016

#2 – MAINTAINING FINANCIAL STRENGTH

Equity ratio: 31.5 %

Despite all differences between private and public clients, financial strength is the basic prerequisite for having our bid considered – it represents a decisive advantage in competition. We therefore see financial strength as being both the foundation as well as the framework for our business activity. Moreover, only financially strong construction companies are capable of participating in concession projects, as these must be partly co-financed with company equity. Additionally, meaningful acquisitions can be transacted more easily and quickly when there is an available budget. This is why maintaining our financial strength is a strategic priority. We see the equity ratio as a suitable figure with which to measure STRABAG's financial stability and strength. We are satisfied with an equity ratio (shareholder equity/total assets) above 25 %. As at 31 December 2016, this figure stood at 31.5 % – despite the own shares held by the company in the amount of 6.7 % of the share capital, the value of which is deducted from the equity.

DEVELOPMENT OF THE EQUITY RATIO



S&P rating:
BBB, outlook stable

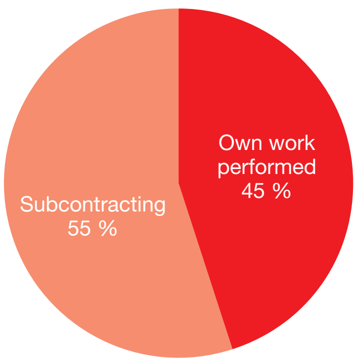
The financial strength of our company is also evaluated independently: In June 2015, the ratings agency Standard & Poor's (S&P) raised the investment-grade rating for STRABAG SE by one level from BBB- to BBB. This rating was confirmed in July 2016. S&P left the outlook at "stable".

The group's financial strength – expressed in form of a high equity ratio, a net cash position of € 449.06 million with a balance sheet total of more than € 10 billion, and the S&P investment grade rating – allows us to ensure the long-term existence of the group and to finance at favourable conditions.

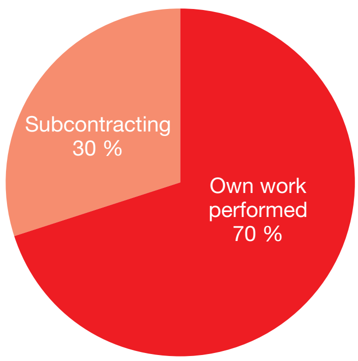
#3 – SHOWING FLEXIBILITY

Our flexibility, which helps us to respond quickly to changes on the market, is another important competitive advantage. This flexibility is nourished by our financial strength as well as by the possibility of serving markets outside of Europe and – depending on the market environment – of being able to pass on specific works to subcontractors. As one way of ensuring this flexibility, we are working on maintaining our geographic presence in non-European countries in order to become less dependent on individual markets.

SUBCONTRACTING BUILDING CONSTRUCTION AND CIVIL ENGINEERING



SUBCONTRACTING TRANSPORTATION INFRASTRUCTURES



OWN CONSTRUCTION MATERIALS NETWORK TO INCREASE FLEXIBILITY

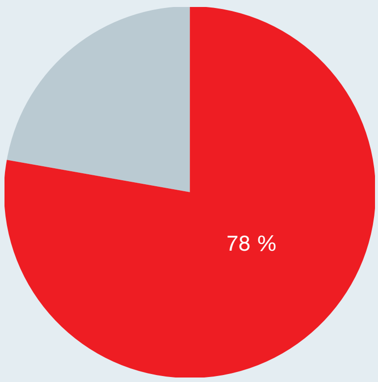
Due to our construction materials network, which helps to ensure a supply of resources from within the group, dependence on external suppliers is reduced and we are able to better plan our access to resources. Moreover, approval for new production facilities is granted only to a limited extent in regions in which such facilities already exist; this creates higher **hurdles to market entry** for newcomers.

We already possess an extensive resource network that is especially dense in our home markets. With 266 active asphalt mixing plants[1] (2015: 275), we covered 78 % of our group asphalt needs last year compared to 81 % in 2015. In this area, we have enjoyed an optimal degree of self-sufficiency already for several years. In terms of proprietary coverage, the other construction materials also exhibited a stable trend in 2016. Proprietary coverage with concrete, from 143 active mixing plants in 2016 compared to 146 the year before, remained nearly unchanged at 26 % versus 27 %. The participation in five (2015: six) cement works covered 24 % of the supply compared to 22 % in the previous year. In the field of stone/gravel, coverage stood at 18 % after 17 % in 2015 and the number of active production sites fell from 167 to 164.

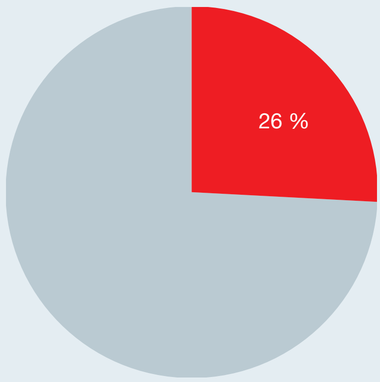
Since the 2016 financial year, Section 267b of the Austrian Commercial Code (UGB) requires STRABAG SE to publish a consolidated report on behalf of its subsidiaries in the extractive industries concerning payments to governments. This report is available at www.strabag.com.

COVERAGE OF CONSTRUCTION MATERIAL NEEDS USING OWN RESOURCES 2016

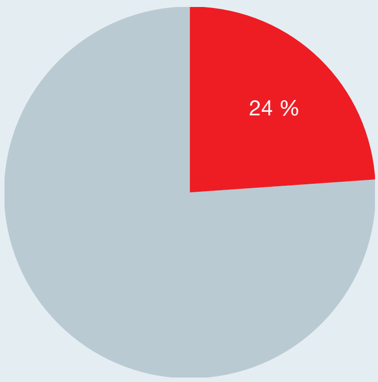
ASPHALT



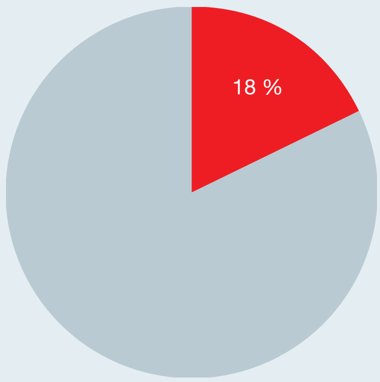
CONCRETE



CEMENT



STONE/GRAVEL



1) Own facilities and investments

Asphalt

We produced 15.1 million tonnes of asphalt in the past financial year, compared to 15.6 million tonnes in 2015. Most of this amount was produced in Germany, Poland, Austria and the Czech Republic. Of the asphalt produced, 63 % (2015: 62 %) was sold within the group – thereof about 60 % to the segment North + West and 40 % to the segment South + East – at the usual market rate; the rest was sold to third parties.

Concrete

The production of concrete – 80 % of which takes place in Austria, Hungary, the Czech Republic and Germany – amounted to 3.2 million m³ in 2016, compared to 3.5 million m³ in 2015. 32 % of the concrete produced was sold within the group (2015: 35 %)[1)].

Cement

We started operations of our first proprietary cement factory in Hungary in September 2011. These cement activities were brought into Lafarge Cement CE Holding GmbH, our joint venture with construction materials manufacturer Lafarge. We hold 30 % of the joint venture, so that it is reported in the consolidated financial statements using the equity method. In addition to the Hungarian site, the company also owns two production facilities in Austria (Mannersdorf and Retznei), amongst others. Thanks to the joint procurement and administration handled by this joint venture, STRABAG benefits from economies of scale and from the know-how of global cement market leader LafargeHolcim. We also hold a minority interest in Slovakia-based cement firm Cemmac a.s.

Stone/Gravel

The STRABAG Group produced around 28.7 million tonnes of stone and gravel in 2016, about the same as in the previous financial year (2015: 30.0 million tonnes). 26 % of these resources were used by group companies (2015: 28 %)[1)]. Being active in the production of stone and gravel, STRABAG is considered to be part of the extractive industries.

With the exception of asphalt, where our coverage is already quite high, our aim is to continuously cover more of our construction material needs with own resources. For us, increasing our independence from construction materials suppliers is a priority. In comparison, raising the revenues from construction materials sales to third parties is not an objective per se. Nevertheless, revenues in this area reached about € 515 million (2015: € 569 million).

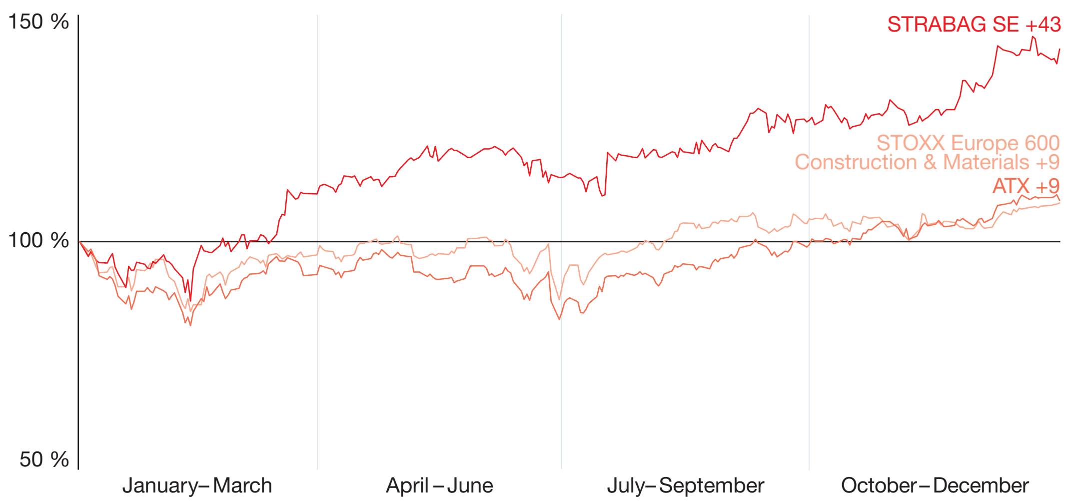
1) The relatively high percentage of third-party sales and purchases is explained by the fact that the desired construction material type and quality were not available in the region where they were needed or that the projects at times lie outside of the supply radius of the production facilities. This highlights the importance of area-wide access to construction materials in a given geographic area.

SHARES, BONDS & INVESTOR RELATIONS

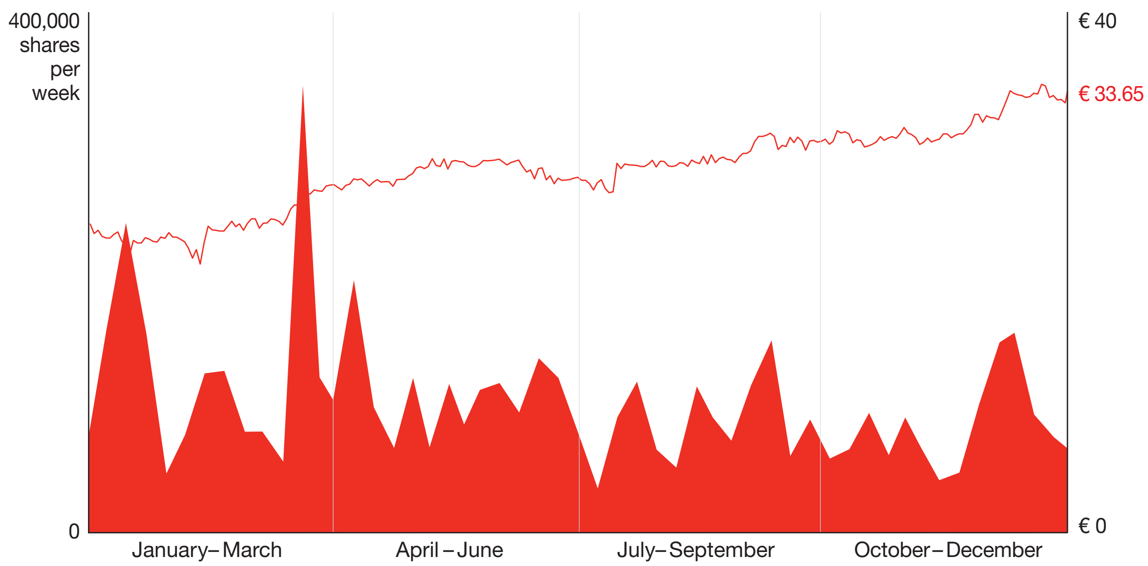
- STRABAG SE SHARE UP 43 %, CLEARLY SURPASSES POSITIVE DEVELOPMENT OF BENCHMARK INDEXES
- PROPOSED DIVIDEND OF € 0.95 PER SHARE
- EIGHT BANKS PROVIDE FREE COVERAGE OF STRABAG SE ON A REGULAR BASIS

The STRABAG SE share

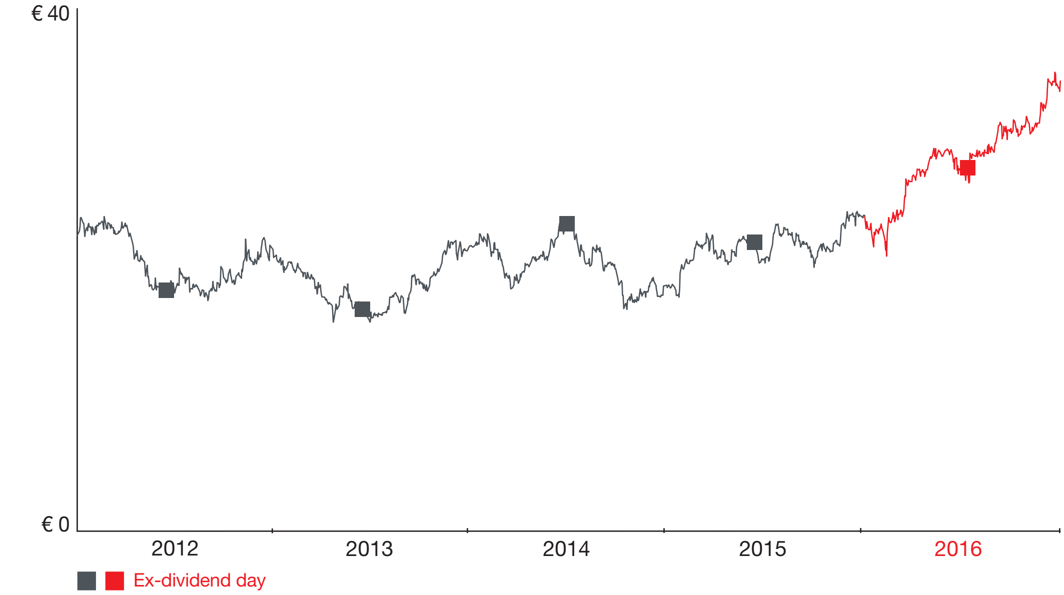
DEVELOPMENT OF THE STRABAG SE SHARE PRICE AND OF THE BENCHMARK INDEXES 2016



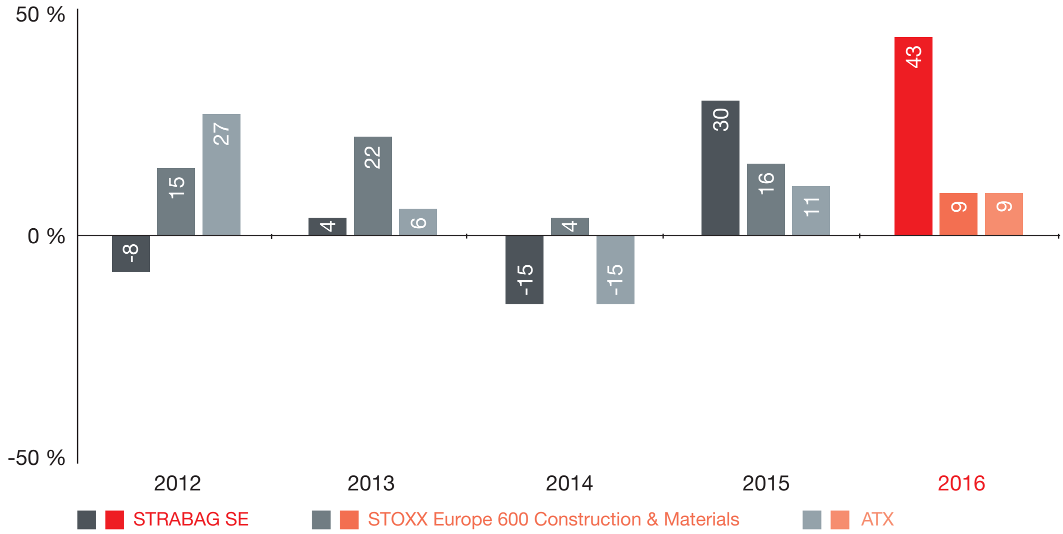
TRADE VOLUME OF STRABAG SE SHARES VERSUS SHARE PRICE 2016



LONG-TERM DEVELOPMENT OF STRABAG SE SHARE PRICE



MULTI-YEAR DEVELOPMENT OF THE STRABAG SE SHARE PRICE AND THE BENCHMARK INDEXES



2016 was characterised by large share price fluctuations on the stock markets, but brought rising share prices overall. The **MSCI World** index gained 5 % during the financial year. The individual stock markets developed quite differently; moreover, the above-average volatility of the exchange rates made investment decisions more difficult for investors. During the first weeks of 2016, prices on the most important markets fell in double-digit percentage terms for the weakest start to the year since the global economic crisis of the 1930s. In the end, however, a further monetary loosening by the European Central Bank (ECB) and by the Bank of Japan, as well as an even more cautious interest rate policy by the US Federal Reserve, contributed to a stabilisation of the markets. The British decision to leave the European Union was followed at the end of the second quarter by clear declines in share prices, which, however, managed to recover soon thereafter. In the autumn, positive corporate data alongside optimistic medium-term economic forecasts led to a positive mood on the markets. The result of the US presidential elections sent the markets on a price rally that continued until the end of the year.

In the US, the **Dow Jones Industrial** gained a remarkable 13 % in 2016 and reached a new all-time high nine times throughout the year. The index registered more than 60 % of its total growth for the year in the weeks after the presidential election on 8 November 2016. Weaker growth prospects and a series of political uncertainties, on the other hand, subdued Europe's stock markets as much as the financial risks. After an extremely volatile year, the pan-European index **Eurostoxx 50** was able to surpass the previous year's closing value by just about 1 % only thanks to a final rally in December. While the national benchmark indexes advanced in the Netherlands, Germany and France, they fell back in Spain and Italy.

The German benchmark index **DAX** remained in the minus throughout the first half of the year before it finally managed to pull up to the 2015 closing value in July. As in the other markets, strong price growth was needed in the last month of the year to finally push the DAX to an overall plus of 7 %. Among the large European stock markets, London recorded the strongest growth – even with Brexit. The weak pound exchange rate, which had been a stimulus for British exports and contributed greatly to this record, forced the overall performance in euro below zero, however. The **Nikkei 225** closed only barely above the level of the previous year. This was the Japanese benchmark index's fifth growth year in a row, with the price increases supported enormously by the expansive central bank policy. The fact that 2016 also saw the weakest growth in this period can be explained by the relatively strong yen, which is a hindrance for Japanese exports.

The Vienna Stock Exchange – in sync with the development of share prices globally – started 2016 on a very weak note. The benchmark **ATX** index temporarily fell below 2,000 points and by mid-February had reached its annual low at 18 % below the 2015 closing value. Strong upwards momentum started to build at the midpoint of the year, driven by fundamentally favourable corporate data and positive economic growth in Central and Eastern Europe. The ATX closed 2016 up 9 % over the previous year for the highest end-of-year value since 2010. With this growth, the Vienna Stock Exchange not only clearly surpassed the European benchmark index Eurostoxx 50 but also took a slot among Europe's best stock markets. The industry index **STOXX Europe 600 Construction & Materials** was also able to register growth of 9 %.

STRABAG SE share reaches eight-year high in 2016

The **STRABAG SE share** closed at € 33.65 and so managed strong growth for its second year in a row, this time with a plus of 43 % (2015: 30 %). After a brief weakening in the first months – the annual low of € 20.52 was reached on 11 February 2016 –, the STRABAG SE share continuously picked up speed. The high of € 34.30 on 20 December 2016 not only represented the highest level in 2016 but also of the past eight years.

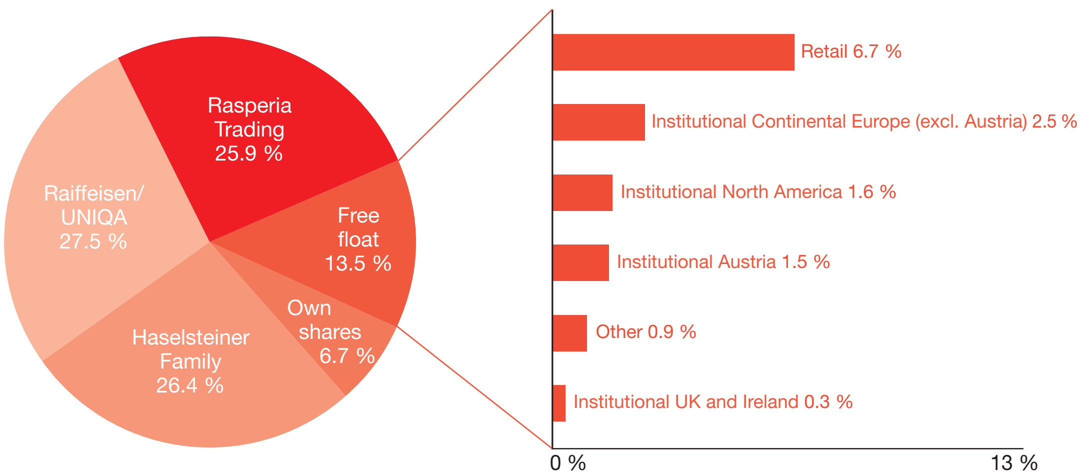
KEY SHARE INDICATORS

Share figures	2012	2013	2014	2015	2016
Closing price on 31 December (€)	20.43	21.32	18.18	23.58	33.65
Year's high (€)	23.50	21.70	23.13	23.88	34.30
Year's low (€)	17.20	15.59	16.55	17.45	20.52
Number of outstanding bearer shares on 31 December (shares)	103,087,657	102,599,997	102,599,997	102,599,997	102,599,997
Number of outstanding bearer shares, weighted (shares)	104,083,238	102,716,850	102,599,997	102,599,997	102,599,997
Market capitalisation on 31 December (€ billion)	2.1	2.2	1.9	2.4	3.5
Average trade volume per day (€ million)[1]	1.0	1.0	0.8	0.6	0.6
Number of STRABAG SE shares traded (shares)[1]	12,759,384	13,481,520	9,747,782	7,261,792	5,230,976
Volume of STRABAG SE shares traded (€ billion)[1]	0.3	0.2	0.2	0.2	0.1
P/E ratio on 31 December	35	19	15	16	12
Earnings per share (€)	0.58	1.11	1.25	1.52	2.71
Book value per share (€)	27.8	28.4	28.1	29.6	31.1
Price-to-book ratio	0.7	0.8	0.7	0.8	1.1
Cash flow from operating activities per share (€)	2.6	6.8	7.8	12.1	2.6
Dividend per share (€)	0.20	0.45	0.50	0.65	0.95[2]
Dividend payout ratio (%)	34	41	40	43	35
Dividend yield (%)	1.0	2.1	2.8	2.8	2.8
Share capital (€ million)	114	114	114	114	110
Weight in ATX (%)	1.22	1.22	n. a.	n. a.	n. a.
Weight in ATX-Prime (%)	1.12	1.08	1.11	1.34	1.70
Weight in WBI (%)	2.94	2.89	2.66	3.12	3.90

Shareholder structure

SHAREHOLDER STRUCTURE AS AT 1 JANUARY 2017

DISTRIBUTION OF THE FREE FLOAT BY JANUARY 2017



1) Double count
2) Proposed dividend

SHARES, BONDS & INVESTOR RELATIONS

Withdrawal of own shares

The **shareholder structure** of STRABAG SE changed slightly in the 2016 financial year. The Haselsteiner family, the Raiffeisen Group, the UNIQA Group and Rasperia Trading Ltd. continue to hold the majority, but their proportionate interest in the company increased slightly following a capital reduction. The withdrawal of 4,000,000 own shares was approved by the shareholders at their Annual General Meeting of 10 June 2016. As a result of this transaction, which was registered on 22 July 2016, the share capital is worth € 110.0 million and the own shares amount to 6.7 %. To our knowledge, no investor other than the core shareholders holds more than 5 % of the company. At the same General Meeting, the Management Board of STRABAG SE sought and received authorisation for a new **share buyback programme**. The Supervisory Board also approved this resolution. Whether the Management Board of STRABAG SE will make use of this share buyback authorisation, and to what extent, remains open.

In January 2017, we commissioned a shareholder ID to learn more about the distribution of our **free float**. The percentage of retail investors remained more or less stable at 6.7 % and slightly ahead of the institutional investors (5.9 %). 2016 brought with it a further shift toward a regional distribution in continental Europe (2.5 %) and Austria (1.5 %). While the investor interest remained unchanged in North America, it slid once more in Ireland and the UK – although because of the Brexit the largest sales of Austrian shares were registered in these two markets.

Annual General Meeting

With 99.99 % of the votes cast, the 2016 Annual General Meeting approved the actions of the Management Board and the Supervisory Board and decided on the payment of a dividend in the proposed amount of € 0.65 per no-par share for the 2015 financial year. The selection of the financial auditor was confirmed by 100 % of the votes cast. The aforementioned reduction of the share capital by € 4 million through withdrawal of 4,000,000 own shares was also approved by 99.99 %, the authorisation of the Management Board to acquire own shares by 99.98 %. A total of 720 registrations representing 90,271,138 no-par shares, or 79 % of the share capital, were made for the Annual General Meeting.

ANNUAL GENERAL MEETING TAKES PLACE ON 23 JUNE 2017

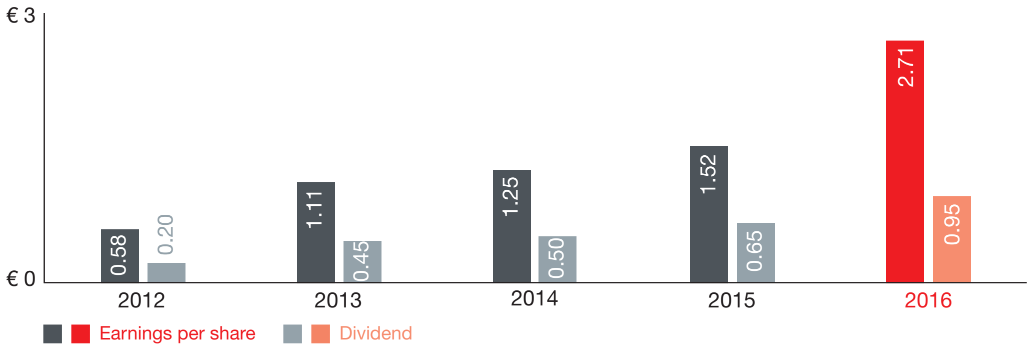
The next Annual General Meeting will be held at a different venue than in the past: the Tech Gate Vienna, our in 2016 purchased property. It starts at 10:30 a.m. CEST on 23 June 2017. Shareholders wishing to attend are requested to provide proof of shareholder status with their bank by 13 June 2017. Details regarding the correct procedure can be found on our website at www.strabag.com > Investor Relations > Annual General Meeting.

Dividend

Dividend: € 0.95 per share

STRABAG places great value on a constant dividend policy. The Management Board is keeping to its goal of paying out 30–50 % of the net income after minorities to company shareholders in the form of a dividend once a year. The exact payout ratio is determined by the general development of the business as well as by the group's opportunities for growth. In accordance with this goal, the Management Board of STRABAG SE will propose to the Annual General Meeting of 23 June 2017 a dividend of € 0.95 per share for the 2016 financial year. This corresponds to a dividend payout ratio of 35 %. Following the acquisition of the remaining minority interest in Ed. Züblin AG, the portion of the earnings that had been attributable to the minority shareholders is now attributable to the shareholders of STRABAG SE – which resulted in an increase of the earnings per share. Based on the share price of € 33.65 on 31 December 2016, the dividend yield is 2.8 %. The ex-dividend date has been set for 30 June 2017, the dividend payment date for 4 July 2017.

EARNINGS PER SHARE AND DIVIDEND



Bonds and bonded loans

OVERVIEW OF THE LISTED BONDS

Term	Interest %	Volume € mln.	ISIN	Exchange
2011–2018	4.75	175	AT0000A0PHV9	Vienna
2012–2019	4.25	100	AT0000A0V7D8	Vienna
2013–2020	3.00	200	AT0000A109Z8	Vienna
2015–2022	1.625	200	AT0000A1C741	Vienna

STRABAG SE (and its predecessor, FIMAG) has to date issued twelve corporate bonds, of which four are still listed. STRABAG continued its years-long strategy of bond issues with its most recent issue of a € 200 million 2015–2022 bond carrying a coupon of 1.625 %.

S&P CONFIRMS CORPORATE CREDIT RATING OF BBB

S&P rating: BBB

STRABAG SE and its bonds are regularly rated by the international ratings agency Standard & Poor's (S&P). In November 2007, S&P raised the corporate credit rating for STRABAG SE from BB+ to BBB-, thus elevating STRABAG SE to "investment grade". In June 2015, S&P raised the credit rating another level to BBB with stable outlook. The rating was confirmed in 2016. The key indicators that had led to the ratings increase continued to develop well, according to S&P. STRABAG SE's strengths are seen above all in the stable margins in an otherwise quite cyclical market environment, in the effective risk management and in the strong market positions.

Investor relations

As we pursued our investor relations activities as persistently in 2016 as in the years before, investor interest also remained stable despite the lower trade activity of our share. In addition to the prescribed quarterly reports, we informed 93 capital market participants (2015: 98) in 64 (58) one-on-ones, telephone conferences and group talks. We took part in nine (ten) **roadshows** and **investor conferences** organised by Baader Bank, Berenberg Bank, Erste Group, Kepler Cheuvreux and Raiffeisen Centrobank and conducted investor talks in places such as London, Frankfurt, Munich, Zurich, Warsaw and Vienna. In 2016, we tested the Bloomberg **videoconferencing format** for the first time in which institutional investors can contact our CEO directly through a web conference. We plan to use this format again in 2017, especially to give interested persons the chance for a personal talk apart from the usual conference and roadshow venues.

If you want to learn more about our future roadshow activities, please visit our website at www.strabag.com > Investor Relations. The corporate calendar is updated continuously and includes all the planned roadshow events as well as the dates for the publication of our financial results.

WE ARE IN CONSTANT CONTACT WITH OUR INVESTORS

Unpaid share coverage

Not only are we in constant e-mail and telephone contact with our institutional investors and analysts, we also provide extensive information to our private investors. We do so among other things by offering web and audio broadcasts of parts of our Annual General Meetings, investor conferences and press conferences on our website, and we try to reach our private shareholders and interested parties through a variety of different channels. In September 2016, CEO Thomas Birtel again took part in a **private investor roadshow** in Vienna organised by Börse Social Network.

Every individual investor benefits from our taking the time to communicate with the market and to strive for constant improvement in our investor relations work – because excellent investor relations have a positive effect on the share price and reduce the amount of time required to form an opinion of the company. It is our goal to maintain the strength of our investor relations efforts, to keep a steady flow of information and, in so doing, to help the analysts for banks and institutional investors make correct assessments of STRABAG SE's shares and bonds.

Analyst research provides current as well as potential shareholders with a first indication of the assessment of STRABAG SE. We are therefore delighted that eight banks regularly analyse STRABAG SE – at no cost to the company – in order to issue target prices and recommendations for our shares:

- Commerzbank, Frankfurt (Norbert Kretlow)
- Deutsche Bank, Vienna (Matthias Pfeifenberger)
- Erste Group, Vienna (Daniel Lion)
- HSBC Trinkaus & Burkhardt, Dusseldorf (Tobias Loskamp)
- Kepler Cheuvreux, Vienna (Stephan Trubrich)
- LBBW, Stuttgart (Jens Münstermann)
- MainFirst Bank, Frankfurt (Christian Korth)
- Raiffeisen Centrobank, Vienna (Markus Remis)

Additionally, credit analysts at these banks are currently covering our bonds:

- Erste Group, Vienna (Elena Statelov)
- Raiffeisen Bank International, Vienna (Eva-Maria Grosse)

HOW TO RECEIVE INFORMATION ABOUT STRABAG SE

STRABAG SE's Investor Relations department reports directly to the CEO and sees itself as the service department for existing and potential private shareholders, institutional investors and analysts, as well as the point of contact for capital market issues for the group's operating units. For us, quick response times, comprehensive information and a constant dialogue with the capital market and the general public are a matter of course. We place great importance on informing all shareholder groups quickly and simultaneously. To achieve this, we publish all company-relevant news on our website at the same time that we send our **Investor Relations newsletter** per e-mail. If you would like to receive this information, please register on the Investor Relations page on our website www.strabag.com or give us a call.

Your questions and suggestions are important to us for the continued improvement of our services. We look forward to hearing from you:

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At www.strabag.com > Investor Relations you will also find:

- Up-to-date roadshow documents
- Company presentations
- Analyst consensus recommendations
- Complete versions of the credit research reports
- Live broadcasts and recordings of telephone and investor conferences
- Stock calculator
- Subscription to receive daily share price information
- Individual share price charts
- Download versions of the Annual Reports and Interim Reports
- Order form for the print versions of our publications
- Financial calendar

INNOVATION & DIGITALISATION

- COUNTERING PRICE COMPETITION WITH INNOVATIVE SOLUTIONS
- INNOVATION THEMES STEERED BY THE STRABAG SE MANAGEMENT BOARD
- AROUND 100 INNOVATION INITIATIVES THROUGHOUT THE GROUP EVERY YEAR
- FOCUS ON DIGITALISATION PROJECTS: BIM.5D® AND "THE INTEGRATED CONSTRUCTION SITE"

Material issue according to GRI: see p. 17

STRABAG is a technology group for construction services. To remain competitive in the long term, a technology-focused company like ours must embrace innovation. This not only is the point of view of our management; our stakeholders are convinced of this as well. For this reason, innovation and digitalisation – the latter currently is a priority innovation theme – have a prominent place in our materiality matrix and in our corporate strategy, where they are assigned to the strategic field of Economic Responsibility.

The trend in the construction industry – as in other sectors – is increasingly moving toward **integrated end-to-end solutions**. Clients want benefit, rather than things and individual functions. This results in complex changes. For example, the function of buildings and transportation infrastructures is increasingly seen over the entire life cycle – in terms of technology, profitability and environmental impact. All of these demands are met with the basic understanding of a **main contractor** like STRABAG. Whereas in the past contractors were usually invited to join the process at the construction stage – which is quite late in the game –, in the future they should participate earlier and more extensively during the design phase (frontloaded design), at STRABAG e.g. via teamconcept.

Production costs usually still decide over award

The **production costs** continue to **decide** over most contract awards. This price competition can be countered not only with higher efficiency but also with innovative solutions. Clients are increasingly looking at the operating and life cycle costs; rarely, but more and more, an assessment of the environmental impact of the relevant construction-related processes is wanted. In the future, construction companies will be asked to build highly functioning buildings with maximum comfort, high health standards and less impact on the environment. Policymakers are also recognising the role of the resource-intensive construction sector when it comes to tackling challenges such as **climate change** and **resource scarcity**. There is a considerable need for energy-efficient buildings and, in light of the increasing traffic volume, for modern transportation infrastructures. This finds expression in extensive national and European subsidy programmes and indirectly announces large investment volumes.

Strategically steering innovation

It is time to recognise the impact this **megatrend** has on the construction sector and to realise the implications of the changes. Because entrepreneurial success in the future will depend on the ability to recognise trends in time and to be prepared for this new complexity. Our innovation must therefore be steered strategically.

For innovations to become successful, they must be introduced into the organisation's structure as prudently as possible in order to take into account the varied interests of the different stakeholder groups – including shareholders, clients and employees. Allowing balanced **freedom to try out** new ideas makes it possible to better estimate and manage risks – but not only that: such freedom is often needed to find new solutions, it motivates people and is seen as especially attractive among prospective employees.

Rules and responsibility areas

One **STRABAG SE Management Board member**, Peter Krammer, acts as a sponsor of innovation and digitalisation within the group. Special **innovation managers** at the **divisions and central divisions** collect development proposals and approve their realisation in line with the strategic alignment of their business field. With questions regarding public funding, recognising relevant trends, developing new ideas, reporting on the group's innovation activities and establishing development partnerships, they can count on the support of the **Innovation Management** team from the group's Zentrale Technik service operation.

Objectives and indicators

In the past two years, the STRABAG SE Management Board has had a great influence on the innovation agenda and has been a driving force behind the increased, systematic **networking within the group**. In addition to the extensive project-related research and development projects, the group also launched the projects "Accelerated Introduction of BIM.5D® for Building Construction and Civil Engineering" (Building Information Modelling) and "The Integrated Construction Site" for road construction in order to systematically address the digitalisation of the design, logistics, assignment and construction processes. In the future, ideas from the entire staff are to be collected and evaluated using STRABAG's internal social business platform (connect). We will clarify the objectives and define the relevant indicators in the 2017 financial year.

Projects and initiatives

Download this brochure at www.strabag.com > Strategic Approach > Economic Responsibility

On average, there are about **100 innovation-related initiatives a year** in the group. These include projects on construction details or developments of material properties for road surfacing. STRABAG invested about € 11 million in these projects in 2016. Our annual **group brochure** "Research, Development & Innovation" features reports on the most important works and serves as a way to network management, clients, investors and our employees. Since 2004, the group has been an active member of the European Network of Construction Companies for Research and Development **(ENCORD)** and the European Technology Construction Platform **(ECTP)**.

Innovation with high client benefit: the luminous bike lane

POLAND: IMPORTANT INNOVATION AWARD FOR STRABAG

The Polish Infrastructure Diamonds are awarded for outstanding achievements among construction industry players. The awards have been presented for the last eight years. STRABAG was awarded in 2016 in the category of "Innovation Leader". A decisive factor behind the distinction was the construction of Poland's first luminous bike lane, a project that garnered both national and international attention.

Digitalisation

Robots will not replace people.

Digitalisation is currently one of the most important issues within the context of innovation at STRABAG. It is a megatrend that will change the traditional construction processes by allowing the fast, global **networking of things and machines** (Internet of Things) **and people**. Components that gather and send data can be built into nearly everything, even into construction materials and construction parts, to provide information during the construction of buildings or to send status updates during their operation. This makes it possible to monitor and optimise processes from almost anywhere – either from the office or on the construction site. Using model-based renderings that present the information in an extremely compact and easily understandable form, people will be able to work together in real time from different locations no matter where they are.

Self-learning algorithms will support the decision-making in ever more complex processes – decisions made not only by management but also by robots. Robots can already lay bricks, perform freeform welding operations and "print" structures, structural elements and construction parts using cementitious pastes. Still, they won't be replacing people any time soon.

For STRABAG, the trend toward digitalisation means that **all material business processes** – design, construction, production, operation and administration – must be **gradually adapted** to this new way of processing information. We want to introduce digitalisation in the design-and-build process because we want to remain competitive and viable as well as attractive as an employer and construction partner, and because we expect the networking of the construction participants to lead to increased quality and efficiency as well as better cost planning.

RULES AND RESPONSIBILITY AREAS

To supervise and continuously track the digitalisation processes, a **Steering Committee for Digitalisation** (SCD) was set up as a committee of the Management Board. Its members are the STRABAG SE Management Board members Christian Harder, Peter Krammer and Siegfried Wanker. The SCD is advised by a team of people appointed by the Management Board who hold direct or indirect responsibility for digitalisation in the group. The SCD meets regularly about every two months.

Additionally, the new **"BPM Organisation" group directive** (business process management) regulates the management of those business processes requiring central IT support. Local BPM representatives were appointed to serve as speakers for their respective divisions. The BPM evaluation board set up within the BPM organisation, consisting of representatives from the central divisions BRVZ and Zentrale Technik, is responsible for the evaluation of the submitted project ideas and coordinates the preparation of the decision-making foundations for the SCD. These two central divisions have an important role in overseeing all technical and organisational steps of the digitalisation processes.

OBJECTIVES AND INDICATORS

In order to achieve a comprehensive and sustainable digitalisation when designing and building construction projects, the STRABAG Group believes that end-to-end process optimisation is the best way. The focus is on a higher penetration of digital methods such as BIM.5D®. Another focus is on the development of more efficient and more collaborative ways of working with clients and partners. To this end, we are investing in the **continuous qualification** of our existing employees and are strengthening our teams with the right specialists.

We work on the digitalisation of the construction site in specific BIM.5D® workrooms.

The following indicators are used to measure if an objective has been reached:

- Number of **construction projects** using **BIM.5D® methods** in the design, build or operate phases
- Share of the **output volume** (in € mln.) of projects using **BIM.5D® methods** in the design, build or operate phases as compared to the total output volume
- Number of **construction projects** designed and built using **collaboration platforms**
- Share of the **output volume** (in € mln.) of projects designed and built using **collaboration platforms** as compared to the total output volume
- Number of **employees** who have been **trained** in the use of new software (e.g. 3D-CAD, iTWO5D) and the application of new working methods (e.g. BIM.5D® management)

We will define the target values for the indicators in the 2017 financial year and report about the target achievement in our 2017 Annual Report.

PROJECTS AND INITIATIVES

In 2016, the group launched the projects **"Accelerated Introduction of BIM.5D® at the STRABAG Group"** for building construction and "The Integrated Construction Site" for transportation infrastructures. The BIM.5D® project was successfully concluded on 31 December 2016. In this way, we pushed ahead, among other things, with the development of templates for the modelling in the various segments (e.g. building construction, ground engineering, civil engineering, turnkey construction). We also set up **BIM.5D® workrooms** and BIM.5D® conference rooms at several locations. The as yet unfinished development services running in nine partial projects about BIM.5D® will be continued in the various group entities (IT, Zentrale Technik, operating units) in the years to come. The project team **"The Integrated Construction Site"** began its work in 2016 and will continue its activities until 2018.

CLIENT SATISFACTION

- ON-TIME DELIVERY, QUALITY AND PRICE ARE DECISIVE FACTORS FOR CONTRACT AWARD
- CLIENT SATISFACTION IS MEASURED REGULARLY
- STRABAG TEAMCONCEPT ALLOWS PROJECTS TO BE COMPLETED MORE COST-EFFECTIVELY, QUALITATIVELY BETTER AND MORE RAPIDLY

Material issue according to GRI: see p. 17

Long-term, sustainable success is our goal. This is why the demands and **expectations** of our **clients** are at the heart of each and every project. "We create value for our clients by integrating various services and taking responsibility. We bring together people, materials and machinery at the right place and the right time in order to realise even complex construction projects – on schedule, in accordance with quality requirements and at the best price." In line with this central message of our vision, the issue of client satisfaction was given top priority in the stakeholder dialogue from both an internal and external perspective. Under our strategy, we assign client satisfaction to the strategic field of "Economic Responsibility". Because **on-time delivery, quality and price** (or, more precisely, cost) are all decisive factors for the economic success of an individual project and of the entire company.

So there is good reason why reliability forms part of our guiding principles. From the prequalification and bidding process to contract awarding and repeat orders to **permanent client relationships** – the satisfaction of our clients always drives our image, which substantially increases our opportunities and is ultimately reflected in our order backlog. Risks – such as those arising from non-fulfilment of client expectations in terms of quality or legal and normative requirements – are systematically countered through the STRABAG management system with measures for **quality assurance, environmental protection** and project-specific **risk management**. In this way, we aim to prevent the negative impacts our business activities may have on the safety of users, on the environment and, consequently, on our reputation.

Rules and responsibility areas

As part of our efforts to maintain and improve client satisfaction, the management in the group entities, during the operational corporate planning and assessment, establishes, implements and evaluates specific targets, structures, tools and measures under consideration of the relevant market and business field. The systematic measurement and evaluation of client satisfaction is laid out in the STRABAG Management Manual. The **central division TPA** (TPA Gesellschaft für Qualitätssicherung und Innovation GmbH) oversees all coordination, reporting, and monitoring through the use of internal audits.

Objectives and indicators

In response to the STRABAG materiality analysis, we intend to expand on the issue of client satisfaction, including the objectives and indicators, and are therefore planning the following measures for 2017:

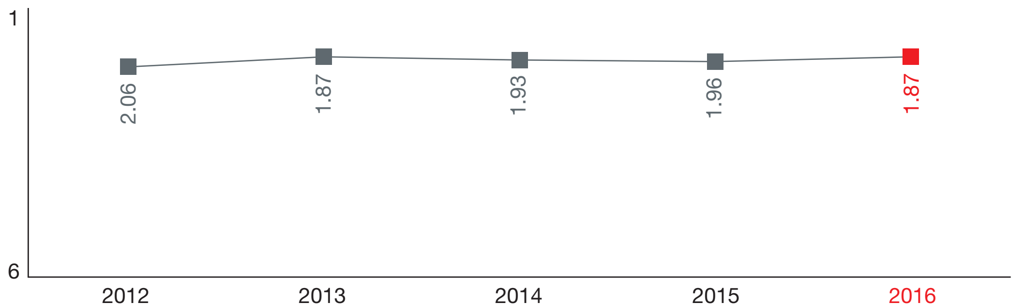
- Review/adapt the group's current uniform client survey system (update the questions, consider client/project type, etc.)
- Create a catalogue of methods and criteria to assess client satisfaction on the basis of best practice in the group
- Evaluate online assessment tools using corresponding evaluation options

The formulation of proposals and measures will be coordinated by the business unit Integrated Quality Management (IQM) within the TPA central division as the foundation for the establishment of objectives and indicators in the operating entities and at the corporate level.

The **client survey** to measure client satisfaction has been carried out **for construction projects using a uniform group standard** since 2005. A written questionnaire is sent to clients in all group countries, asking for their project-specific or contract-related evaluation of the following five aspects: response to faults and complaints; documentation and reporting; competence of the site manager; competence of the foreperson; orderliness and cleanliness on the construction site. The operating entities can add specific questions to the survey or implement additional procedures for measuring client satisfaction. The evaluation of the questions specified by the group is performed by the independent central division TPA. The assessment of the results and the extrapolation of objectives and measures is the responsibility of the operating entities during their annual planning and assessment process.

In the years 2012 through 2016, we were able to fulfil completely our clients' expectations:

RESULTS OF THE CLIENT SURVEY (ALL GROUP COUNTRIES)



Degree to which clients saw their expectations fulfilled
Expectations were 1=exceeded; 2=fulfilled; 4=partly fulfilled; 6=not fulfilled

Projects and initiatives

See the chapter "Innovation & Digialisation"

The **STRABAG teamconcept** is a partnering model that has been in use successfully for many years at several group entities, allowing projects for both sides to be completed more cost-effectively, qualitatively better and more rapidly. Ideally this will create a win-win situation for both the client and the contractor in the plan, design, build and operate phases that is characterised by shared objectives and values, transparency, risk and opportunity management as well as joint project controlling.

We are continually using, networking and expanding the competencies available in the group to generate value not only for all project participants but also for the users of our buildings and to fulfil their requirements for the long term – for instance, through systematic innovation management and by actively preparing for the future of construction. This includes the digitalisation offensive launched across the group as well as the introduction of **LEAN construction**, supported by STRABAG SE Management Board member Siegfried Wanker. Corresponding initiatives are made by order of the group Management Board and managed by our business process management (BPM) committees.

The **group academy** offers personalised training, such as "Solution-oriented negotiation" or "teamconcept" for all employees with direct client contact. Important channels for **communication and feedback**, in addition to the direct client contact and client surveys, are: personal client service, key accounting, trade fair presence, publications in professional journals, representation on trade committees, websites and public relations.

GROUP 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 m^2 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 pre-construction 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


© KASIG

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.


© Stadtverwaltung Székesfehérvár

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.

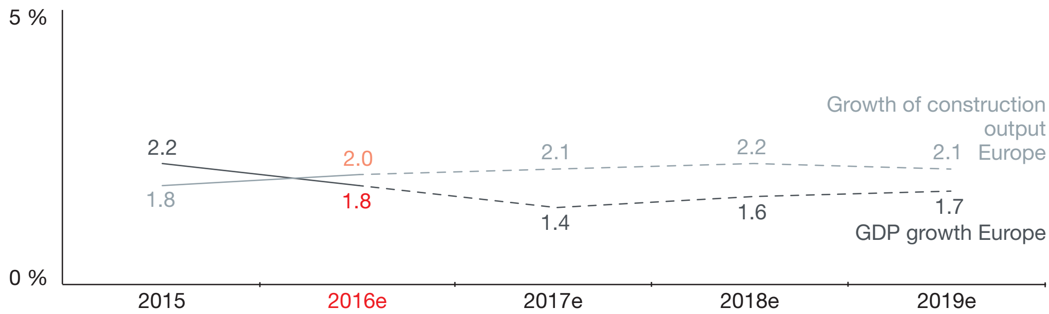
OUTPUT VOLUME BY COUNTRY

€ 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

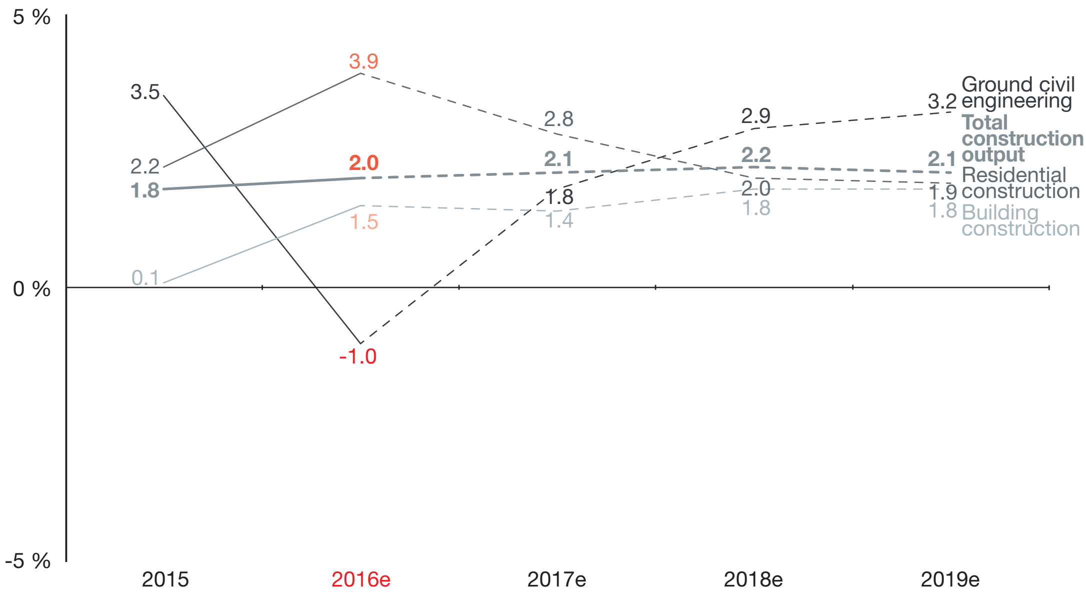
In contrast to the economy as a whole, the **construction sector** in the 19 Euroconstruct countries registered slightly higher growth (+2.0 %) in 2016 than the year before (+1.8 %). The plus fell short of the original forecasts, however, which had predicted a clearer sign of recovery. The expectations 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



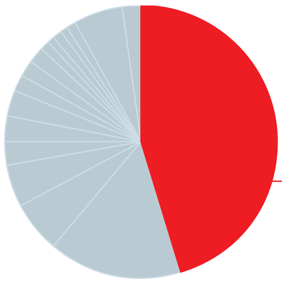
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew considerably more strongly than the year before. Civil engineering, on the other hand, had to concede a noticeable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

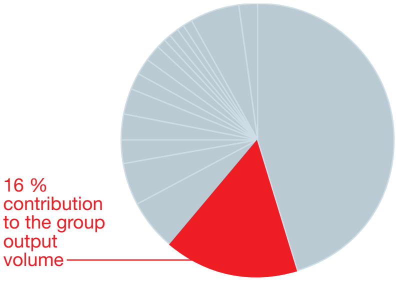
The upswing of the German economy continued as expected in 2016. The GDP growth of 1.9 % resulted – in contrast to the previous years – primarily from a strong increase of private domestic consumption and not so much from corporate investments or foreign demand. Low savings interest rates, secure jobs 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.

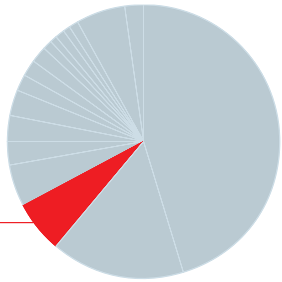
Euroconstruct expects to see similar annual growth rates through 2019 for the Austrian construction sector, which again generated a plus of 1.6 % after the negative performance of -0.6 % in 2015. In particular, residential construction (+1.5 %) developed better than had been expected. This can be traced 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.

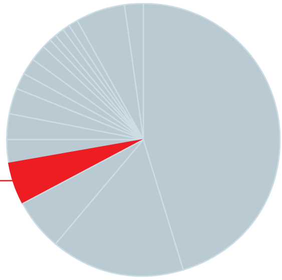
The Polish construction industry presented itself as very inconsistent, with a negative overall performance in 2016. Following the strong growth of the previous two years (+5.1 % and +4.1 %), the sector registered a minus of 0.8 % in the year under report. This development can be traced back to declining 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 %

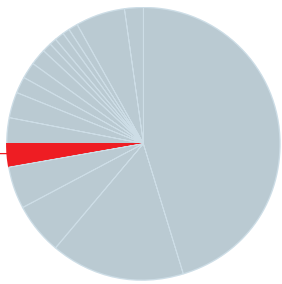
After the turnaround in 2014 and the record year of 2015 with GDP growth of 4.5 %, the Czech economy consolidated at a stable plus of 2.3 % in the year under report. Although this development was supported by several factors that have only a temporary effect, e.g. EU subsidies, the reduction of the value-added 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 %.

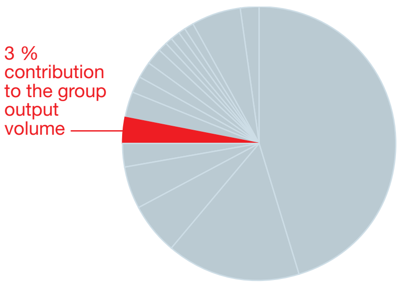
At least the residential construction sector experienced an upswing in 2016, gaining +12.1 % on higher demand, in equal parts, for owner-occupied and investment housing. Being on the more expensive side, luxury apartments remained unsellable. In the highest demand was government-subsidised housing.

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.

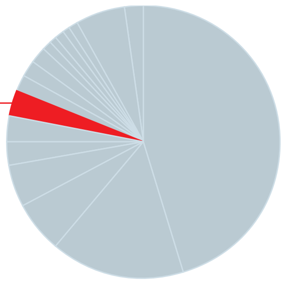
Residential construction, which had largely stagnated in the previous two years, proved to be the most successful sector in 2016 with growth of +14.0 %. The market for new construction boomed thanks to a broad and generous fiscal policy of subsidies, tax cuts, tax rebates and special loans that helped 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.

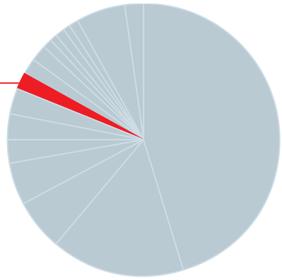
The Swiss residential construction sector stagnated in 2016 at the same low level as the previous year even though institutional investors, in their search for returns on their capital, invested massively in multi-dwelling units. Private investments on the other hand, for example in single-family homes, 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 %

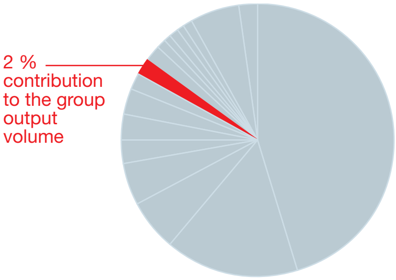
The economy of the Benelux states showed itself to be moderately dynamic, yet constant in 2016. The GDP growth of 1.4 % in Belgium and 1.7 % in the Netherlands, which would have been even higher without the state-imposed reduction of gas production volumes, can be traced back to lower unemployment, higher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

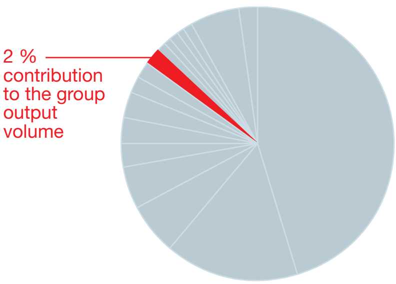
The Romanian construction industry developed in line with the general economic upswing in the year under report, registering positive growth (+3.7 %) for the second year in a row since 2015. The increases are even expected to reach 5.2 % and 8.6 % in 2017 and 2018. Residential construction in particular, 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.

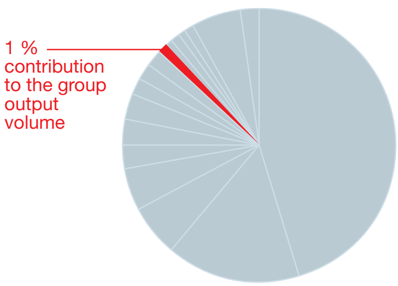
In comparison to the economy as a whole, the Danish construction industry performed better in the period under report. The plus of 2.1 % indicated that the above-average decline since the beginning of the financial and economic crisis is now being followed by a just as above-average upswing (+2.5 % are 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.

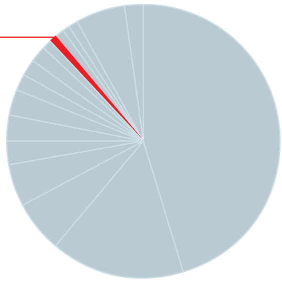
With growth of 6.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2016. A downright boom was registered by residential construction, which, after the strong previous year (+16.4 %), grew by another 12.4 %. Sweden is admittedly still far from the government's 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 transportation 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 %.

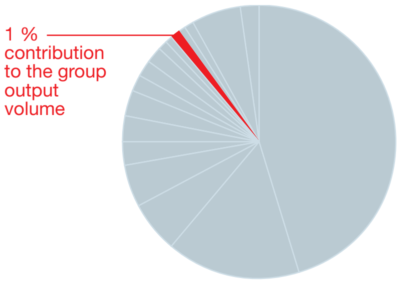
The decline of 5.7 % in residential construction is due primarily to the strongly reduced demand for single-family homes, which – in contrast to multi-dwelling units – received no federal subsidies. The government is now attempting to boost this sector with subsidised mortgage loans, but experience has 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.

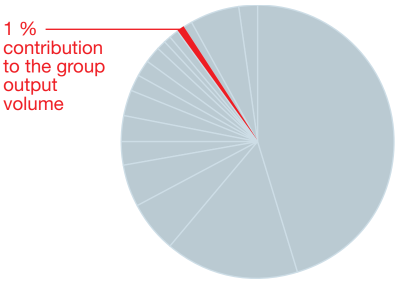
The performance of the residential construction sector (+15.6 %) is being interpreted not only as a revival but also as the beginning of a new growth cycle. The market in this sector is currently growing equally in terms of supply and demand. The experts believe that falling unemployment, rising incomes, 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.

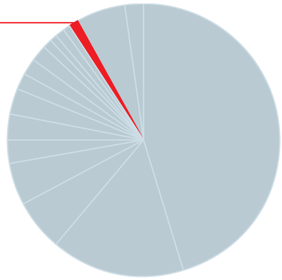
In contrast to 2015, when the individual construction sectors reported quite disparate performances, the industry presented itself largely homogenous in 2016 with growth between 1.7 % (residential construction) and 2.1 % (building construction and civil engineering). The only negative performance remains 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.

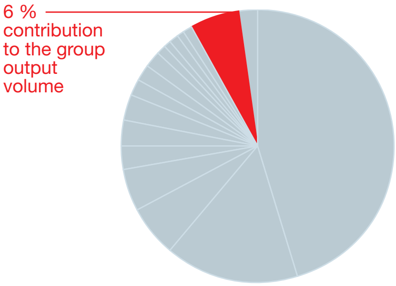
The most gratifying, albeit smallest plus (+2.8 %) in 2016 was generated by the problem child of the Croatian construction industry: residential construction. Since the start of the financial and economic crisis, this sector had performed consistently negative. Thanks to rising incomes and a constant (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.

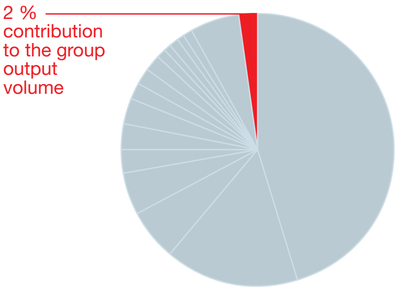
MIDDLE EAST, AMERICAS, AFRICA, ASIA



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).

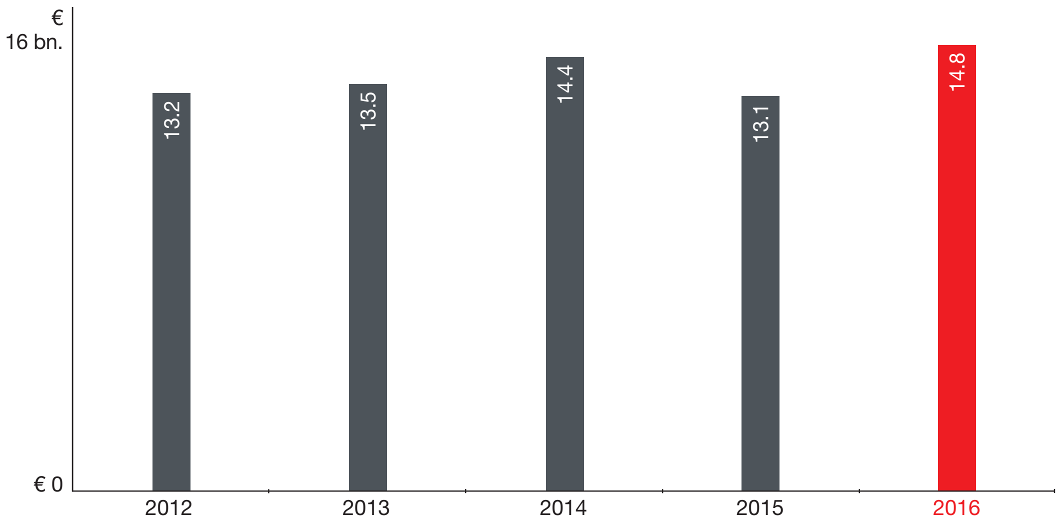
The STRABAG Group generated € 26.90 million on the Bulgarian market in 2016.

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.

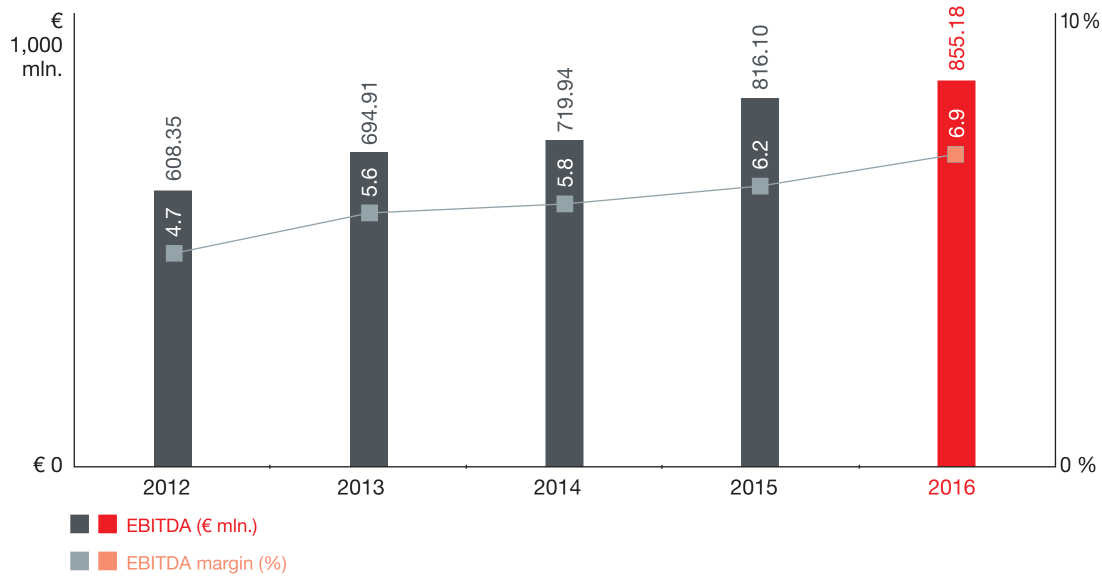
The **changes in inventories** involve mainly the real estate project development business, which was conducted as actively in 2016 as in the past. While disposals had affected the changes in inventories in 2015, the successful sales were overcompensated in 2016 by new project developments. The **own 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 %

Earnings per share: € 2.71

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.

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.

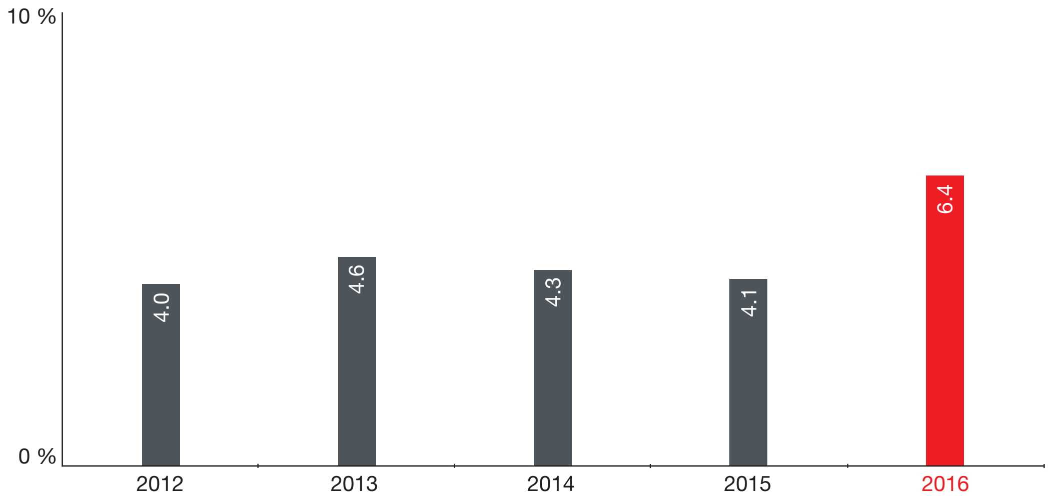
The **net interest income** was greatly reduced with € -3.78 million after € -24.42 million the year before. The positive foreign currency effects increased to € 13.01 million in 2016 (2015: € 8.43 million). Loan repayments helped to bring down the interest on borrowings.

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 sale 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 Sec 192 Para 3 No. 2 and Sec 192 Para 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 Sec 4 Para 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.

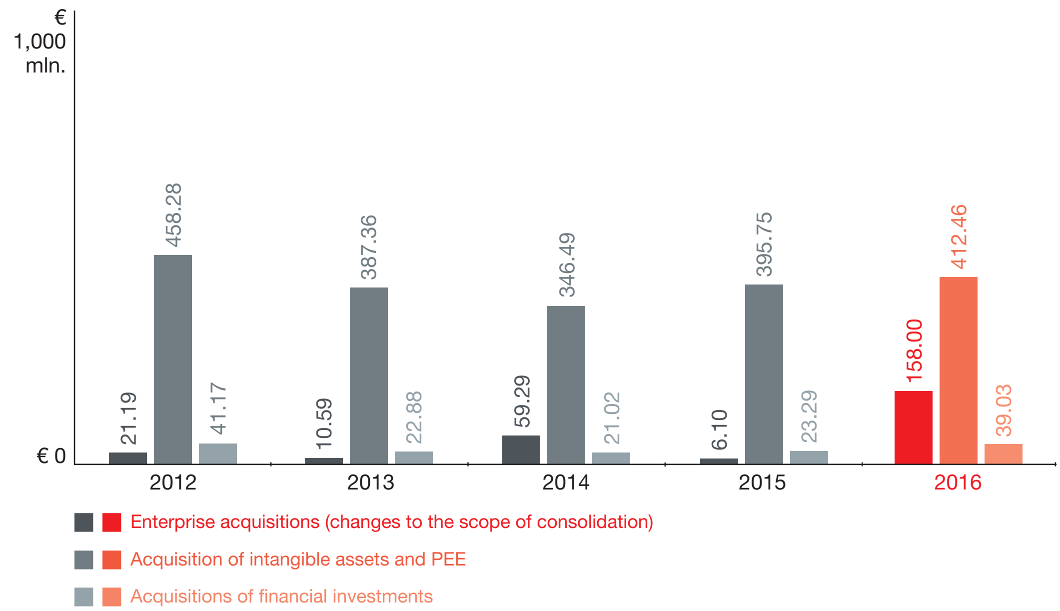
Capital expenditures

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.

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.

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

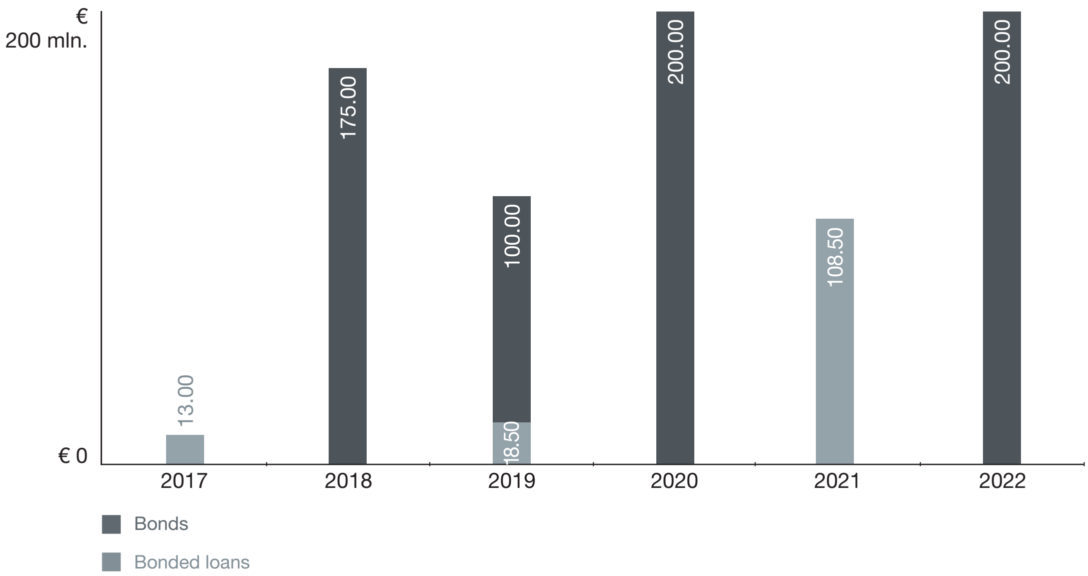
STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.5 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until at least 2022. 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



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

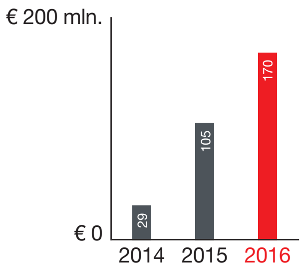
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ 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

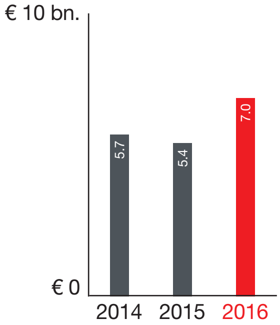


EBIT significantly better after being burdened the previous year

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

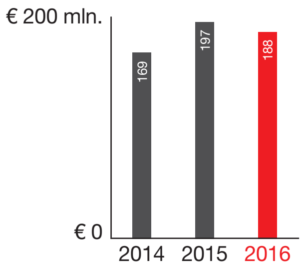
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ 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

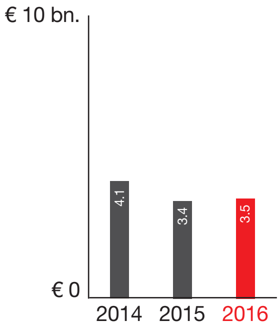


Segment continues to contribute positively to earnings

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

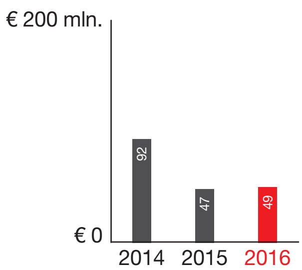
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where 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

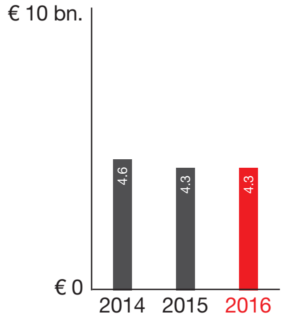


Minor changes in revenue and EBIT

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**. Although considerable – and expected – revenue reductions were registered with respect to 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 Para 5 of the Austrian Stock Corporation Act (AktG), all rights were suspended for 7,400,000 no-par shares (6.7 % of the share capital) effective 31 December 2016 as these shares are held by STRABAG SE as own shares as defined in Section 65 Para 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 Para 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 Para 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 Para 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 Para 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.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

Consolidated income statement

T€	Notes	2016	2015
Revenue	(1)	12,400,465	13,123,476
Changes in inventories		51,393	-26,194
Own work capitalised		4,157	5,761
Other operating income	(2)	235,835	221,465
Construction materials, consumables and services used	(3)	-7,980,009	-8,619,028
Employee benefits expenses	(4)	-3,210,911	-3,158,252
Other operating expenses	(5)	-795,854	-826,900
Share of profit or loss of equity-accounted investments	(6)	106,178	61,889
Net income from investments	(7)	43,928	33,883
EBITDA		**855,182**	**816,100**
Depreciation and amortisation expense	(8)	-430,272	-475,057
EBIT		**424,910**	**341,043**
Interest and similar income		73,899	82,071
Interest expense and similar charges		-77,680	-106,490
Net interest income	**(9)**	**-3,781**	**-24,419**
EBT		**421,129**	**316,624**
Income tax expense	(10)	-139,133	-134,128
Net income		**281,996**	**182,496**
attributable to: non-controlling interests		4,344	26,210
attributable to: equity holders of the parent company		277,652	156,286
Earnings per share (€)	**(11)**	**2.71**	**1.52**

Statement of total comprehensive income

T€	Notes	2016	2015
Net income		**281,996**	**182,496**
Differences arising from currency translation		9,428	9,390
Recycling of differences arising from currency translation		-5,048	-3,706
Change in hedging reserves including interest rate swaps		-11,842	-3,609
Recycling of hedging reserves including interest rate swaps		21,838	24,703
Change in fair value of financial instruments under IAS 39		460	-193
Deferred taxes on neutral change in equity	(10)	-9,726	-4,121
Other income from equity-accounted investments		-10	698
Total of items which are later recognised (“recycled”) in the income statement		*5,100*	*23,162*
Change in actuarial gains or losses		-29,601	41,547
Deferred taxes on neutral change in equity	(10)	8,756	-11,357
Other income from equity-accounted investments		-17	34
Total of items which are not later recognised (“recycled”) in the income statement		*-20,862*	*30,224*
Other income		**-15,762**	**53,386**
Total comprehensive income		**266,234**	**235,882**
attributable to: non-controlling interests		3,159	30,279
attributable to: equity holders of the parent company		263,075	205,603

Consolidated balance sheet

T€	Notes	31.12.2016	31.12.2015
Intangible assets	(12)	496,402	510,801
Property, plant and equipment	(12)	1,927,739	1,881,520
Investment property	(13)	7,916	13,817
Equity-accounted investments	(14)	347,605	373,419
Other investments[1)]	(15)	166,731	172,805
Receivables from concession arrangements	(18)	683,486	710,248
Other financial assets[1)]	(18)	254,220	250,873
Deferred taxes	(16)	245,827	291,928
Non-current assets		**4,129,926**	**4,205,411**
Inventories	(17)	1,182,805	801,701
Receivables from concession arrangements	(18)	31,180	28,829
Trade receivables[1)]	(18)	2,444,400	2,392,971
Non-financial assets	(18)	87,654	67,579
Income tax receivables[1)]	(18)	112,804	55,687
Other financial assets	(18)	386,376	374,360
Cash and cash equivalents	(19)	2,003,261	2,732,330
Assets held for sale	(20)	0	70,000
Current assets		**6,248,480**	**6,523,457**
Assets		**10,378,406**	**10,728,868**
Share capital		110,000	114,000
Capital reserves		2,315,384	2,311,384
Retained earnings and other reserves		760,654	613,647
Non-controlling interests		78,551	281,604
Group equity	**(21)**	**3,264,589**	**3,320,635**
Provisions	(22)	1,111,727	1,093,379
Financial liabilities[2)]	(23)	1,223,527	1,293,753
Non-financial liabilities	(23)	0	900
Other financial liabilities	(23)	63,750	16,780
Deferred taxes	(16)	21,390	36,064
Non-current liabilities		**2,420,394**	**2,440,876**
Provisions	(22)	810,362	774,051
Financial liabilities[3)]	(23)	202,549	285,994
Trade payables[1)]	(23)	2,818,000	2,994,309
Non-financial liabilities	(23)	367,977	383,753
Income tax liabilities	(23)	103,501	187,611
Other financial liabilities	(23)	391,034	341,639
Current liabilities		**4,693,423**	**4,967,357**
Equity and liabilities		**10,378,406**	**10,728,868**

1) In order to improve representation recognition-changes were made and previous year's figures were adjusted accordingly, see item (18) and item (23).
2) Thereof T€ 389,781 concerning non-recourse liabilities from concession arrangements (2015: T€ 439,377)
3) Thereof T€ 49,596 concerning non-recourse liabilities from concession arrangements (2015: T€ 50,153)

Consolidated cash flow statement

T€	Notes	2016	2015
Net income		281,996	182,496
Deferred taxes		15,620	-36,834
Non-cash effective results from consolidation		-3,544	-4,947
Non-cash effective results from equity-accounted investments		34,167	32,507
Depreciations/write-ups		435,697	505,070
Change in long-term provisions		-12,900	12,089
Gains/losses on disposal of non-current assets		-60,666	-32,406
Cash flow from earnings		*690,370*	*657,975*
Change in inventories		-99,698	9,473
Change in trade receivables, construction contracts and consortia		-2,939	192,808
Change in receivables from subsidiaries and receivables from participation companies		4,117	-21,641
Change in other assets		-75,199	-14,330
Change in trade payables, construction contracts and consortia		-187,840	206,531
Change in liabilities from subsidiaries and liabilities from participation companies		-3,626	14,931
Change in other liabilities		-94,914	95,565
Change in current provisions		33,896	99,039
Cash flow from operating activities		**264,167**	**1,240,351**
Purchase of financial assets		-39,034	-23,286
Purchase of property, plant, equipment and intangible assets		-412,455	-395,751
Inflows from asset disposals		189,191	97,388
Change in other financing receivables		-14,132	7,539
Change in scope of consolidation		-157,999	-6,097
Cash flow from investing activities		**-434,429**	**-320,207**
Issue of bank borrowings		51,773	107,462
Repayment of bank borrowings		-353,101	-237,479
Issue of bonds		0	200,000
Repayment of bonds		0	-100,000
Repayment of payables relating to finance leases		-5,032	-828
Change in other financing liabilities		17,130	-29,921
Change in non-controlling interests due to acquisition		-204,778	-222
Distribution of dividends		-70,170	-56,558
Cash flow from financing activities		**-564,178**	**-117,546**
Net change in cash and cash equivalents		**-734,440**	**802,598**
Cash and cash equivalents at the beginning of the period		2,726,647	1,906,038
Change in cash and cash equivalents due to currency translation		5,370	5,714
Change in restricted cash and cash equivalents		-3	12,297
Cash and cash equivalents at the end of the period	**(26)**	**1,997,574**	**2,726,647**

Statement of changes in equity

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2015	**114,000**	**2,311,384**	**659,165**	**-112,259**	**-87,578**	**2,884,712**	**259,588**	**3,144,300**
Net income	0	0	156,286	0	0	156,286	26,210	182,496
Differences arising from currency translation	0	0	0	0	6,290	6,290	-606	5,684
Change in hedging reserves	0	0	0	158	0	158	4	162
Change in financial instruments IAS 39	0	0	-194	0	0	-194	1	-193
Change in equity-accounted investments	0	0	33	-468	1,150	715	17	732
Change of actuarial gains and losses	0	0	35,385	0	0	35,385	6,162	41,547
Neutral change of interest rate swaps	0	0	0	20,529	0	20,529	403	20,932
Deferred taxes on neutral change in equity	0	0	-9,429	-4,137	0	-13,566	-1,912	-15,478
Total comprehensive income	**0**	**0**	**182,081**	**16,082**	**7,440**	**205,603**	**30,279**	**235,882**
Change in representation[1)]	0	0	-12,633	-1,288	13,921	0	-2,767	-2,767
Transactions concerning non-controlling interests due to acquisition	0	0	16	0	0	16	-238	-222
Transactions concerning non-controlling interests due to changes in scope of consolidation	0	0	0	0	0	0	0	0
Distribution of dividends[2)]	0	0	-51,300	0	0	-51,300	-5,258	-56,558
Balance as at 31.12.2015 = Balance as at 1.1.2016	**114,000**	**2,311,384**	**777,329**	**-97,465**	**-66,217**	**3,039,031**	**281,604**	**3,320,635**
Net income	0	0	277,652	0	0	277,652	4,344	281,996
Differences arising from currency translation	0	0	0	0	5,170	5,170	-790	4,380
Change in hedging reserves	0	0	0	-71	0	-71	0	-71
Change in financial instruments IAS 39	0	0	397	0	0	397	63	460
Change in equity-accounted investments	0	0	-17	-379	370	-26	-1	-27
Change of actuarial gains and losses	0	0	-28,926	0	0	-28,926	-675	-29,601
Neutral change of interest rate swaps	0	0	0	9,817	0	9,817	250	10,067
Deferred taxes on neutral change in equity	0	0	8,701	-9,639	0	-938	-32	-970
Total comprehensive income	**0**	**0**	**257,807**	**-272**	**5,540**	**263,075**	**3,159**	**266,234**
Transactions concerning non-controlling interests due to acquisition[3)]	0	0	-46,552	0	-1,831	-48,383	-204,280	-252,663
Transactions concerning non-controlling interests due to changes in scope of consolidation	0	0	0	0	0	0	1,571	1,571
Own shares	-4,000	4,000	0	0	0	0	0	0
Changes in equity-accounted investments	0	0	-995	0	0	-995	-23	-1.018
Distribution of dividends[4)]	0	0	-66,690	0	0	-66,690	-3,480	-70,170
Balance as at 31.12.2016	**110,000**	**2,315,384**	**920,899**	**-97,737**	**-62,508**	**3,186,038**	**78,551**	**3,264,589**

1) Due to changes in the presentation, non-controlling interests in Kommanditgesellschaften (limited partnership business entities) in the amount of T€ 2,767 were reclassified as other financial receivables or payables, and parts of the hedging reserves and foreign currency reserves were reclassified.
2) The total dividend payment of T€ 51,300 corresponds to a dividend per share of € 0.50 based on 102,600,000 shares.
3) The transactions largely concerned the acquisition of shares of Ed. Züblin AG, Stuttgart.
4) The total dividend payment of T€ 66,690 corresponds to a dividend per share of € 0.65 based on 102,600,000 shares.

Consolidated statement of fixed assets as at 31 December 2016

T€	Balance as at 31.12.2015	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions	Transfers
				Acquisition and production costs		
I. Intangible Assets						
1. Concessions, software, licences, rights	131,113	2,335	312	198	6,278	0
2. Goodwill	686,674	0	0	-1,489	0	0
3. Development costs	20,843	0	0	0	0	0
4. Advances paid	224	0	0	0	166	0
Total	**838,854**	**2,335**	**312**	**-1,291**	**6,444**	**0**
II. Tangible Assets						
1. Properties and buildings	1,400,253	111,080	5,604	2,261	32,523	2,979
2. Technical equipment and machinery	2,532,922	18,567	11,967	3,015	218,108	65,126
3. Other facilities, furniture and fixtures and office equipment	1,016,874	5,908	3,834	1,586	130,054	-981
4. Advances paid and facilities under construction	90,864	1,792	120	7,969	24,830	-67,124
Total	**5,040,913**	**137,347**	**21,525**	**14,831**	**405,515**	**0**
III. Investment Property	**164,350**	**0**	**0**	**0**	**496**	**0**

Consolidated statement of fixed assets as at 31 December 2015

T€	Balance as at 31.12.2014	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions	Transfers
				Acquisition and production costs		
I. Intangible Assets						
1. Concessions, software, licences, rights	135,079	590	1,684	36	3,070	0
2. Goodwill	681,632	5,513	4,242	3,771	0	0
3. Development costs	26,590	0	6,142	0	395	0
4. Advances paid	0	0	0	0	224	0
Total	**843,301**	**6,103**	**12,068**	**3,807**	**3,689**	**0**
II. Tangible Assets						
1. Properties and buildings	1,378,097	16,848	7,737	6,716	48,448	8,184
2. Technical equipment and machinery	2,658,844	7,730	6,547	21,713	166,276	-159,997
3. Other facilities, furniture and fixtures and office equipment	987,629	264	3,065	6,083	117,444	555
4. Advances paid and facilities under construction	69,994	3,398	0	-3,871	59,808	-17,714
Total	**5,094,564**	**28,240**	**17,349**	**30,641**	**391,976**	**-168,972**
III. Investment Property	**199,917**	**0**	**35,495**	**36**	**86**	**0**

1) Of this amount, impairments of T€ 46,090, reversal of depreciation T€ 584.
2) Of this amount, impairments of T€ 82,162, reversal of depreciation T€ 668.

		Accumulated depreciation									
Disposals	**Balance as at 31.12.2016**	**Balance as at 31.12.2015**	**Additions to scope of con-solidation**	**Disposals from scope of con-solidation**	**Currency translation**	**Additions[1]**	**Transfers**	**Disposals**	**Balance as at 31.12.2016**	**Values 31.12.2016**	**Values 31.12.2015**
6,109	133,503	80,016	2,068	240	324	9,538	0	4,931	86,775	46,728	51,097
0	685,185	231,029	0	0	-12	4,884	0	0	235,901	449,284	455,645
20,843	0	17,008	0	0	0	3,835	0	20,843	0	0	3,835
0	390	0	0	0	0	0	0	0	0	390	224
26,952	**819,078**	**328,053**	**2,068**	**240**	**312**	**18,257**	**0**	**25,774**	**322,676**	**496,402**	**510,801**
48,875	1,494,617	561,931	25,588	1,801	745	57,724	7	14,244	629,950	864,667	838,322
143,191	2,682,580	1,898,952	11,800	6,215	5,353	235,808	3,244	130,383	2,018,559	664,021	633,970
85,872	1,063,735	698,510	4,330	2,808	1,434	115,961	-3,251	91,341	722,835	340,900	318,364
60	58,151	0	0	0	0	0	0	0	0	58,151	90,864
277,998	**5,299,083**	**3,159,393**	**41,718**	**10,824**	**7,532**	**409,493**	**0**	**235,968**	**3,371,344**	**1,927,739**	**1,881,520**
7,402	**157,444**	**150,533**	**0**	**0**	**0**	**2,522**	**0**	**3,527**	**149,528**	**7,916**	**13,817**

		Accumulated depreciation									
Disposals	**Balance as at 31.12.2015**	**Balance as at 31.12.2014**	**Additions to scope of con-solidation**	**Disposals from scope of con-solidation**	**Currency translation**	**Additions[2]**	**Transfers**	**Disposals**	**Balance as at 31.12.2015**	**Values 31.12.2015**	**Values 31.12.2014**
5,978	131,113	77,866	486	1,672	-174	9,262	0	5,752	80,016	51,097	57,213
0	686,674	209,464	0	3,193	8	24,750	0	0	231,029	455,645	472,168
0	20,843	20,246	0	6,142	0	2,904	0	0	17,008	3,835	6,344
0	224	0	0	0	0	0	0	0	0	224	0
5,978	**838,854**	**307,576**	**486**	**11,007**	**-166**	**36,916**	**0**	**5,752**	**328,053**	**510,801**	**535,725**
50,303	1,400,253	523,759	3,237	2,465	1,736	62,512	0	26,848	561,931	838,322	854,338
155,097	2,532,922	1,865,362	330	4,180	17,394	262,412	-98,980	143,386	1,898,952	633,970	793,482
92,036	1,016,874	670,554	-1,253	2,732	4,726	110,287	28	83,100	698,510	318,364	317,075
20,751	90,864	19,827	0	0	0	0	-20	19,807	0	90,864	50,167
318,187	**5,040,913**	**3,079,502**	**2,314**	**9,377**	**23,856**	**435,211**	**-98,972**	**273,141**	**3,159,393**	**1,881,520**	**2,015,062**
194	**164,350**	**166,144**	**0**	**18,497**	**0**	**2,930**	**0**	**44**	**150,533**	**13,817**	**33,773**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic principles

The STRABAG Group is a leading European technology group for construction services. The company has its headquarters in Triglavstraße 9, 9500 Villach, Austria. From its core markets of Austria and Germany, STRABAG is present via its numerous subsidiaries in all countries of Eastern and South-East Europe including Russia, in selected markets in North and Western Europe and the Arabian Peninsula, as well as in the project business in Africa, Asia and the Americas. STRABAG's activities span the entire construction industry (Building Construction & Civil Engineering, Transportation Infrastructures, Tunnelling, construction-related services) and cover the entire value-added chain in the field of construction.

The consolidated financial statements of STRABAG SE, at the reporting date 31 December 2016, were drawn up under application of Section 245a Paragraph 2 of the Austrian Business Enterprise Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

Applied were exclusively those standards and interpretations adopted by the European Commission before the reporting deadline and published in the Official Journal of the European Union. Further reporting requirements of Section 245a Paragraph 1 of the Austrian Business Enterprise Code (UGB) were fulfilled as well.

In addition to a statement of comprehensive income, the financial statements include a cash flow statement in accordance with IAS 7, a statement of changes in equity and a statement of recognised income and expense (IAS 1). The disclosures in the notes also contain a segment reporting section in accordance with IFRS 8.

In order to improve the clarity of the representation, various items in the balance sheet and the income statement have been combined. These items have been shown separately and are explained in the notes. The income statement has been drawn up in accordance with the nature of expense method.

The consolidated financial statements were drawn up in T€. The presentation in T€ may result in rounding differences.

Changes in accounting policies

NEW AND REVISED STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR THE 2016 FINANCIAL YEAR:

The IASB has made the following amendments to the existing IFRS and passed several new IFRS and IFRIC, which have also been adopted by the European Commission. Application became mandatory for financial years which start on 1 January 2016 or 1 February 2015.

	Application for financial years which begin on or after (according to IASB)	Application for financial years which begin on or after (according to EU endorsement)
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1.7.2014	1.2.2015
Annual Improvements to IFRS 2010–2012	1.7.2014	1.2.2015
Amendments to IFRS 11 Joint Arrangements: Accounting for the acquisition of an interest in a joint operation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Acceptable methods of depreciation and amortisation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41: Bearer Plants	1.1.2016	1.1.2016
Amendments to IAS 27 Separate Financial Statements: Equity method in separate financial statements	1.1.2016	1.1.2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment entities: Applying the consolidation exception	1.1.2016	1.1.2016
Amendments to IAS 1 Presentation of Financial Statements	1.1.2016	1.1.2016
Improvements project IFRS 2012–2014	1.1.2016	1.1.2016

The first-time application of the aforementioned IFRIC interpretations and IFRS standards had only minor impact on the consolidated financial statements as at 31 December 2016, as the changes were applicable only in certain cases. These also did not result in changes to the methods of accounting and valuation.

FUTURE CHANGES OF FINANCIAL REPORTING STANDARDS

The IASB and the IFRIC approved further standards and interpretations. However, these were neither required to be applied in the 2016 financial year nor adopted by the European Commission. The amendments affect the following standards and interpretations:

	Application for financial years which begin on or after (according to IASB)	Application for financial years which begin on or after (according to EU endorsement)	Impact on the consolidated financial statements
IFRS 9 (2009, 2010, 2013) Financial Instruments	1.1.2018	1.1.2018	is being analysed
IFRS 14 Regulatory Deferral Accounts	1.1.2016	n. a.[1]	no
IFRS 15 Revenue from Contracts with Customers	1.1.2018	1.1.2018	is being analysed
IFRS 16 Leasing	1.1.2019	n. a.	is being analysed
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sales or contributions of assets between an investor and its associate/joint venture	n. a.	n. a.	minor
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	n. a.	is being analysed
Amendments to IAS 7 Disclosure Initiative	1.1.2017	n. a.	is being analysed
Clarifications to IFRS 15 Revenue from Contracts with Customers	1.1.2018	n. a.	is being analysed
Amendments to IFRS 2 Share-based Payment Transactions	1.1.2018	n. a.	is being analysed
Amendments to IFRS 4 Insurance Contracts	1.1.2018	n. a.	is being analysed
Annual Improvements to IFRS 2014–2016	1.1.2018	n. a.	minor
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1.1.2018	n. a.	is being analysed
Amendments to IAS 40 Transfers of Investment Property	1.1.2018	n. a.	is being analysed

Consequences for the consolidated financial statements are expected especially from the application of the following standards and interpretations:

The amendments to **IAS 12** clarify that unrealised losses on debt instruments (from impairment losses on fair value) give rise to deferred tax assets on temporary differences. The amendments also clarify that, for all deductible temporary differences together, an evaluation must be made as to whether sufficient future taxable profits will be available against which the temporary differences can be utilised. The amendments specify how to determine probable future taxable profits.

IFRS 9 follows a new standard for the classification and measurement of financial assets and considers three categories of measurement (at fair value through profit and loss, at fair value through other comprehensive income and at amortised cost) based on the entity's business model or on the characteristics of the contractual cash flows of the financial asset in question. Impairment is to be measured using the new model of expected credit losses.

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 supersedes the corresponding standards in IAS 11, IAS 18 and IFRIC 15. STRABAG SE must change the way it presents its project development activities. It had previously been possible to recognise profit only after completion and sale of a property, IFRS now requires proportionate profit recognition for real estate projects that have already been sold but not yet completed. An impact assessment related to the changed presentation of order changes and claims as well as impending losses is still ongoing. Apart from this, no other significant effect is expected.

1) n. a. – endorsement process is still in progress

IFRS 16 supersedes the current standard and related interpretations on lease accounting (IAS 17, IFRIC 4, SIC 15 and SIC 27). It specifies how lessees and lessors will recognise, measure, prevent and disclose leases. IFRS 16 requires a lessee to recognise a right-of-use asset and a lease liability.

The application of the other new standards and interpretations is expected to have only a minor impact in the future on the consolidated financial statements.

Early application of the new standards and interpretations is not planned.

Consolidation

The financial statements of the domestic and foreign companies included in the scope of consolidation are drawn up in accordance with uniform methods of accounting and valuation. The annual financial statements of the domestic and foreign group companies are adapted accordingly.

SUBSIDIARIES

Entities whose financial and operating policies are controlled by the group constitute subsidiaries.

The consolidated financial statements include the financial statements of the parent company and entities (including structured entities) over which the group has control. An entity is considered to be under control if the following criteria are met:

- The parent company has power over the investee.
- The parent company is exposed to variable returns on the investment.
- The parent company has the ability to affect the returns from the investment through its power over the investee.
- Control over an entity is reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control discussed above.
- Owning a majority of the voting rights is not always necessary to have power and control over an investee, but can be achieved through other rights or contractual agreements which give the parent company the possibility to affect the returns of the investee.

A subsidiary is included in the consolidated financial statements from the date on which the parent acquired control. Conversely, the entity is deconsolidated when control ends.

Capital consolidation is performed in accordance with IFRS 3 using the acquisition method. The cost of acquisition of the subsidiary is measured as the sum of the fair values of assets given, equity instruments issued and liabilities assumed. Contingent considerations are also measured at their fair value from the date of the business combination. Later deviations from this value are recognised in profit or loss. Transaction costs are also recognised immediately in profit or loss.

Non-controlling interests are recognised based on their proportional interest in the net assets of the acquired entity (partial goodwill method). The option of recognising non-controlling interests at fair value is not used.

In business combinations achieved in stages (step acquisitions), the existing equity interest of the entity is remeasured at fair value from the date of acquisition. The resulting profit or loss is recognised in the income statement.

The acquisition costs, contingent considerations, existing equity interests and non-controlling interests are to be compared with all identifiable assets and liabilities of the subsidiary, measured at fair value. Any remaining difference on the assets side is classified as goodwill. Differences arising from the capital consolidation on the liabilities side are recognised immediately in profit and loss following another review. Goodwill is subjected to an impairment test in accordance with IAS 36 at least once a year.

In the 2016 financial year, T€ 0 (2015: T€ 4,464) in goodwill arising from capital consolidation were recognised as assets. Impairments in the amount of T€ 4,884 (2015: T€ 24,750) were made.

Immaterial subsidiaries are not consolidated; these are reported at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other financial assets.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS THAT DO NOT RESULT IN LOSS OF CONTROL

Differences arising from the acquisition or disposal of investments in affiliated entities without acquisition or loss of control are recognised in full in equity outside profit or loss.

DISPOSAL OF SUBSIDIARIES

When control over a subsidiary is lost, any remaining investment is remeasured at fair value. The difference to the existing carrying amounts is recognised in profit or loss. Associates, joint arrangements or financial assets are initially recognised at this fair value. All previous amounts recognised to date in other income are accounted for as if the assets and liabilities of the affected entities had been sold directly.

STRUCTURED ENTITIES

Structured entities are entities that are not controlled by voting rights, but mainly through contractual arrangements for a specific business purpose. The business purpose is usually restricted to a narrow field of activity. Structured entities typically have little equity capital and rely on owner financing.

ASSOCIATES

Entities in which the group exercises significant influence constitute associates. This is generally the case with a holding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method and recognised in the item equity-accounted investments: the acquired investment is initially measured at cost. Any differences that arise are treated according to the principles of consolidation. In subsequent years, the carrying amount of the investment increases or decreases in proportion to the share of profit or loss and/or the investee's other income. Distributions reduce the carrying amount of the investment. As soon as the group's share of losses equals or exceeds the interest in the associate, no further losses are recognised unless the group is liable for the associate's losses.

At the end of every accounting period, the group determines whether there are any indications for an impairment of the investment in the associate. If there are, then the difference between the carrying amount and the recoverable amount is recognised as an impairment expense in the income statement.

In the year under review, the initial equity measurement of newly acquired entities resulted in net goodwill in the amount of T€ 0 (2015: T€ 0), which is recognised as a component of equity-accounted investments.

Associates which are not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

JOINT ARRANGEMENTS

Joint ventures are entities over which the group exercises joint control together with a third entity. Joint control exists when the determination of the financial and operating policies requires the unanimous consent of all parties to the joint control. STRABAG accounts for joint ventures using the equity method and these are recognised in the item equity-accounted investments.

Joint ventures which are not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

Consortia are quite common in the construction industry in Austria and Germany. According to the Institute of Public Auditors in Germany (IDW) and a statement by the Austrian Financial Reporting and Auditing Committee (AFRAC), the typical German and Austrian construction consortium meets the requirements to be classified as a joint venture. Earnings from construction consortia are presented proportionately under share of profit or loss of equity-accounted investments. The receivables from and payables to construction consortia include mainly in- and outflows of cash, charges resulting from services as well as proportional contract results and are recorded under trade receivables and payables.

Joint arrangements for the execution of construction work in the remaining countries are accounted for either as joint ventures or as joint operations depending on the substance of the arrangement.

INVESTMENTS

Investments which do not constitute subsidiaries, joint ventures or equity-accounted investments are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other investments.

Consolidation procedures

As part of the consolidation of intercompany balances, any trade receivables, loans and other receivables existing within the group are set off against the corresponding liabilities and provisions of the subsidiaries included in the consolidated financial statements.

Expenses and revenues from intra-group transactions are eliminated. Results incurred from intra-group transactions that are recognised in the non-current and current assets are eliminated if they are material. Non-controlling interests are taken into consideration during the elimination of intra-group profits or losses.

Unrealised profits from transactions between group entities and equity-accounted investments are eliminated in proportion to the group’s share in the associate.

Non-controlling interests in equity and profits of companies controlled by the parent company are shown separately in the consolidated financial statements.

The necessary tax deferrals are made for consolidation procedures.

Scope of consolidation

The consolidated financial statements as at 31 December 2016 include STRABAG SE as well as all major domestic and foreign subsidiaries over which STRABAG SE either directly or indirectly has control. Associated companies and joint ventures are reported in the balance sheet using the equity method (equity-accounted investments).

Group companies which are of minor importance for the purpose of giving a true and fair view of the financial position, financial performance and cash flows of the group are not consolidated. The decision to include an entity in the scope of consolidation is based on quantitative and qualitative considerations.

Subsidiaries and equity-accounted investments included in the 2016 consolidated financial statements are given in the list of consolidated companies and associates.

The financial year for all consolidated and associated companies, with the exception of the following companies that are included in the scope of consolidation on the basis of an interim report effective 31 December 2016, is identical with the calendar year.

Companies	Reporting date	Method of inclusion
EFKON INDIA Pvt. Ltd., Mumbai	31.3.	consolidation
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt	30.9.	equity-accounted investments

The number of consolidated companies changed in the 2016 financial year as follows:

	Consolidation	Equity method
Situation as at 31.12.2014	**263**	**24**
First-time inclusions in year under report	9	1
First-time inclusions in year under report due to merger/accretion	4	0
Merger/accretion in year under report	-6	0
Exclusions in year under report	-13	-2
Situation as at 31.12.2015	**257**	**23**
First-time inclusions in year under report[1]	53	4
First-time inclusions in year under report due to merger/accretion	5	0
Merger/accretion in year under report	-10	0
Exclusions in year under report	-8	-2
Situation as at 31.12.2016	**297**	**25**

ADDITIONS TO SCOPE OF CONSOLIDATION

The following companies formed part of the scope of consolidation for the first time on the reporting date:

Consolidation	Direct stake %	Date of acquisition or foundation
Artholdgasse Errichtungs GmbH, Vienna	95.00	1.1.2016[2]
Blutenburg Projekt GmbH, Cologne	100.00	30.11.2016
Consorcio Züblin Geovita SpA, Santiago	100.00	1.5.2016
DC1 Immo GmbH, Vienna	100.00	26.4.2016
Gudrunstraße Errichtungs GmbH, Vienna	95.00	1.1.2016[2]
Hexagon Projekt GmbH & Co. KG, Cologne	100.00	1.1.2016[2]
I.C.S. "STRABAG" S.R.L., Chisinau	100.00	1.1.2016[2]
JUKA Justizzentrum Kurfürstenanlage GmbH, Cologne	100.00	1.1.2016[2]
LaVie Projektgesellschaft mbH & Co. KG, Dusseldorf	99.90	10.3.2016
Lift-Off GmbH & Co. KG, Cologne	100.00	10.11.2016
Mischek Bauträger Service GmbH, Vienna	100.00	1.1.2016[2]
Mitterhofer Projekt GmbH & Co. KG, Cologne	100.00	25.5.2016
SRE Projekt 1 GmbH & Co. KG, Cologne	100.00	1.1.2016[2]
STRABAG d.o.o. Sarajevo, Sarajevo	100.00	1.1.2016[2]
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	100.00	30.6.2016
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart	100.00	15.4.2016
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	8.8.2016
Z. Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016

1) Thereof 32 respectively one due to the acquisition of STRABAG Real Estate GmbH group, Vienna (formerly: Raiffeisen evolution project development GmbH)
2) Due to its increased business volume, the company was included in the scope of consolidation of the group for the first time effective 1 January 2016. The foundation/acquisition of the company occurred before 1 January 2016.

Consolidation SRE-group	Direct stake %	Date of acquisition or foundation
"BOYANA VIEW" EOOD, Sofia	100.00	22.12.2016
"VITOSHA VIEW" EOOD, Sofia	100.00	22.12.2016
AMFI HOLDING Kft., Budapest	100.00	22.12.2016
BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw	100.00	22.12.2016
BONDENO INVESTMENTS LTD, Limassol	100.00	22.12.2016
CONFINARIO LTD, Limassol	100.00	22.12.2016
EVOLUTION GAMMA Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION ONE Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION THREE Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION TWO Sp. z o.o., Warsaw	100.00	22.12.2016
EXP HOLDING Kft., Budapest	100.00	22.12.2016
Expert Kerepesi Kft., Budapest	100.00	22.12.2016
Hotel AVION Management s.r.o., Bratislava	100.00	22.12.2016
Hotel AVION s.r.o., Bratislava	100.00	22.12.2016
IVERUS ENTERPRISES LIMITED, Limassol	100.00	22.12.2016
KAFEX Kft., Budapest	100.00	22.12.2016
KFX Holding Kft., Budapest	100.00	22.12.2016
Leopold Ungar Platz 3 GmbH, Vienna	100.00	22.12.2016
ÓBUDA-APARTMAN Kft., Budapest	100.00	22.12.2016
OOO "RANITA", Moscow	100.00	22.12.2016
RE Beteiligungsholding GmbH, Vienna	100.00	22.12.2016
RE Klitschgasse Errichtungs GmbH, Vienna	67.00	22.12.2016
RE project development Kft., Budapest	100.00	22.12.2016
RE Projekt Errichtungs GmbH, Vienna	100.00	22.12.2016
RE Wohnraum GmbH, Vienna	100.00	22.12.2016
RE Wohnungseigentumserrichtungs GmbH, Vienna	100.00	22.12.2016
Sakela Beteiligungsverwaltungs GmbH, Vienna	100.00	22.12.2016
SQUARE One GmbH & Co KG, Vienna	94.00	22.12.2016
SQUARE Two GmbH & Co KG, Vienna	100.00	22.12.2016
STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH)	100.00	22.12.2016
TOV "RESURS PROEKTBUD", Kiev	100.00	22.12.2016
ZAO "PARK CENTER", St. Petersburg	100.00	22.12.2016
Merger/Accretion		
A 94 Autobahngesellschaft mbH & Co. KG, Cologne	100.00	1.1.2016[1)]
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	100.00	1.1.2016[1)]
DIW System Dienstleistungen Verwaltungs GmbH, Munich	100.00	1.1.2016[1)]
GRADEVINSKO DRUSTVO GRANIT ZAGREB d.o.o. za graditeljstvo i usluge, Zagreb	100.00	1.1.2016[1)]
GRASTO d.o.o., Ljubljana	100.00	1.1.2016[1)]
at-equity		
Messe City Köln GmbH & Co. KG, Hamburg	50.00	1.1.2016[2)]
Messe City Köln Generalübernehmer GmbH & Co. KG, Oststeinbek	50.00	1.1.2016[2)]
Schiffmühlenstraße 120 GmbH, Vienna	75.00	22.12.2016[3)]
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	35.32	1.1.2016[2)]

ACQUISITIONS

Per transfer agreement from 16 June 2016, 100 % of the shares of TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna, were acquired. The closing took place on 30 June 2016.

1) The companies listed under Merger/Accretion were merged with/accrued on already consolidated companies and as such are at once represented as additions to and removals from the scope of consolidation.
2) Due to its increased business volume, the company was included in the scope of consolidation of the group for the first time effective 1 January 2016. The foundation/acquisition of the company occurred before 1 January 2016.
3) There are deviating contractual provisions about the joint venture.

T€	Acquisition TECH GATE VIENNA
Acquired assets and liabilities	
Other non-current assets	77,335
Current assets	3,413
Non-current liabilities	3,508
Current liabilities	1,306
Consideration (purchase price)	**75,934**
Acquired cash and cash equivalents	-3,135
Net cash outflow from acquisition	**72,799**

Per contract from 2 December 2016, STRABAG acquired a further 80 % of the shares of STRABAG Real Estate GmbH-group, Vienna (formerly: Raiffeisen evolution project development GmbH) and now holds 100 % of the shares. With the acquisition, STRABAG expands its spectrum of project development services in Austria and Eastern Europe. The closing was on 22 December 2016.

The purchase price is preliminarily allocated to assets and liabilities as follows:

T€	Acquisition SRE
Acquired assets and liabilities	
Other non-current assets	6,191
Current assets	293,900
Non-controlling interests	1,573
Non-current liabilities	161,986
Current liabilities	13,603
Consideration (purchase price)	**122,929**
Non-cash purchase price component	-24,900
Acquired cash and cash equivalents	-8,178
Net cash outflow from acquisition	**89,851**

By applying the requirement regarding step acquisitions as outlined in IFRS 3 and IAS 27, the previous stake of 20 % of the capital shares of STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) was measured directly in profit or loss in the amount of T€ 3,386 on the fair value for 20 % of T€ 14,000.

The consolidation of companies included for the first time took place at the date of acquisition or a near reporting date, provided that this had no significant difference to an inclusion at the date of acquisition.

From the first-time consolidation of the other companies in the 2016 financial year, negative goodwill in the amount of T€ 2,224 (2015: T€ 3,797) occurred. This amount is reported under other operating income.

Assuming a fictitious first-time consolidation on 1 January 2016 for all acquisitions in the 2016 financial year, the consolidated revenue would amount to T€ 12,448,072. The consolidated net income in the financial year would change in the amount of T€ -14,258.

All companies which were consolidated for the first time in 2016 contributed T€ 29,168 to revenue (2015: T€ 72,261) and T€ 5,113 (2015: T€ -13,724) to net income.

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 31 December 2016, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
"Strabag Azerbaijan" L.L.C., Baku	Fell below significant level
Büro Campus Deutz Torhaus GmbH, Cologne	Fell below significant level
ECS European Construction Services GmbH, Mörfelden-Walldorf	Fell below significant level
Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH & Co.KG, Oststeinbek	Fell below significant level
Forum Mittelrhein Koblenz Kultur GmbH & Co. KG, Hamburg	Fell below significant level
Heimfeld Terrassen GmbH, Cologne	Fell below significant level
STRABAG Energy Technologies GmbH, Vienna	Fell below significant level
STRABAG Oy, Helsinki	Fell below significant level

Merger/Accretion[1]	
A 94 Autobahngesellschaft mbH & Co. KG, Cologne	Accretion
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	Merger
DIW System Dienstleistungen Verwaltungs GmbH, Munich	Merger
GRADEVINSKO DRUSTVO GRANIT ZAGREB d.o.o. za graditeljstvo i usluge, Zagreb	Merger
GRASTO d.o.o., Ljubljana	Merger
JHP spol. s r.o., Prague	Merger
MiTTaG spol. s.r.o., Prague	Merger
NE Sander Eisenbau GmbH, Sande	Merger
Rimex Gebäudemanagement GmbH, Ulm	Merger
STRABAG d.o.o. Beograd, Novi Beograd	Merger
at-equity	
PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart	Sale
STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH)	Consolidation

The disposals of assets and debt resulting from deconsolidation are comprised as follows:

T€	**Disposals from scope of consolidation**
Assets and liabilities	
Non-current assets	1,912
Current assets	24,082
Non-current liabilities	113
Current liabilities	21,199

Resulting profit in the amount of T€ 5,067 (2015: T€ 8,574) and losses in the amount of T€ -3,414 (2015: T€ -5,192) are recognised in profit or loss.

There were no significant restrictions on the use of assets or risks related to structured entities at the end of the reporting period.

NON-CONTROLLING INTERESTS

A significant portion of the non-controlling interests in the group affects the inclusion of the subgroup STRABAG AG, Cologne[2].

T€	**Cologne**		**ZÜBLIN[3]**
	2016	**2015**	**2015**
Non-controlling interests (%)	6.37	6.37	42.74
Registered place of the parent company	Cologne	Cologne	Stuttgart
Headquarters	Germany	Germany	Germany
Non-current assets	1,141,283	1,096,341	364,482
Current assets	673,336	687,831	1,460,929
Non-current liabilities	-266,282	-302,863	-196,076
Current liabilities	-559,094	-590,548	-1,130,706
Net assets	**989,243**	**890,761**	**498,629**
Net assets attributable to non-controlling interests	65,089	59,667	213,731
Net assets attributable to STRABAG Group	924,154	831,094	284,898
Revenue	2,199,491	2,132,195	3,256,613
Net income	109,554	84,594	33,213
Other income	-4,392	15,451	8,204
Total comprehensive income	**105,162**	**100,045**	**41,417**
Net income attributable to non-controlling interests	8,011	7,203	14,151
Net income attributable to STRABAG Group	101,543	77,391	19,062
Other income attributable to non-controlling interests	-280	984	3,551
Other income attributable to STRABAG Group	-4,112	14,467	4,653

1) The companies listed under Merger/Accretion were merged with already consolidated companies or, as a result of accretion, formed part of consolidated companies.
2) No special protective regulations exist beyond the regulatory protective rights of non-controlling interests.
3) The table shows the financial information of Züblin with intercompany eliminations.

T€	Cologne		ZÜBLIN[1]
	2016	2015	2015
Cash and cash equivalents	249,943	310,151	801,819
Cash flows from operating activities	69,661	241,788	63,580
Cash flows from investing activities	-93,439	-62,618	-79,898
Cash flows from financing activities	-35,323	-39,857	32,892
Dividends paid to non-controlling interests	-1,981	-2,671	-701
Net increase (net decrease) in cash and cash equivalents	**-59,101**	**139,313**	**16,574**
Carrying amount of the non-controlling interests	65,089	59,667	213,731
Intercompany eliminations	-9,704	-8,643	
Carrying amount of the non-controlling interests	55,385	51,024	

COMPENSATION CLAIMS AGAINST STRABAG SE

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.

The special representative asserted compensation claims against STRABAG SE. Most of these claims are internal. Only 6.37 % involves claims on the part of non-controlling interest of STRABAG AG, Cologne, corresponding to a maximum of € 13.8 million.

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

ACQUISITION OF NON-CONTROLLING INTERESTS

In the 2016 financial year, STRABAG SE acquired the outstanding minority interest of Ed. Züblin AG, Stuttgart, in the amount of 42.74 %. The group now holds 100 % of the shares. The fixed strike price amounted to € 210.3 million. The agreement also includes a variable portion dependent on the net income after minorities of Ed. Züblin AG, Stuttgart, in the financial years 2015 to 2019. The obligations from the variable purchase price are stated as other non-current financial liabilities.

Changes in non-controlling interest and in consolidated equity are reflected in the statement of changes in equity as transactions concerning non-controlling interests due to acquisitions.

The acquisition to 94.9 % of the shares was made in early April 2016. The winter losses up to this point are therefore still contained within the income attributable to the non-controlling shareholders.

Besides the above-mentioned investments, the ownership interests in other subsidiaries in the financial year changed only insignificantly or had insignificant impact. The changes are represented in the list of consolidated companies and associates. The impact is shown in the statement of changes in equity under transactions concerning non-controlling interests.

Currency translation

The items contained in the financial statements of each group entity are measured on the basis of the currency corresponding to the currency of the primary economic environment in which the entity operates (functional currency).

The functional currency of STRABAG's subsidiaries is the respective local currency, with the exception of AKA Alföld Koncesszios Autopalya Zrt., Budapest, whose functional currency is the euro.

The consolidated financial statements are prepared in euro, STRABAG's reporting currency.

1) The table shows the financial information of Züblin with intercompany eliminations.

Foreign currency transactions are translated into the functional currency at the foreign exchange rate on the day of the transaction. On the reporting date, monetary items are translated at the closing rate, while non-monetary items are translated at the rate on the day of the transaction. Exchange differences are recognised in profit or loss.

Assets and liabilities of group entities whose functional currency is not the euro are translated from the respective local currency into euro at the average exchange rate on the reporting date. As well as the corresponding profit for the period, the income statements of foreign group entities whose functional currency is not the euro are translated at the average exchange rate for the reporting period. The differences resulting from the use of both rates are reported outside profit or loss.

The most important currencies, including their average exchange rates on the reporting date, are listed under item 27. Currency translation differences of T€ 4,380 (2015: T€ 5,683) are recognised directly in equity in the financial year. Forward exchange operations (hedging) excluding deferred taxes in the amount of T€ -71 (2015: T€ 162) were recognised directly in equity.

Restatements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) were not necessary.

Consolidated companies and associates

The following list shows the consolidated companies included in the consolidated financial statements:

Austria		Nominal capital T€/TATS	Direct stake %
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau		35	100.00
"DOMIZIL" Bauträger GmbH, Vienna		727	100.00
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau		35	100.00
"Viennaer Heim" Wohnbaugesellschaft m.b.H., Vienna		741	100.00
ABR Abfall Behandlung und Recycling GmbH, Schwadorf		37	100.00
Artholdgasse Errichtungs GmbH, Vienna		35	95.00
Asphalt & Beton GmbH, Spittal an der Drau		36	100.00
AUSTRIA ASPHALT GmbH & Co OG, Spittal an der Drau	TATS	500	100.00
Bau Holding Beteiligungs AG, Spittal an der Drau		48,000	100.00
Bitumen Handelsgesellschaft m.b.H. & Co KG, Loosdorf	TATS	3,000	100.00
BITUNOVA Baustofftechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	2,000	100.00
BLUMENFELD Liegenschaftsverwaltungs GmbH, Vienna	TATS	1,000	100.00
BMTI-Baumaschinentechnik International GmbH, Trumau		1,454	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH, Vienna		36	100.00
BrennerRast GmbH, Vienna		35	100.00
BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., Spittal an der Drau		37	100.00
Bug-AluTechnic GmbH, Vienna		5,000	100.00
Campus Eggenberg Immobilienprojekt GmbH, Graz		36	60.00
DC1 Immo GmbH, Vienna		35	100.00
Diabaswerk Saalfelden Gesellschaft m.b.H., Saalfelden		363	100.00
Eckstein Holding GmbH, Spittal an der Drau		73	100.00
EFKON AG, Raaba		28,350	100.00[1]
F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG, Wiener Neustadt		1,192	100.00
Goldeck Bergbahnen GmbH, Spittal an der Drau		363	100.00
Gudrunstraße Errichtungs GmbH, Vienna		35	95.00
Ilbau Liegenschaftsverwaltung GmbH, Spittal an der Drau		4,500	100.00
InfoSys Informationssysteme GmbH, Spittal an der Drau		363	94.90
Innsbrucker Nordkettenbahnen Betriebs GmbH, Innsbruck		35	51.00
KAB Straßensanierung GmbH & Co KG, Spittal an der Drau		133	50.60
Kanzel Steinbruch Dennig Gesellschaft mit beschränkter Haftung, Gratkorn	TATS	500	75.00
Leopold Ungar Platz 3 GmbH, Vienna		35	100.00
M5 Beteiligungs GmbH, Vienna		70	100.00
M5 Holding GmbH, Vienna		35	100.00
Mineral Abbau GmbH, Spittal an der Drau		36	100.00
Mischek Bauträger Service GmbH, Vienna		36	100.00
Mischek Systembau GmbH, Vienna		1,000	100.00

1) Direct stake amounted to 99.9984 % as at 31 December 2016 (31 December 2015: 98.14 %).

Austria		Nominal capital T€/TATS	Direct stake %
Mobil Baustoffe GmbH, Spittal an der Drau		50	100.00
OAT - Bohr- und Fugentechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	1,000	51.00
Osttiroler Asphalt Hoch- und Tiefbauunternehmung GmbH, Lavant i. Osttirol		36	80.00
Raststation A 3 GmbH, Vienna		35	100.00
RBS Rohrbau-Schweißtechnik Gesellschaft m.b.H., Linz		291	100.00
RE Beteiligungsholding GmbH, Vienna		35	100.00
RE Klitschgasse Errichtungs GmbH, Vienna		35	67.00
RE Projekt Errichtungs GmbH, Vienna		35	100.00
RE Wohnraum GmbH, Vienna		35	100.00
RE Wohnungseigentumserrichtungs GmbH, Vienna		35	100.00
Sakela Beteiligungsverwaltungs GmbH, Vienna		35	100.00
SF Bau vier GmbH, Vienna		35	100.00
SQUARE One GmbH & Co KG, Vienna		1	100.00
SQUARE Two GmbH & Co KG, Vienna		10	100.00
STRABAG AG, Spittal an der Drau		12,000	100.00
STRABAG Anlagentechnik GmbH, Thalgau		1,000	100.00
STRABAG Bau GmbH, Vienna		1,800	100.00
STRABAG Holding GmbH, Vienna		35	100.00
STRABAG Infrastructure & Safety Solutions GmbH, Vienna		727	100.00
Strabag Liegenschaftsverwaltung GmbH, Linz		4,500	100.00
STRABAG Property and Facility Services GmbH, Vienna		1,500	100.00
STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH)		44	100.00
STRABAG SE, Villach		110,000	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna		440	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH, Vienna		37	100.00
VIOLA PARK Immobilienprojekt GmbH, Vienna		45	75.00
Züblin Holding GesmbH, Vienna		55	100.00
Züblin Spezialtiefbau Ges.m.b.H., Vienna		1,500	100.00

Germany		Nominal capital T€/TDEM	Direct stake %
Alpines Hartschotterwerk GmbH, Leinfelden-Echterdingen		25	100.00
Atlas Tower GmbH & Co. KG, Cologne		106	94.90
Baumann & Burmeister GmbH, Halle/Saale		51	100.00
BBS Baustoffbetriebe Sachsen GmbH, Hartmannsdorf	TDEM	30,000	100.00
BHG Bitumenhandelsgesellschaft mbH, Hamburg		26	100.00
BITUNOVA GmbH, Dusseldorf		256	100.00
Blees-Kölling-Bau GmbH, Cologne	TDEM	2,500	100.00
Blutenburg Projekt GmbH, Cologne		25	100.00
BMTI - Baumaschinentechnik International GmbH & Co. KG, Cologne		307	100.00
BRVZ Bau- Rechen- und Verwaltungszentrum GmbH & Co. KG, Cologne		30	100.00
CML Construction Services GmbH, Cologne		25	100.00
Deutsche Asphalt GmbH, Cologne		28	100.00
DIW Aircraft Services GmbH, Stuttgart		25	100.00
DIW Instandhaltung GmbH, Stuttgart		25	100.00
DIW Mechanical Engineering GmbH, Stuttgart		25	100.00
DIW System Dienstleistungen GmbH, Munich		25	100.00
DYWIDAG Bau GmbH, Munich		32	100.00
DYWIDAG International GmbH, Munich		5,000	100.00
DYWIDAG-Holding GmbH, Cologne		500	100.00
E S B Kirchhoff GmbH, Leinfelden-Echterdingen		1,500	100.00
Eberhard Pöhner Unternehmen für Hoch- und Tiefbau GmbH, Bayreuth		30	100.00
Ed. Züblin AG, Stuttgart		20,452	100.00
F 101 Projekt GmbH & Co. KG, Cologne		10	100.00
F. Kirchhoff GmbH, Leinfelden-Echterdingen		23,319	100.00
F.K. SYSTEMBAU GmbH, Münsingen		2,000	100.00
Fahrleitungsbau GmbH, Essen		1,550	100.00
Gaul GmbH, Sprendlingen		25	100.00
GBS Gesellschaft für Bau und Sanierung mbH, Leuna		513	100.00
Griproad Spezialbeläge und Baugesellschaft mbH, Cologne	TDEM	400	100.00

Germany		Nominal capital T€/TDEM	Direct stake %
Hexagon Projekt GmbH & Co. KG, Cologne		10	100.00
Ilbau GmbH Deutschland, Berlin		4,700	100.00
Ilbau Liegenschaftsverwaltung AG, Hoppegarten		7,670	100.00
IQ Generalübernehmer GmbH & Co. KG, Oststeinbek		25	75.00
Josef Riepl Unternehmen für Ingenieur- und Hochbau GmbH, Regensburg		900	100.00
JUKA Justizzentrum Kurfürstenanlage GmbH, Cologne		26	100.00
LaVie Projektgesellschaft mbH & Co. KG, Dusseldorf		10	99.90
Lift-Off GmbH & Co. KG, Cologne		10	100.00
LIMET Beteiligungs GmbH & Co. Objekt Cologne KG, Cologne		10	94.00
LIMET Beteiligungs GmbH, Cologne	TDEM	50	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH, Krefeld		600	50.00[1)]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH, Lünen		250	100.00
MERK Timber GmbH, Aichach		1,534	100.00
Mineral Baustoff GmbH, Cologne		25	100.00
Mitterhofer Projekt GmbH & Co. KG, Cologne		10	100.00
MOBIL Baustoffe GmbH, Munich		100	100.00
NE Sander Immobilien GmbH, Sande		155	100.00
Pyhrn Concession Holding GmbH, Cologne		38	100.00
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung, Munderkingen	TDEM	51	100.00
ROBA Transportbeton GmbH, Berlin		520	100.00
RVB Gesellschaft für Recycling, Verwertung und Beseitigung von Abfällen mbH, Kelheim		25	100.00
SAT Straßensanierung GmbH, Cologne		30	100.00
SF-Ausbau GmbH, Freiberg		600	100.00
SRE Projekt 1 GmbH & Co. KG, Cologne		10	100.00
Stephan Holzbau GmbH, Gaildorf		25	100.00
STRABAG AG, Cologne		104,780	93.63
STRABAG Facility Management GmbH, Berlin		30	100.00
STRABAG Facility Services GmbH, Nuremberg		53	100.00
STRABAG GmbH, Bad Hersfeld		15,000	100.00
STRABAG Großprojekte GmbH, Munich		18,000	100.00
STRABAG Infrastructure & Safety Solutions GmbH, Cologne		9,220	100.00
STRABAG Infrastrukturprojekt GmbH, Bad Hersfeld		1,280	100.00
STRABAG International GmbH, Cologne		2,557	100.00
STRABAG Kieserling Flooring Systems GmbH, Hamburg		1,050	100.00
STRABAG Projektentwicklung GmbH, Cologne	TDEM	20,000	100.00
STRABAG Property and Facility Services GmbH, Münster		5,000	100.00
STRABAG Rail Fahrleitungen GmbH, Berlin		600	100.00
STRABAG Rail GmbH, Lauda-Königshofen		25	100.00
STRABAG Real Estate GmbH, Cologne		30,000	94.90[2)]
STRABAG Sportstättenbau GmbH, Dortmund	TDEM	200	100.00
STRABAG Umwelttechnik GmbH, Dusseldorf		2,000	100.00
STRABAG Unterstützungskasse GmbH, Cologne		26	100.00
STRABAG Wasserbau GmbH, Hamburg		6,833	100.00
Torkret GmbH, Stuttgart		1,023	100.00
TPA GmbH, Cologne		511	100.00
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart		10	100.00
Wolfer & Goebel Bau GmbH, Stuttgart		25	100.00
Xaver Bachner GmbH, Straubing	TDEM	500	100.00
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z-Bau GmbH, Magdeburg		100	100.00
ZDE Sechste Vermögensverwaltung GmbH, Cologne		25	100.00
Züblin Chimney and Refractory GmbH, Cologne		511	100.00
Züblin Gebäudetechnik GmbH, Erlangen		25	100.00
Züblin Hoch- und Brückenbau GmbH, Bad Hersfeld		2,500	100.00
Züblin International GmbH, Stuttgart		2,500	100.00

1) The voting rights according to the contract of association amount to 50 % plus one vote.
2) Direct stake amounted to 100.00 % as at 31 December 2015.

Germany		Nominal capital T€/TDEM	Direct stake %
Züblin Projektentwicklung GmbH, Stuttgart	TDEM	2,557	94.88[1)]
Züblin Spezialtiefbau GmbH, Stuttgart	TDEM	6,000	100.00
Züblin Stahlbau GmbH, Hosena		1,534	100.00
Züblin Umwelttechnik GmbH, Stuttgart		2,000	100.00
Züblin Wasserbau GmbH, Berlin	TDEM	500	100.00

Egypt	Nominal capital TEGP	Direct stake %
Züblin Egypt LLC, Cairo	400	100.00

Albania	Nominal capital TALL	Direct stake %
Trema Engineering 2 sh p.k., Tirana	545,568	51.00

Belgium	Nominal capital T€	Direct stake %
N.V. STRABAG Benelux S.A., Antwerp	6,863	100.00
N.V. STRABAG Belgium S.A., Antwerp	18,059	100.00

Bosnia and Herzegovina	Nominal capital TBAM	Direct stake %
STRABAG d.o.o. Sarajevo, Sarajevo	10	100.00

Brunei Darussalam	Nominal capital TBND	Direct stake %
STRABAG (B) Sdn Bhd, Bandar Seri Begawan	25	100.00

Bulgaria	Nominal capital TBGN	Direct stake %
"BOYANA VIEW" EOOD, Sofia	5	100.00
"VITOSHA VIEW" EOOD, Sofia	500	100.00
STRABAG EAD, Sofia	13,313	100.00

Chile	Nominal capital TCLP	Direct stake %
Strabag SpA, Santiago de Chile	500,000	100.00
Züblin Chuquicamata SpA, Santiago de Chile	945,862	100.00
Züblin International GmbH Chile SpA, Santiago de Chile	7,909,484	100.00

China	Nominal capital TCNY	Direct stake %
Shanghai Changjiang-Züblin Construction&Engineering Co.Ltd., Shanghai	29,312	75.00

Denmark	Nominal capital TDKK	Direct stake %
Züblin A/S, Trige	1,000	100.00
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	500	100.00

India	Nominal capital TINR	Direct stake %
EFKON INDIA Pvt. Ltd., Mumbai	50,000	100.00

Italy	Nominal capital T€	Direct stake %
STRABAG S.p.A., Bologna	10,000	100.00

Canada	Nominal capital TCAD	Direct stake %
Züblin Inc., Saint John/NewBrunswick	100	100.00
Strabag Inc., Toronto	3,000	100.00

Croatia	Nominal capital THRK	Direct stake %
BRVZ d.o.o., Zagreb	20	100.00
CESTAR d.o.o., Slavonski Brod	1,100	74.90
MINERAL IGM d.o.o., Zapuzane	10,701	100.00
Pomgrad Inzenjering d.o.o., Split	25,534	100.00
PZC SPLIT d.d., Split	18,810	97.20[2)]
Strabag d.o.o., Zagreb	48,230	100.00
TPA odrzavanje kvaliteta i inovacija d.o.o., Zagreb	20	100.00

Latvia	Nominal capital T€	Direct stake %
STRABAG SIA, Milzkalne	1,423	100.00[3)]

1) Direct stake amounted to 100.00 % as at 31 December 2015.
2) Direct stake amounted to 96.94 % as at 31 December 2015.
3) Direct stake amounted to 82.10 % as at 31 December 2015.

Malaysia	Nominal capital TMYR	Direct stake %
ZUBLIN PRECAST INDUSTRIES SDN. BHD., Johor	500	100.00

Moldavia	Nominal capital TMDL	Direct stake %
I.C.S. "STRABAG" S.R.L., Chisinau	279,630	100.00

Montenegro	Nominal capital T€	Direct stake %
"Crnagoraput" AD, Podgorica, Podgorica	9,779	95.32

The Netherlands	Nominal capital T€	Direct stake %
STRABAG B.V., Vlaardingen	450	100.00
Züblin Nederland B.V., Vlaardingen	500	100.00

Oman	Nominal capital TOMR	Direct stake %
STRABAG OMAN L.L.C., Maskat	1,000	100.00

Poland	Nominal capital TPLN	Direct stake %
BHG Sp. z o.o., Pruszkow	500	100.00
BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw	58	100.00
BITUNOVA Sp. z o.o., Warsaw	2,700	100.00
BMTI Sp. z o.o., Pruszkow	2,000	100.00
BRVZ Sp. z o.o., Pruszkow	500	100.00
EVOLUTION GAMMA Sp. z o.o., Warsaw	50	100.00
EVOLUTION ONE Sp. z o.o., Warsaw	50	100.00
EVOLUTION THREE Sp. z o.o., Warsaw	50	100.00
EVOLUTION TWO Sp. z o.o., Warsaw	50	100.00
Mineral Polska Sp. z o.o., Czarny Bor	19,056	100.00
SAT Sp. z o.o., Olawa	4,171	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o., Wroclaw	16,140	100.00
STRABAG Sp. z o.o., Pruszkow	73,328	100.00
TPA Sp. z o.o., Pruszkow	600	100.00
Züblin Sp. z o.o., Pruszkow	7,765	100.00

Romania	Nominal capital TRON	Direct stake %
STRABAG SRL, Bucharest	43,519	100.00
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA, Cluj-Napoca	64,974	98.59
BITUNOVA Romania SRL, Bucharest	16	100.00
BRVZ SERVICII & ADMINISTRARE SRL, Bucharest	278	100.00
MINERAL ROM SRL, Brasov	10,845	100.00
TPA SOCIETATE PENTRU ASIGURAREA CALITATII SI INOVATII SRL, Bucharest	0	100.00
ZUBLIN ROMANIA SRL, Bucharest	4,580	100.00

Russia	Nominal capital TRUB	Direct stake %
OOO "RANITA", Moscow	10	100.00
SAO BRVZ Ltd, Moscow	313	100.00
ZAO "PARK CENTER", St. Petersburg	28,125	100.00
ZAO "Strabag", Moscow	14,926	100.00

Saudi-Arabia	Nominal capital TSAR	Direct stake %
Dywidag Saudi Arabia Co. Ltd., Jubail	10,000	100.00

Sweden	Nominal capital TSEK	Direct stake %
BRVZ Sweden AB, Kumla	100	100.00
Nimab Entreprenad AB, Sjöbo	501	100.00
STRABAG AB, Stockholm	50	100.00
STRABAG Projektutveckling AB, Stockholm	1,000	100.00
STRABAG Rail AB, Kumla	500	100.00
STRABAG Sverige AB, Stockholm	15,975	100.00
Züblin Scandinavia AB, Stockholm	100	100.00

Switzerland		Nominal capital TCHF	Direct stake %
BMTI GmbH, Erstfeld		20	100.00
BRVZ Bau-, Rechen- und Verwaltungszentrum AG, Erstfeld		100	100.00
STRABAG AG, Schlieren		8,000	100.00

Serbia		Nominal capital TRSD/T€	Direct stake %
"PUTEVI" A.D. CACAK, Cacak		122,638	89.89[1)]
STRABAG d.o.o., Novi Beograd		1,306,748	100.00
TPA za obezbedenje kvaliteta i inovacije d.o.o. Beograd, Novi Beograd		32,550	100.00
Vojvodinaput-Pancevo a.d. Pancevo, Pancevo	T€	4,196	100.00

Slovakia		Nominal capital T€	Direct stake %
BITUNOVA spol. s r.o., Zvolen		1,195	100.00
BRVZ s.r.o., Bratislava		33	100.00
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov		7	100.00
Hotel AVION Management s.r.o., Bratislava		5	100.00
Hotel AVION s.r.o., Bratislava		7	100.00
KSR - Kamenolomy SR, s.r.o., Zvolen		25	100.00
STRABAG Pozemne a inzinierske stavitel'stvo s. r. o., Bratislava		133	100.00
STRABAG s.r.o., Bratislava		66	100.00
TPA Spolocnost pre zabezpecenie kvality a inovacie s.r.o., Bratislava		7	100.00
Viedenska brana s.r.o., Bratislava		25	100.00

Slovenia		Nominal capital T€	Direct stake %
BRVZ center za racunovodstvo in upravljanje d.o.o., Ljubljana		9	100.00
DRP, d.o.o., Ljubljana		9	100.00
STRABAG gradbene storitve d.o.o., Ljubljana		500	100.00

South Africa		Nominal capital T€	Direct stake %
EFKON SOUTH AFRICA (PTY) LTD, Pretoria		166	100.00

Thailand		Nominal capital THB	Direct stake %
STRABAG Industries (Thailand) Co.,Ltd., Bangkok		180,000	100.00

Czech Republic		Nominal capital TCZK	Direct stake %
BHG CZ s.r.o., Budweis		200	100.00
BITUNOVA spol. s r.o., Jihlava		2,000	100.00
BMTI CR s.r.o., Brno		100	100.00
BOHEMIA ASFALT, s.r.o., Sobeslav		10,000	100.00
BRVZ s.r.o., Prague		1,000	100.00
Dalnicni stavby Praha, a.s., Prague		136,000	100.00
FRISCHBETON s.r.o., Prague		20,600	100.00
KAMENOLOMY CR s.r.o., Ostrava		106,200	100.00
Na Belidle s.r.o., Prague		100	100.00
SAT s.r.o., Prague		1,000	100.00
STRABAG a.s., Prague		1,119,600	100.00
STRABAG Property and Facility Services a.s., Prague		46,800	100.00
STRABAG Rail a.s., Usti nad Labem		180,000	100.00
TPA CR, s.r.o., Budweis		1,000	100.00
ZÜBLIN stavebni spol. s r.o., Prague		100,000	100.00

Ukraine		Nominal capital TUAH	Direct stake %
Chustskij Karier, Zakarpatska		3,279	95.96
TOV "RESURS PROEKTBUD", Kiev		1,250	100.00
Zezelivskij karier TOW, Zezelev		13,130	99.36

Hungary		Nominal capital THUF/T€	Direct stake %
AKA Zrt., Budapest		24,000,000	100.00
AMFI HOLDING Kft., Budapest	T€	800	100.00
ASIA Center Kft., Budapest		1,830,080	100.00

1) Direct stake amounted to 85.02 % as at 31 December 2015.

Hungary		Nominal capital THUF/T€	Direct stake %
Bitunova Kft., Budapest		50,000	100.00
BMTI Kft., Budapest		2,000,000	100.00
BRVZ Kft., Budapest		1,545,000	100.00
EXP HOLDING Kft., Budapest	T€	4,556	100.00[1)]
Expert Kerepesi Kft., Budapest	T€	11	100.00
First-Immo Hungary Kft., Budapest		100,000	100.00
Frissbeton Kft., Budapest		100,000	100.00
Generál Mély-és Magasépitö Zrt., Budapest		1,000,000	100.00
KAFEX Kft., Budapest	T€	464	100.00
KFX Holding Kft., Budapest	T€	10,511	100.00[1)]
KÖKA Kft., Budapest		761,680	100.00
Magyar Bau Holding Zrt., Budapest		20,000	100.00
OAT Kft., Budapest		25,000	100.00
ÓBUDA-APARTMAN Kft., Budapest	T€	279	100.00
RE project development Kft., Budapest		3,000	100.00
STRABAG Általános Építö Kft., Budapest		1,000,000	100.00
STRABAG Épitö Kft., Budapest		352,000	100.00
STRABAG Property and Facility Services Zrt., Budapest		20,000	51.00
STRABAG Vasútépítö Kft., Budapest		3,000	100.00
STRABAG-MML Kft., Budapest		510,000	100.00
Szentesi Vasútépítö Kft, Budapest		189,120	100.00
TPA HU Kft., Budapest		113,000	100.00
Treuhandbeteiligung H		10,000	100.00[1)]
Züblin Kft., Budapest		3,000	100.00

United Arab Emirates	Nominal capital TAED	Direct stake %
STRABAG ABU DHABI LLC, Abu Dhabi	150	100.00
Züblin Construction L.L.C., Abu Dhabi	150	100.00
Züblin Ground and Civil Engineering LLC, Dubai	1,000	100.00

Cyprus	Nominal capital T€	Direct stake %
BONDENO INVESTMENTS LTD, Limassol	55	100.00
CONFINARIO LTD, Limassol	1	100.00
IVERUS ENTERPRISES LTD, Limassol	2	100.00

The following list shows the associates included in the consolidated financial statement:

Austria	Nominal capital T€	Direct stake %
Erste Nordsee-Offshore-Holding GmbH, Vienna	100	49.90
Lafarge Cement CE Holding GmbH, Vienna	50	30.00
Schiffmühlenstraße 120 GmbH, Vienna	35	75.00[2)]
Zweite Nordsee-Offshore-Holding GmbH, Vienna	100	49.90

Germany		Nominal capital T€/TDEM	Direct stake %
AMB Asphaltmischwerke Bodensee GmbH & Co KG, Singen (Hohentwiel)		767	50.00
AMH Asphaltmischwerk Hauneck GmbH & Co. KG, Hauneck		500	50.00
Bayerische Asphaltmischwerke GmbH & Co.KG für Straßenbaustoffe, Hofolding		12,300	48.33
Bodensee - Moränekies Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Tettnang, Tettnang	TDEM	300	33.33
Kieswerk Rheinbach GmbH & Co Kommanditgesellschaft, Rheinbach		256	50.00
Kieswerke Schray GmbH & Co. KG, Steißlingen		2,045	50.00
Messe City Köln GmbH & Co. KG, Hamburg		100	50.00
MesseCity Köln Generalübernehmer GmbH & Co. KG, Oststeinbek		25	50.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG, Mühlacker		3,100	25.00
PANSUEVIA GmbH & Co. KG, Jettingen-Scheppach		1,000	50.00
PANSUEVIA Service GmbH & Co. KG, Jettingen-Scheppach		50	50.00
SeniVita Social Estate AG, Bayreuth		10,000	46.00
Steinbruch Spittergrund GmbH, Erfurt		80	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt		2,582	50.00

1) The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.
2) There are deviating contractual provisions about the joint venture.

Ireland	Nominal capital T€	Direct stake %
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED, Fermoy	50	20.00

Croatia	Nominal capital THRK	Direct stake %
Autocesta Zagreb-Macelj d.o.o., Krapina	88,440	51.00[1)]

The Netherlands	Nominal capital T€	Direct stake %
A-Lanes A15 Holding B.V., Nieuwegein	18	24.00

Qatar	Nominal capital TQAR	Direct stake %
Strabag Qatar W.L.L., Qatar	200	49.00
Züblin International Qatar LLC, Doha	200	49.00

Romania	Nominal capital TRON	Direct stake %
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	41,779	35.32

Hungary	Nominal capital T€	Direct stake %
MAK Mecsek Autopalya Koncesszios Zrt., Budapest	64,200	30.00

Accounting policies

INTANGIBLE ASSETS

Acquired intangible assets are recognised at their initial costs less depreciation and impairment if applicable.

Development costs for an internally generated intangible asset are capitalised if the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for internal use or sale and if it can demonstrate the intent to complete the intangible asset and use or sell it. The group must also demonstrate that the intangible asset will generate probable future economic benefits, that it has adequate resources to complete the asset and that it is able to reliably measure the expenditure attributable to the asset during its development. The construction costs for these assets comprise all construction costs directly attributable to the construction process as well as production-related overheads. Borrowing costs are capitalised for qualified assets. Research costs which do not fulfil these criteria are recognised as an expense in the period in which they are incurred. Costs that have already been recognised as an expense are not capitalised in a subsequent period.

The subsequent measurement of intangible assets with definite useful lives is performed at cost less accumulated depreciation and impairment losses. Within the group, there are no intangible assets with indefinite useful lives.

The following useful lives were assumed for intangible assets using the straight-line method:

Intangible assets	Useful life in years
Property rights/Utilisation rights/Other rights	3–50
Software	2–5
Patents, licences	3–10

GOODWILL

Goodwill from a business combination is initially measured at cost. This is calculated as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, rather, it is subjected to an annual impairment test in accordance with IAS 36. The group conducts its annual test for goodwill impairment at year's end. Testing is also performed if events or circumstances indicate that the figure could be impaired. For the purpose of the impairment test, goodwill is assigned to one or more of the group's cash-generating units that should benefit from the synergy effects of the combination. The recoverability of goodwill is determined by comparing the carrying amount of the respective cash-generating unit (CGU) or units with the recoverable amount. If the goodwill is impaired, an impairment loss is recognised. The possibility of a write-back once the reasons for the impairment no longer apply is not foreseen for goodwill.

1) There are deviating contractual provisions about the joint venture.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially recognised at cost. STRABAG performs subsequent measurements using the cost model – cost less accumulated depreciation and impairment losses. If the reasons for a previously recognised impairment loss no longer apply, these assets are written back in profit or loss. The amount may not exceed the carrying amount that would have resulted if no impairment loss had been recognised in the previous periods.

Subsequent cost is capitalised if it is probable that future economic benefits will flow to the group and if the costs can be reliably determined. Repair and maintenance costs which do not constitute significant maintenance expenditures are recognised as expenses in the period in which they are incurred.

Depreciable property, plant and equipment is depreciated using the straight-line method over the expected useful life. If there is an indication that an asset may be impaired and if the present values of the future cash inflow surpluses are below the carrying amounts, the amount is revalued to the lower recoverable amount in accordance with IAS 36.

The following useful lives were assumed for property, plant and equipment:

Property, plant and equipment	Useful life in years
Buildings	10–50
Investments in third-party buildings	5–40
Machinery	3–15
Office equipment/furniture and fixtures	3–10
Vehicles	4–8

INVESTMENT PROPERTY

Investment property is property held to earn rentals or for the purpose of capital gains. Investment property is initially measured at cost. STRABAG uses the cost model for subsequent measurements, i.e. the measurement is performed at cost less accumulated depreciation and impairment losses. If the present values of the future cash inflow surpluses are below the carrying amounts, the amount is revalued to the lower recoverable amount in accordance with IAS 36. The recoverable amount of this investment property is disclosed separately. The fair value is determined using recognised methods such as derivation from the current market price of comparable properties or the discounted cash flow method.

The useful life of investment property varies between ten and 35 years. Investment property is depreciated using the straight-line method.

LEASES

Finance leases

Leased assets are capitalised where STRABAG is the lessee and bears all the substantial risks and rewards associated with the asset in accordance with the criteria of IAS 17. The lease is capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The asset is depreciated over the shorter of the lease term or the economic life of the asset. The depreciation method used is the same as for comparable acquired or internally generated assets.

Payment obligations resulting from future lease payments are recognised as a liability. In this case, the present value of the minimum lease payment is to be used. In subsequent years, lease payments are apportioned between an interest component and a repayment component so that the lease liability has a constant rate of return. The interest component is recognised in profit or loss.

Operating leases

Both expenses as well as income from operating leases are recognised in the income statement using the straight-line method over the term of the respective lease.

GOVERNMENT GRANTS

Government subsidies and investment grants are offset against the cost of the assets and amortised in proportion to their useful lives. A government grant is recognised when there is reasonable assurance that the grant will be received and the group complies with the necessary conditions for receiving the grant.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are recognised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may no longer be recoverable. Assets that have an indefinite useful life, such as goodwill or intangible assets not yet available for use, are tested for impairment annually as such assets are not subject to depreciation or amortisation.

To identify the need for impairment, the recoverable amount is determined. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount is determined for the smallest identifiable group of assets (cash-generating unit) to which the asset in question can be assigned.

Considering that, as a rule, market prices are not available for individual units, the present value of net cash inflows is used to determine the fair value less costs to sell. The forecast of the cash flows is based on STRABAG's latest planning, with a planning horizon of at least four years. The last detailed planning year forms the basis for calculating the perpetuity if applicable legislation and legal requirements do not limit the usability of the cash-generating unit to a shorter period of time.

For the purpose of determining the fair value less costs to sell, the cash-generating unit is measured from the viewpoint of an independent market participant. In calculating the value in use of an asset, on the other hand, the cash flows are considered on the basis of the previous use. For the net cash inflows beyond the detailed planning period, individual growth rates derived from market information are determined on the basis of long-term business expectations in both methods of calculation.

Net cash inflows are discounted at the cost of capital, which is calculated as the weighted average cost of equity and debt. Consideration is given to the different yield and risk profiles of STRABAG's various areas of expertise by determining the individual costs of capital using comparison companies. The cost of equity corresponds to the required rate of return for investors, while the cost of debt is based on the long-term financing conditions available to comparison companies. Both components are derived from capital market information.

The following table shows the two parameters growth rate and cost of capital for the impairment tests:

%	2016	2015
Growth rate	0.0–0.5	0.0–0.5
Cost of capital (after taxes)	5.6–7.1	6.1–7.5
Cost of capital (before taxes)	7.8–8.6	7.3–9.4

The Management Board has calculated the budgeted gross margin based on past developments and on expectations for future market development.

If the recoverable amount of an asset is lower than the carrying amount, the impairment is recognised immediately in profit or loss. In the case of impairment losses related to cash-generating units which contain goodwill, existing goodwill is initially reduced. If the impairment exceeds the carrying amount of the goodwill, the difference is generally apportioned proportionally over the remaining non-current assets of the cash-generating unit.

With the exception of goodwill, non-financial assets for which an impairment loss was charged in the past are reviewed at every balance sheet date to determine whether the impairment loss should be reversed.

FINANCIAL ASSETS

Financial assets are recognised in the consolidated balance sheet if STRABAG has a contractual right to receive cash or other financial assets from another party. Regular way purchases and sales of financial assets are recognised using settlement date accounting.

A financial asset is initially recognised at fair value including transaction costs. Transaction costs incurred on the acquisition of financial assets measured at fair value through profit or loss are recognised in the income statement immediately. Receivables bearing no interest or interest below the market rate are initially recognised at the present value of the expected future cash flows.

For purposes of subsequent measurement, financial assets are classified in one of the following categories in accordance with IAS 39, with each category having its own measurement requirements. The classification is determined at initial recognition:

- Financial assets at fair value through profit or loss

  At STRABAG, financial assets measured at fair value through profit or loss comprise financial assets held for trading. A financial asset is classified in this category if it was acquired for the purpose of selling in the short term. Derivatives also belong to this category if they are not designated as hedging instruments. Assets in this category are classified as current assets if recovery is expected within twelve months. All other assets are classified as non-current. Changes in the value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are considered current assets if they do not mature more than twelve months after the balance sheet date respectively during the normal business cycle. If they do, they are classified as non-current assets. Loans and receivables are measured at amortised cost calculated using the effective interest method.

  Service concession arrangements which provide an absolute contractual right to receive payment are shown separately. All receivables from concession arrangements are accounted for under the special balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made. The annual accumulation amount is recognised in other operating income, where it is balanced with the interest expense from related non-recourse financing.

The hedging transactions embedded in the concession arrangements are carried at fair value and shown in the item receivables from concession arrangements.

Trade receivables and other receivables are evaluated at their nominal value less impairment for realisable individual risks. Graduated impairment is formed according to risk groups in order to take general loan risks on customer receivables into consideration. Specific cases of default result in the derecognition of the receivables in question.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which were either classified in this category or which were not classified in any of the other categories presented here. Fair value changes on available-for-sale financial assets are recognised in other income. If assets in this category are sold or if they are subject to impairment, then the cumulative changes in fair value that were previously recognised in equity are recognised in profit or loss in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, and whenever there are indications of impairment, the carrying amounts of financial assets that are not measured at fair value through profit or loss are tested for their recoverability (impairment test). If there is an objective indication of impairment, an impairment loss is recognised in profit or loss in other operating expense or in net income from investments. Impairment losses are reversed if objective facts arise after the balance sheet date which speak for a reversal. The value increase of financial instruments measured at amortised cost may not exceed what the amortised cost would have been if the impairment had not been recognised. For equity instruments measured at cost, an increase in subsequent financial statements is not allowed.

Within the group, impairment losses are recognised if the debtor has considerable financial difficulties; if there is a high probability that insolvency proceedings will be commenced against him; if the issuer’s technological, economic, legal and market environment changes substantially; or if the fair value of a financial instrument continually falls below the amortised cost.

DERECOGNITION OF A FINANCIAL ASSET

Financial assets are derecognised when the contractual rights to receive payment from the financial assets no longer exist or if the financial assets are transferred along with all substantial risks and rewards.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivative financial instruments are employed exclusively to mitigate risks arising from movements in currency exchange rates and interest rates. The utilisation of financial derivatives is subject to internal guidelines and controls.

Derivative financial instruments are initially recognised at cost at the date the contract is entered into. In subsequent periods, derivative financial instruments are carried at fair value. Unrealised gains or losses on the measurement are recognised in the income statement if the conditions for hedge accounting directly in equity under IAS 39 are not met. Derivative financial instruments are stated under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of observable market data (interest and exchange rates) and non-observable market data (the competition’s credit rating) or stock market prices, if available. If it is not possible to use stock market prices, the fair value is determined using generally accepted methods of mathematical finance.

On application of the hedge accounting requirements, the group designates derivative financial instruments either as:

- hedge of the exposure to changes in the fair value of a recognised asset or liability (fair value hedge), or as
- hedge of the exposure to variability in cash flows (cash flow hedge).

In accounting for fair value hedges, both the derivative hedging instrument and the hedged item attributable to hedged risk are accounted for at fair value through profit or loss.

If, however, a derivative financial instrument is used as a hedging instrument in a cash flow hedge, the unrealised gains or losses from the hedging instrument are initially accounted for under other income. They are reclassified to profit or loss when the hedged item affects profit or loss. Any changes resulting from the ineffectiveness of these financial instruments are recognised immediately in profit or loss in the income statement.

On concluding a transaction, the group documents the hedging relationship between the hedging instrument and the hedged item, the aim of its risk management as well as the underlying strategy for hedging transactions. An assessment is made at the beginning of a hedging relationship, with documentation provided continually thereafter, of whether the derivatives used in the hedge are effective or not in compensating the changes in fair value or cash flow of the hedged item.

The critical term match method is used to determine the prospective hedge effectiveness. The retrospective effectiveness is determined using the dollar offset method.

CURRENT AND DEFERRED INCOME TAXES

The income tax payables and receivables contain mainly rights and obligations with regard to domestic and foreign income taxes. These comprise the current year as well as possible rights and obligations from previous years. The receivables/payables are calculated on the basis of the tax regulations in the respective countries.

Deferred taxes are measured using the balance sheet liability method for all differences between the valuation of the balance sheet items in the IFRS financial statements and the existing tax value at the individual companies. Furthermore, any realisable tax advantage from existing losses carried forward will be included in the calculation. Exceptions to this comprehensive tax deferral are balances from non-tax-deductible goodwill.

Deferred tax assets may only be recognised if the associated tax advantage is likely to be realisable. The calculation of the tax deferral is based on the usual income tax rate in the respective country at the point of the predicted reversal.

Recognition is made of deferred tax liabilities arising from temporary differences in relation to investments in subsidiaries, equity-accounted investments and participation companies unless the timing of the reversal of the temporary differences in the group can be determined and the temporary differences are unlikely to reverse in response to this influence in the foreseeable future.

INVENTORIES

Inventory costs include cost of purchase and production and are required to be stated at the lower of cost and net realisable value.

Production costs include all direct costs as well as appropriate parts of overhead arising in the production. Distribution costs, as well as costs for general administration, are not included in the production costs. Borrowing costs related to production are recognised for inventories which are to be classified as qualifying assets.

CONSTRUCTION CONTRACTS

The results from construction contracts are realised using the percentage of completion method under IAS 11. Determination of the stage of completion is made on the basis of the actual output volume attained by the balance sheet date.

If the results from a contract can be reliably determined and the contract is likely to be profitable, then the contract revenue is recognised in proportion to the stage of completion over the duration of the contract. If the total contract cost is likely to exceed the total contract revenue, then the expected loss is recognised immediately in full as an expense. Presentation is made as an impairment loss on receivables relating to construction contracts or as a provision if the impending loss that is expected exceeds the receivables from construction contracts from the specific project.

If, due to uncertainties in the construction schedule, the future results cannot be reliably determined, the construction contract is recognised at contract cost.

If the costs incurred plus recognised profits exceed the payments received for it, then this is shown on the assets side under receivables from construction contracts. Vice versa, this is reported on the liabilities side under liabilities from construction contracts.

The results, in the case of construction contracts which are carried out in consortia, are realised according to the percentage of completion method in accordance with the degree of completion as at the balance sheet date. Impending losses arising from further construction work are accounted for by means of appropriate depreciation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all liquid assets which at the date of acquisition or investment have a remaining term of less than three months. Cash and cash equivalents are measured at amortised cost.

PROVISIONS

The following defined benefit plans for which provisions must be recognised exist within the group.

The company’s obligation relating to defined benefit plans consists in fulfilling the promised benefits to current and former employees.

Defined contribution plans in the form of financing through third-party support funds exist for employees of Austrian subsidiaries whose employment began after 1 January 2003. The defined benefit obligations are funded by the regular payment of contributions into the employee benefit fund.

PROVISIONS FOR SEVERANCE PAYMENTS

The group is legally required to provide a one-off severance payment to employees of Austrian subsidiaries in the case of termination or at the date of retirement if their employment began before 1 January 2003. The level of this payment depends on the number of years at the company and amount due at the date of severance and comes to between two and twelve monthly salaries. A provision is made for this obligation.

Additionally, the severance payment rights in other countries in the case of termination or retirement amount from one to three monthly salaries. Due to the relatively insignificant amounts involved, provisions for severance payments arising from these obligations are determined using financial mathematical methods.

PENSION PROVISIONS

The provisions for pensions are formed for obligations from the right to future pension payments and current payments to present and past employees and their dependents. The group's pension promises in Germany and Austria exist on the basis of individual contracts or internal labour-management agreements. The obligations are based on a number of different pension arrangements. The number of different employee benefit plans is the result of the group's enterprise acquisitions over the past few years in Germany. New agreements are not concluded within the group.

As a rule, the pension promises foresee the granting of monthly old age, invalidity and survivors' benefits. With some promises, the pension arrangement foresees benefits to be paid in the form of a capital payment.

The benefit plans exist in various designs. The range of plan structures includes specified benefit systems (e.g. specified amount per year of employment), dynamic systems (e.g. % per year of employment) and benefit promises (e.g. specified promise). Plans also exist with or without survivors' benefits.

In Switzerland, the legal regulations governing pension plans require payments to be made into pension foundations. One half of the contributions are made by the employer, the other half by the employee. The employee contributions depend on the years of service and are treated as reduction of the service cost. At retirement, the employees can choose to receive either a one-off severance payment or regular monthly pension payments.

As restructuring contributions are required if the pension foundation has insufficient funds for coverage, the promises are categorised as defined benefit plan in accordance with IAS 19.

Within the STRABAG Group, the obligations of the pension funds are reinsured.

MEASUREMENT OF SEVERANCE AND PENSION PROVISIONS

The group's obligations relating to defined benefit plans are determined separately for each plan using actuarial principles in accordance with the projected unit credit method. The projected unit credit method is used to determine the discounted pension entitlements acquired up to the end of the accounting period. The existing plan assets at their fair value are subtracted from the defined benefit obligations. This yields the defined benefit liability (asset) to be recognised.

Determination of the net defined benefit liability at the end of the reporting year is based on an actuarial report from a certified actuarial analyst.

The rate used to discount severance and pension provisions is determined on the basis of market yields at the end of the respective reporting period on high-quality fixed-interest industrial bonds with a comparable term.

The assumptions relating to discounting, pay rises and fluctuation that are used to calculate the severance and pension provisions vary in proportion to the economic situation of each specific country. Life expectancy is calculated according to the respective country's mortality tables.

Actuarial gains and losses are recognised in equity outside profit or loss. The service cost is stated in employee benefits expense, while the interest component of the allocation to the provision is reported in the net interest income.

If the present value of a defined benefit obligation changes in response to plan amendments, the resulting effects are recognised in profit or loss as past service cost in the year of the amendment. Any income resulting from a settlement is also recognised directly in the income statement.

The company is exposed to various risks in relation to the defined contribution severance and pension plans. Besides the general actuarial risks such as the longevity risk and the interest rate risk, the group is also exposed to currency risk as well as to capital market risk or investment risk.

More information concerning the risks is available in the sensitivity analysis under item 22.

OTHER PROVISIONS

The other provisions take into consideration all realisable risks and uncertain obligations. They are recognised at the respective amount which, according to commercial judgement, is necessary at the balance sheet date to cover future payment obligations of the group. Hereby the respective amount which arises as the most probable on careful examination of the facts is recognised.

Long-term provisions are, as far as they are not immaterial, entered into the accounts at their discounted discharge amount as at the balance sheet date. The discharge amount also includes the cost increases to be considered on the reporting date. Provisions which arise from the obligation to recultivate gravel sites are allocated according to the rate of utilisation.

NON-FINANCIAL LIABILITIES

Non-financial liabilities are carried at the repayment amount. The overpaid amounts from construction contracts are qualified as non-financial liabilities.

FINANCIAL LIABILITIES

Financial liabilities comprise original liabilities and the negative fair values of derivative financial instruments.

Original liabilities are recognised in the consolidated balance sheet if STRABAG has a contractual obligation to transfer cash or other financial assets to another party. Original liabilities are initially recognised at fair value. Any premiums, discounts or other differences between the cash inflow and the repayment amount are distributed over the financing term using the effective interest rate method and stated on an accruals basis in interest expense.

Financial liabilities are derecognised if the contractual obligations are discharged, cancelled or have expired. Costs related to the issue of corporate bonds are offset over the term using the effective interest rate method.

CONTINGENT LIABILITIES

Contingent liabilities are present or possible future obligations which are not reflected in the balance sheet as liabilities because an outflow of resources is not probable. They are – as long as IFRS 3 does not require recognition on acquisition – not reflected in the balance sheet. The amount of the contingent liabilities reported corresponds to the amount of existing guarantees outstanding as at the balance sheet date.

REVENUE RECOGNITION

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services in the ordinary course of business.

Revenues from the construction contracts are realised according to the percentage of completion method. The output volume actually attained at the balance sheet date serves as a benchmark for the degree of completion.

Revenues from the sale of proprietary projects, from trade to and services for consortia, from property and facility services, from other services and from the sale of construction materials are realised with the transfer of power to dispose and the related opportunities and risks and/or with the rendering of the services.

Supplementary claims in relation with construction contracts involve services which, based on the existing contractual agreements, cannot be invoiced until their invoicing potential or recognition is agreed with the client. While the costs are recognised in profit or loss immediately when they arise, revenue from supplementary claims is recognised generally after receipt of written recognition from the client or, in the event that payment is received before the written recognition, with the payment itself.

Revenue that is to be seen as purely transitory due to consortial structures, as well as its corresponding expense, is not recognised.

Other income, such as rental income or expenses passed through, is stated on the basis of the amount accrued in accordance with the respective agreements.

Dividends and the share of profits from investments are recognised if a legal right to payment exists.

Interest income is recognised as it accrues using the effective interest rate method.

ESTIMATES

Estimates and assumptions which refer to the amount and recognition of the assets and liabilities accounted, the income and expenditure as well as the statement of contingent liabilities are necessary for the preparation of the consolidated financial statements according to IFRS.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) RECOVERABILITY OF GOODWILL

The group conducts an annual test to determine whether its goodwill is impaired in accordance with the accounting policies described on page 183 (Impairment of non-financial assets). The recoverable amount of the CGUs was determined using fair value less costs of disposal. These calculations are based on assumptions about the expected business development and the recoverable margin. Estimates about the expected business development are based on the facts and circumstances prevailing at the time of preparation of the financial statements as well as on realistic assumptions about the global and industry-specific environment. In response to changes in these underlying conditions which deviate from the assumptions and are beyond the Management Board’s control, actual values may deviate from the estimated values.

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ -3,136 (2015: T€ -3,593) while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ -8,897 (2015: T€ -8,536). These two effects together would trigger an impairment loss of T€ -12,156 (2015: T€ -11,715).

(B) RECOGNITION OF REVENUE FROM CONSTRUCTION CONTRACTS

Revenue from construction contracts is recognised using the percentage of completion method. The group estimates the actual output concluded by the balance sheet date as a percentage of the total volume of the order as well as the remaining contract cost to be incurred. If the contract cost exceeds the total contract revenue, then the expected loss is recognised as an expense. Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred.

(C) INVESTMENTS IN LAFARGE CEMENT CE HOLDING GMBH

The group holds a 30 % investment in Lafarge Cement CE Holding GmbH. Lafarge operates cement works in Austria, Hungary, the Czech Republic and Slovenia. The carrying amount of the investment amounted to T€ 241,864 on 31 December 2016 (2015: T€ 247,622). The investment was tested for impairment by means of an impairment test.

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ 0 (2015: T€ 0), while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ -303 (2015: T€ -4,234). These two effects together would trigger an impairment loss of T€ -12,254 (2015: T€ -16,277).

(D) INCOME TAXES

STRABAG has to calculate the actual income tax expected for each taxable entity and must assess the temporary differences arising from the different treatment of certain balance sheet items in the IFRS consolidated financial statements and the statutory financial statements required for tax purposes. The existence of temporary differences usually results in the recognition of deferred tax assets and liabilities in the consolidated financial statements.

The management must make assessments in the calculation of current and deferred taxes. Deferred tax assets are recognised to the extent that their use is probable. The use of deferred tax assets depends on the possibility of realising sufficient taxable income under the respective tax type and jurisdiction under consideration of any possible legal restrictions regarding the maximum loss carryforward period. A number of different factors is used to assess the probability of the future usability of deferred tax assets, such as the past financial performance, operational planning, loss carryforward periods and tax planning strategies. If the actual results deviate from these estimates, or if these estimates must be adjusted in future periods, this could have a negative impact on the financial position, financial performance and cash flows. In the event of a changed assessment of the recoverability of deferred tax assets, the deferred tax assets which have been recognised are written down in profit or loss or, depending on their original formation, outside profit or loss; impaired deferred tax assets are similarly recognised either in profit or loss or outside profit or loss.

(E) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments that are not traded in an active market is determined by using suitable valuation techniques selected from among a number of different methods. The assumptions used are mainly based on market conditions existing at the balance sheet date. The group uses present value techniques to determine the fair value of a number of available-for-sale financial assets that are not traded in an active market.

(F) SEVERANCE AND PENSION PROVISIONS

The present value of the pension obligations depends on a number of different factors based on actuarial assumptions. One of the assumptions used to determine the net expenses or income for pensions is the discount rate. Any change to these assumptions will influence the carrying amount of the pension obligation.

The group determines the appropriate discount rate at the end of every year. The discount rate is the interest rate used to determine the present value of future cash flows required to settle the obligation. For the purpose of determining the discount rate, the group employs the interest rate of highest-grade industrial bonds in the same currency in which the benefits are paid and which have terms to maturity equivalent to those of the pension obligations.

Additional substantial assumptions relating to pension obligations are based in part on market conditions. Further information and sensitivity analyses can be found in item 22.

(G) OTHER PROVISIONS

Other construction-related provisions, in particular, involve the risk that in individual cases the actual costs for warranty obligations or remaining performance obligations will turn out higher than expected. The balance sheet item other construction-related provisions is composed of several individual projects together, however, as a result of which the risk is reduced to the individual consideration of the projects. The same applies to provisions in connection with litigations.

Notes on the items of the consolidated income statement

(1) REVENUE

The revenue of T€ 12,400,465 (2015: T€ 13,123,476) is attributed in particular to revenue from construction contracts, revenue from own projects, trade to and services for consortia, as well as other services. Revenue from construction contracts including the realised part of profits according to the level of completion of the respective contract (percentage of completion method) amounts to T€ 10,413,176 (2015: T€ 11,144,325), the revenues from property and facility management services amount to T€ 1,057,241 (2015: T€ 1,036,525).

Revenues according to business fields and regions are represented individually in the segment reporting.

Revenue provides only an incomplete picture of the output volume achieved in the financial year. Output volume is a usual concept in the construction industry and at the STRABAG Group comprises the value of the produced goods and services. The total output volume of the group is therefore represented in addition to the revenue to also include the proportional output of joint ventures and associates:

T€	2016	2015
Germany	6,269,951	6,256,111
Austria	2,098,624	2,002,984
Poland	773,742	940,760
Czech Republic	630,558	764,599
Slovakia	461,165	716,335
Hungary	448,123	594,262
Switzerland	378,340	342,713
Americas	348,345	309,931
Benelux	308,928	301,671
Middle East	266,651	314,484
Romania	253,715	241,228
Denmark	234,388	219,284
Sweden	179,069	239,704
Rest of Europe	150,467	167,449
Russia	138,862	230,387
Asia	131,086	91,800
Serbia	89,279	46,222
Italy	81,614	187,803
Africa	78,024	120,371
Croatia	78,069	68,040
Slovenia	65,135	98,414
Bulgaria	26,897	35,212
Total output volume	**13,491,032**	**14,289,764**

(2) OTHER OPERATING INCOME

Other operating income includes revenue from letting and leasing in the amount of T€ 27,183 (2015: T€ 18,547), insurance compensation and indemnification in the amount of T€ 39,121 (2015: T€ 34,893), and exchange rate gains from currency fluctuations in the amount of T€ 15,620 (2015: T€ 15,688) as well as gains from the disposal of fixed assets without financial assets in the amount of T€ 59,226 (2015: T€ 44,285).

Interest income from concession arrangements which is included in other operating income is represented as follows (see also notes on item 18):

T€	2016	2015
Interest income	62,218	64,194
Interest expense	-26,810	-29,134
Net interest income	**35,408**	**35,060**

(3) CONSTRUCTION MATERIALS, CONSUMABLES AND SERVICES USED

T€	2016	2015
Construction materials, consumables	2,684,913	3,076,296
Services used	5,295,096	5,542,732
Construction materials, consumables and services used	**7,980,009**	**8,619,028**

Services used are mainly attributed to services of subcontractors and professional craftsmen as well as planning services, machine rentals and third-party repairs.

(4) EMPLOYEE BENEFITS EXPENSE

T€	2016	2015
Wages	1,078,340	1,066,781
Salaries	1,542,468	1,513,198
Social security and related costs	531,583	528,394
Expenses for severance payments and contributions to employee provident fund	20,932	19,478
Expenses for pensions and similar obligations	11,119	1,524
Other social expenditure	26,469	28,877
Employee benefits expense	**3,210,911**	**3,158,252**

The expenses for severance payments and contributions to the employee provident fund and expenses for pensions and similar obligations include the expenses for service costs and indemnity claims resulting from old age part-time claims in the business year. The proportion of interest included in the expenses for severance payments as well as for pensions and similar obligations is recognised in the item net interest income.

Expenses from defined contribution plans amounted to T€ 9,894 (2015: T€ 9,184).

The **average number of employees** with the proportional inclusion of all participation companies is as follows:

Average number of employees	2016	2015
White-collar workers	28,458	28,552
Blue-collar workers	43,381	44,763
Total	**71,839**	**73,315**

(5) OTHER OPERATING EXPENSES

Other operating expenses of T€ 795,854 (2015: T€ 826,900) mainly include general administrative costs, travel and advertising costs, insurance premiums, impairment of receivables, the balance of allocations to and utilisation of provisions, legal and advisory costs, rental and lease costs and losses on the disposal of assets (excluding financial assets). Other taxes amounting to T€ 41,462 (2015: T€ 43,603) are included.

Other operating expenses include losses from exchange rate differences from currency fluctuations in the amount of T€ 5,427 (2015: T€ 16,318).

Spending on research and development arose in various special technical proposals, in connection with concrete competitive projects and in the introduction of building processes and products into the market, and was therefore recognised in full in the income statement.

(6) SHARE OF PROFIT OR LOSS OF EQUITY-ACCOUNTED INVESTMENTS

T€	2016	2015
Income from equity-accounted investments	50,875	20,706
Expenses arising from equity-accounted investments	-29,513	-26,591
Profit from construction consortia	154,793	135,274
Losses from construction consortia	-69,977	-67,500
Share of profit or loss of equity-accounted investments	**106,178**	**61,889**

The expenses from equity-accounted investments include mainly the Zweite Nordsee-Offshore Holding GmbH, Vienna. The income from equity-accounted investments includes a non-operating profit in the amount of T€ 27,811 due to the sale of PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart.

(7) NET INCOME FROM INVESTMENTS

T€	2016	2015
Investment income	53,409	69,234
Expenses arising from investments	-10,824	-12,319
Gains on the disposal of investments	7,360	7,654
Impairment and write-up of investments	-5,425	-29,747
Losses on the disposal of investments	-592	-939
Net income from investments	**43,928**	**33,883**

(8) DEPRECIATION AND AMORTISATION EXPENSE

Depreciations and impairments are represented in the consolidated statement of fixed assets. In the year under report impairments on intangible assets and on property, plant and equipment to the amount of T€ 41,206 (2015: T€ 57,412) were made. Impairment on goodwill amounts to T€ 4,884 (2015: T€ 24,750). For goodwill impairments we refer to the details under item 12.

(9) NET INTEREST INCOME

T€	2016	2015
Interests and similar income	73,899	82,071
Interests and similar charges	-77,680	-106,490
Net interest income	**-3,781**	**-24,419**

Included in interests and similar charges are interest components from the allocation of severance payment and pension provisions amounting to T€ 13,501 (2015: T€ 13,510), security impairment losses of T€ 121 (2015: T€ 981) as well as currency losses of T€ 17,910 (2015: T€ 22,294).

Included in interests and similar income are gains from exchange rates amounting to T€ 30,925 (2015: T€ 30,723) and interest components from the plan assets for pension provisions in the amount of T€ 1,935 (2015: T€ 2,343).

(10) INCOME TAX EXPENSE

Income tax includes taxes paid in the individual companies or owed on income, as well as deferred taxes and the payments of additional tax payments resulting from tax audits:

T€	2016	2015
Current taxes	123,513	170,962
Deferred taxes	15,620	-36,834
Income tax expense	**139,133**	**134,128**

The following tax components are recognised directly in equity in the statement of comprehensive income:

T€	2016	2015
Change in hedging reserves	-9,866	-4,215
Actuarial gains/losses	8,756	-11,357
Fair value of financial instruments under IAS 39	140	94
Total	**-970**	**-15,478**

The reasons for the difference between the Austrian corporate income tax rate of 25 % valid in 2016 and the actual consolidated tax rate are as follows:

T€	2016	2015
EBT	**421,129**	**316,624**
Theoretical tax expenditure 25 %	105,283	79,156
Differences to foreign tax rates	4,148	-3,936
Change in tax rates	-27,132	0
Non-tax deductible expenses	10,422	9,401
Tax-free earnings	-3,504	-4,853
Tax effects of results from equity-accounted investments	-2,228	-2,073
Depreciation of goodwill/capital consolidation	6,214	2,994
Additional tax payments/tax refund	9,641	9,482
Change of valuation adjustment on deferred tax assets	37,573	44,136
Others	-1,284	-179
Recognised income tax	**139,133**	**134,128**

(11) EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the consolidated profit or loss by the weighted average number of ordinary shares.

As there are no stock options at the STRABAG Group, the diluted earnings per share equal the basic earnings per share.

	2016	2015
Number of ordinary shares	110,000,000	114,000,000
Number of shares bought back	-7,400,000	-11,400,000
Number of shares outstanding as at 31.12.	102,600,000	102,600,000
Profit or loss attributable to equity holders of the parent (consolidated profit/loss) T€	277,652	156,286
Weighted number of shares outstanding during the year	102,600,000	102,600,000
Earnings per share €	**2.71**	**1.52**

Notes on the items in the consolidated balance sheet

(12) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

The composition of and changes in intangible assets, goodwill, and property, plant and equipment is shown in the consolidated statement of fixed assets.

No borrowing costs were capitalised for property, plant and equipment, or for intangible assets in the year under report, as significant qualifying assets were not produced or acquired after 1 January 2009.

Notes to goodwill

The goodwill at the balance sheet date is composed as follows:

T€	31.12.2016	31.12.2015
STRABAG Cologne[1)]	178,803	178,803
Czech Republic S + O	67,325	67,320
STRABAG Poland	59,588	61,633
Germany N + W (various CGUs)	59,475	58,862
DIW Group (incl. SPFS Czech Republic, Austria)	50,884	45,713
Züblin	14,938	14,938
Construction materials	8,621	13,504
Other	9,650	14,872
Goodwill	**449,284**	**455,645**

The comparison of the carrying amounts with the recoverable amounts of the cash-generating units determined by the annual impairment test showed a need for goodwill impairment of T€ 4,884 (2015: T€ 24,750). This figure is shown under depreciation and amortisation.

The impairment of T€ 4,884 concerns mainly a construction materials company assigned to the segment International + Special Divisions. The impairment became necessary due to a reduction in the output and earnings estimate for the future. The recoverable amount of this cash-generating unit (CGU) corresponds to its fair value less costs of disposal. The necessary impairment of the CGU exclusively affected the goodwill; impairment was not necessary for other assets of the CGU.

The methods of measurement are explained on page 183 (Impairment of non-financial assets). The method applied here is a Level 3 measurement.

Regarding the sensitivity analysis of goodwill, we refer to our notes under “Estimates” (a) Recoverability of goodwill on page 190.

The following table presents the key assumptions used in calculating the recoverable amount for significant goodwill. The method used is a discounted cash-flow model based on recognised valuation techniques, with the forecast of the cash flows calculated by the management on the basis of experience. An annual 5 % decrease of the cash flow and a simultaneous increase of the interest rate by one percentage point would not result in any impairment loss of the goodwill mentioned below. There were no intangible assets with indefinite useful lives allocated to the CGUs listed below.

1) Is composed of goodwill from CGU STRABAG Cologne North + West in the amount of T€ 117,698 (2015: T€ 117,698) and CGU STRABAG Cologne South + East in the amount of T€ 61,105 (2015: T€ 61,105).

T€	Carrying amount 31.12.2016	Methodology 31.12.2016	Detailed planning period 31.12.2016	Growth rate 31.12.2016	Discount rate after tax 31.12.2016
STRABAG Cologne N + W	117,698	FV less cost of disposal (Level 3)	4	0	6.02
STRABAG Cologne S + O	61,105	FV less cost of disposal (Level 3)	4	0	6.53
Czech Republic S + O	67,325	FV less cost of disposal (Level 3)	4	0	6.93
STRABAG Poland	59,588	FV less cost of disposal (Level 3)	4	0	7.10
DIW Group (incl. SPFS Czech Republic, Austria)	50,884	FV less cost of disposal (Level 3)	4	0	6.02

Capitalised development costs

At the balance sheet date, development costs in the amount of T€ 0 (2015: T€ 3,835) were capitalised as intangible assets. In the 2016 financial year, development costs in the amount of T€ 8,156 (2015: T€ 8,288) were incurred, of which T€ 0 (2015: T€ 395) were capitalised.

Leasing

The carrying amounts from property leasing in the amount of T€ 6,417 (2015: T€ 11,349) as at the balance sheet date are included in property, plant and equipment assets.

Offset against these are liabilities arising from the present value of leasing obligations amounting to T€ 5,304 (2015: T€ 10,336).

The terms of the finance leases for property are between four and 20 years, while those for machinery are between two and eight years.

The following payment obligations will arise from financial leases in subsequent financial years:

	Present values		Minimum payments	
T€	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Term up to one year	370	729	628	1,190
Term between one and five years	1,705	3,383	2,514	4,760
Term over five years	3,229	6,224	3,614	6,814
Total	**5,304**	**10,336**	**6,756**	**12,764**

The reconciliation of minimum lease payments with payables relating to finance leases recognised as at 31 December is as follows:

T€	31.12.2016	31.12.2015
Minimum lease payments 31.12.	**6,756**	**12,764**
Interest	-1,452	-2,428
Finance leases 31.12.	**5,304**	**10,336**

In addition to the finance leases, there are also operating leases for the utilisation of technical equipment and machinery. The expenses from these contracts are recognised in the income statement. The payments made for the financial year 2016 amount to T€ 94,259 (2015: T€ 98,472).

Payment obligations arising from operating lease agreements in subsequent business years are represented as follows:

T€	31.12.2016	31.12.2015
Term up to one year	67,852	68,833
Term between one and five years	115,524	124,911
Term over five years	29,489	36,124
Total	**212,865**	**229,868**

Restrictions on property, plant and equipment/purchase obligations

As at the balance sheet date there were T€ 83,068 (2015: T€ 52,710) in contractual commitments for acquisition of property, plant and equipment which were not considered in the financial statements.

Restrictions exist for non-current assets in the amount of T€ 2,399 (2015: T€ 2,405).

(13) INVESTMENT PROPERTY

The development of investment property is shown separately in the consolidated statement of fixed assets. The fair value of investment property amounts to T€ 8,279 as at 31 December 2016 (2015: T€ 17,500). The fair value was determined using internal reports based on a discounted cash flow analysis or by employing the fair value of development land at market prices.

The rental income from investment property in the 2016 financial year amounted to T€ 6,660 (2015: T€ 6,541) and direct operating expenses totalled T€ 6,579 (2015: T€ 6,144). In the financial year, as in the year before, no direct expenses were incurred from unlet investment property. Additionally, gains from asset disposals in the amount of T€ 2,181 (2015: T€ 443) and losses from asset disposals in the amount of T€ 0 (2015: T€ 150) were achieved. A write-back in the amount of T€ 0 was made in the financial year 2016 (2015: T€ 500).

The internal valuation reports are to be classified as Level 3 methods of measurements and build on data that are also based on values that cannot be observed in the market.

(14) EQUITY-ACCOUNTED INVESTMENTS

T€	2016	2015
Carrying amount as at 1.1.	**373,419**	**401,622**
Additions to scope of consolidation	7,543	0
Disposals from scope of consolidation	-14,000	-1,754
Acquisitions/contributions	16,999	6,004
Proportional annual results	-6,449	-7,224
Received distributions	-26,674	-25,283
Disposals of carrying values	-2,189	-784
Proportional other income	-1,044	838
Carrying amount as at 31.12.	**347,605**	**373,419**

Notes on associates

Lafarge Cement CE Holding GmbH, Vienna, is a significant associate. The group's share of the capital and voting rights amounts to 30 %. The company is accounted for using the equity method. We also refer to item 29 Notes on related parties.

The following financial information concerns the consolidated financial statements prepared in accordance with IFRS.

T€	2016	2015
Revenue	181,477	187,856
Income from continuing operations	8,029	3,513
Other income	2,825	4,175
Total comprehensive income	**10,854**	**7,688**
attributable to: non-controlling interests	46	8
attributable to: equity holders of the parent company	10,808	7,681

	31.12.2016	31.12.2015
Non-current assets	591,028	609,599
Current assets	170,385	148,214
Non-current liabilities	-71,489	-82,992
Current liabilities	-169,925	-135,676
Net assets	**519,999**	**539,145**
attributable to: non-controlling interests	4,065	4,019
attributable to: equity holders of the parent company	515,934	535,126

The financial information presented here can be transferred to the equity carrying amount of the Lafarge Cement CE Holding GmbH in the consolidated financial statements as follows:

T€	2016	2015
Group's share in net assets as at 1.1.	**160,538**	**167,234**
Group's share of net income from continuing operations	2,341	1,017
Group's share of other income	901	1,287
Group's share of total comprehensive income	3,242	2,304
Dividends received	-9,000	-9,000
Group's share in net assets as at 31.12.	**154,780**	**160,538**
Fair value adjustment	87,084	87,084
Equity-carrying value as at 31.12.	**241,864**	**247,622**

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from associates that would be insignificant by themselves:

T€	2016	2015
Total of equity-carrying values as at 31.12.	79,497	118,517
Group's share of net income from continuing operations	17,236	-7,415
Group's share of other income	-928	-555
Group's share of total comprehensive income	16,309	-7,970

Notes on joint ventures

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from joint ventures that would be insignificant by themselves:

T€	2016	2015
Total of equity-carrying values as at 31.12.	26,244	7,280
Group's share of net income from continuing operations	1,785	513
Group's share of other income	0	0
Group's share of total comprehensive income	1,785	513

Notes on accumulated losses from equity-accounted investments

Proportionate losses from equity-accounted investments in the amount of T€ -21,486 (2015: T€ -13,237) were not recognised in profit or loss, as the carrying amounts of these investments already are T€ 0.

Notes on construction consortia

The group classifies construction consortia as joint ventures and records their earnings under share of profit or loss of equity-accounted investments. The following table shows the group's ten most important joint ventures in the 2016 financial year.

Construction consortia	Stake in %
ARGE BAB A9 Holledau FRM, Germany (BAB A9)	50.00
ARGE BAU BSH, Germany (BSH)	50.00
ARGE Hafentunnel Bremerhaven, Germany (BREM)	67.00
ARGE Koralmtunnel KAT 2, Austria (KAT)	85.00
ARGE Rohtang Pass Highway Tunnel, India (Rohtang)	60.00
ARGE Tulfes Pfons, Austria (TULF)	51.00
ARGE Tunnel Albastieg Ulm, Germany (ALB)	60.00
ARGE Tunnel Rastatt, Germany (RAST)	50.00
JV Hafen Mauritius, Mauritius (Maur)	50.00
JV Metro Nordhavnen, Denmark (Metro)	60.00

The financial information in the 2016 financial year on construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	Thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BAB A9	50,345	0	4,651	2,099	0	4,651
BSH	62,994	0	29,817	22,939	0	29,817
BREM	33,258	505	4,224	119	0	4,729
KAT	122,911	13,991	47,601	10,443	0	61,592
Rohtang	35,845	13,651	25,913	2,286	0	39,564
TULF	97,072	28,708	19,766	13,064	0	48,474
ALB	77,631	9,846	9,527	1,360	0	19,373
RAST	121,346	28,599	26,100	11,092	0	54,699
Maur	35,066	1,647	15,844	4,470	0	17,491
Metro	57,892	8,179	8,415	6,790	0	16,594

In the 2016 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 27,934 in profits from construction consortia and T€ -15,124 in losses from construction consortia including impending losses.

The financial information in the 2015 financial year on these construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	Thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BAB A9	459	0	33	0	0	33
BSH	59,924	0	32,499	29,779	0	32,499
BREM	16,386	246	2,307	742	0	2,553
KAT	118,154	18,413	34,879	6,928	0	53,292
Rohtang	41,098	14,886	15,390	4,396	0	30,276
TULF	61,485	36,314	34,295	29,817	0	70,609
ALB	65,830	20,947	5,444	2,226	0	26,391
RAST	39,533	3,789	23,129	7,188	0	26,918
Maur	38,846	2,611	32,286	4,315	0	34,897
Metro	33,828	823	13,771	12,533	0	14,594

In the 2015 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 20,524 in profits from construction consortia and T€ -11,434 in losses from construction consortia including impending losses.

The business transactions with the construction consortia in the financial year can be presented as follows:

T€	2016	2015
Work and services performed	913,658	836,529
Work and services received	32,656	74,765
Receivables as at 31.12.	522,202	408,945
Liabilities as at 31.12.	284,599	307,669

(15) OTHER INVESTMENTS

The other investments in companies include investments in subsidiaries, associated companies, joint ventures and other investments which, being immaterial, are reported as not consolidated nor are included at equity in the consolidated financial statements. Detailed information on the group's investments (shares of more than 20 %) can be found in the list of subsidiaries, equity-accounted investments and participation companies which is included in the annual financial report.

The development of the financial assets in the financial year was as follows:

T€	Balance as at 1.1.2016	Currency translation	Change in scope of consoli-dation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2016
Investments in subsidiaries	93,448	0	-12,077	5,317	282	-4,975	-4,613	77,382
Participation companies	79,357	32	-1,386	16,718	-282	-4,278	-812	89,349
Financial assets	**172,805**	**32**	**-13,463**	**22,035**	**0**	**-9,253**	**-5,425**	**166,731**

The development of the financial assets in the previous financial year was as follows:

T€	Balance as at 1.1.2015	Currency translation	Change in scope of consoli-dation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2015
Investments in subsidiaries	110,021	76	210	12,730	-258	-3,834	-25,497	93,448
Participation companies	86,077	542	0	4,669	258	-7,939	-4,250	79,357
Financial assets	**196,098**	**618**	**210**	**17,399**	**0**	**-11,773**	**-29,747**	**172,805**

(16) DEFERRED TAXES

Tax accruals and deferrals recognised in the balance sheet on temporary differences between the amounts stated in the IFRS financial statements and the respective tax amounts as well as on losses carried forward developed as follows:

T€	Balance as at 1.1.2016	Currency translation	Change in scope of consolidation	Other changes	Balance as at 31.12.2016
Intangible assets and property, plant and equipment	21,148	135	0	8,286	29,569
Financial assets	3,452	-15	0	11,077	14,514
Inventories	5,067	-80	0	240	5,227
Trade and other receivables	41,417	-9	0	-5,322	36,086
Provisions	193,426	-742	-160	26,074	218,598
Liabilities	27,614	-257	0	-2,504	24,853
Tax loss carryforward	180,301	19	0	-72,502	107,818
Deferred tax assets	**472,425**	**-949**	**-160**	**-34,651**	**436,665**
Netting out of deferred tax assets and liabilities of the same tax authorities	-180,497	0	0	-10,341	-190,838
Deferred tax assets netted out	**291,928**	**-949**	**-160**	**-44,992**	**245,827**
Intangible assets and property, plant and equipment	-49,432	1	-3,508	4,314	-48,625
Financial assets	-6,130	0	0	-1,096	-7,226
Inventories	-15,005	-247	-8,917	5,740	-18,429
Trade and other receivables	-134,659	-235	-1,142	9,801	-126,235
Provisions	-4,335	1	0	1,569	-2,765
Liabilities	-7,000	0	0	-1,948	-8,948
Deferred tax liabilities	**-216,561**	**-480**	**-13,567**	**18,380**	**-212,228**
Netting out of deferred tax assets and liabilities of the same tax authorities	180,497	0	0	10,341	190,838
Deferred tax liabilities netted out	**-36,064**	**-480**	**-13,567**	**28,721**	**-21,390**

Deferred taxes on losses carried forward were capitalised as these can probably be offset with future taxable profits. The planning period is limited to five years.

The Austrian Corporate Income Tax Act (Körperschaftsteuergesetz) requires a tax-effective impairment of investments to be claimed over a period of seven years. The deferred tax assets on losses carried forward contain open one-seventh impairments in the amount of T€ 12,008 (2015: T€ 18,296).

No deferred tax assets were made for tax losses carried forward of T€ 1,144,073 (2015: T€ 1,010,036), as their effectiveness as final tax relief is not sufficiently assured.

Of the non-capitalised losses carried forward T€ 1,046,183 (2015: T€ 936,013) have unrestricted use.

For the STRABAG SE tax group, Austria, deferred taxes were capitalised despite tax losses in the previous years as well as in the year under report. The deemed cost of losses carried forward in excess of the earnings arising from the reversal of existing taxable temporary differences amounts to T€ 56,742 (2015: T€ 95,696) for the STRABAG SE tax group.

The losses of the ongoing year and of the past were strongly influenced by negative special items. To avoid such negative projects, the group expanded and improved its opportunity and risk management and implemented the organisational and strategic improvements out of the analysis results of the “STRABAG 2013ff” task force. The tax planning for the STRABAG SE tax group for the next five years documents the usability of the tax loss carryforwards.

(17) INVENTORIES

T€	31.12.2016	31.12.2015
Construction materials, auxiliary supplies and fuel	279,768	271,100
Finished buildings and goods	164,186	124,345
Unfinished buildings and goods	560,009	303,780
Development land	100,895	83,128
Payments made	77,947	19,348
Inventories	**1,182,805**	**801,701**

As a result of the acquisition of the STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH), the inventories increased by T€ 261,676.

In the financial year, impairment respectively appreciation in the amount of T€ -2,193 (2015: T€ 1,521) was recognised on inventories excluding construction materials, auxiliary supplies and fuel. T€ 60,711 (2015: T€ 60,491) of the inventories excluding construction materials, auxiliary supplies and fuel were reported with the net realisable value.

For qualifying assets, interest on borrowings was recognised in the amount of T€ 4,431 (2015: T€ 2,833).

(18) RECEIVABLES AND OTHER ASSETS

Receivables from concession arrangements

STRABAG has a 100 % interest in the Hungarian M5 Motorway Concession Company, AKA Alföld Koncesszios Autopalya Zrt., Budapest (AKA).

In the concession agreement with the Hungarian state, AKA committed to develop, plan, finance and to build and operate the M5 motorway. The motorway itself is the property of the state; all vehicles and equipment necessary for motorway operation are to be transferred to the state free of charge following the end of the concession period. In exchange, AKA will regularly receive an availability fee, independent of transit volume, from the Hungarian state for making the motorway available to the public. AKA bears the operator's risk of motorway closure and non-compliance of contractually agreed roadway criteria.

The route totals 156.5 km and was built in three phases. The concession period runs until 2031. A one-time extension for up to 17.5 years is possible.

All services provided under this concession arrangement are accounted for under the separate balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made by the state. The annual accumulation amount is recognised in other operating income.

A part of the availability fee consists of interest adjustment payments of the Hungarian state. As a result, the state bears the interest risk from the financing of AKA. These interest adjustment payments represent an embedded hedging transaction which is measured separately in accordance with IAS 39.11. Presentation is made as a cash flow hedge; as a result, changes in the fair value of the interest rate swap are recognised directly in equity.

The market value of the interest rate swap in the amount of T€ -48,973 (2015: T€ -53,392) is also recognised as long-term receivables from concession arrangements.

Recognisable receivables from concession arrangements are offset by non-recourse financing in the amount of T€ 439,377 (2015: T€ 489,530), classified either as a current or non-current liability depending on the term to maturity. The resulting interest expense is recognised in other operating income.

Receivables and other assets are comprised as follows:

T€	31.12.2016 total	31.12.2016 thereof current	31.12.2016 thereof non-current	31.12.2015 total	31.12.2015 thereof current	31.12.2015 thereof non-current
Receivables from concession arrangements	**714,666**	**31,180**	**683,486**	**739,077**	**28,829**	**710,248**
Receivables from construction contracts	*4,339,418*	*4,339,418*	*0*	*5,094,145*	*5,094,145*	*0*
Advances received	*-3,471,735*	*-3,471,735*	*0*	*-4,209,732*	*-4,209,732*	*0*
Net receivable from construction contracts	867,683	867,683	0	884,413	884,413	0
Other trade receivables and receivables from consortia	1,529,288	1,529,288	0	1,494,609	1,494,609	0
Advances paid to subcontractors	47,429	47,429	0	13,949	13,949	0
Trade receivables	**2,444,400**	**2,444,400**	**0**	**2,392,971**	**2,392,971**	**0**
Non-financial assets	**87,654**	**87,654**	**0**	**67,579**	**67,579**	**0**
Income tax receivables	**112,804**	**112,804**	**0**	**55,687**	**55,687**	**0**
Securities	26,497	0	26,497	29,100	0	29,100
Receivables from subsidiaries	133,719	125,781	7,938	127,432	116,599	10,833
Receivables from participation companies	269,883	118,230	151,653	260,703	134,476	126,227
Other financial assets	210,497	142,365	68,132	207,998	123,285	84,713
Other financial assets total	**640,596**	**386,376**	**254,220**	**625,233**	**374,360**	**250,873**

Change in representation

The other trade receivables include an insignificant level of receivables with a remaining term of more than twelve months but within the normal business cycle. Last year's other trade receivables in the amount of T€ 75,089 were reclassified from non-current to current.

Non-current securities in the amount of T€ 29,100, which last year had been reported as other financial assets, were reclassified as other non-current financial assets.

The income tax receivables are entirely presented as current. The previous year's value was adapted accordingly.

The **receivables from construction contracts** as at the balance sheet date are represented as follows:

T€	31.12.2016	31.12.2015
All contracts in progress at balance sheet date		
Costs incurred to balance sheet date	7,800,418	8,548,269
Profits arising to balance sheet date	440,519	460,508
Accumulated losses	-356,784	-388,629
Less receivables recognised under liabilities	-3,544,735	-3,526,003
Receivables from construction contracts	**4,339,418**	**5,094,145**

Receivables from construction contracts amounting to T€ 3,544,735 (2015: T€ 3,526,003) are recognised in liabilities, as advances received exceed the receivables.

As usual in the industry, the customer has the contractual right to retain part of the total amount of the invoice. As a rule these retentions are, however, redeemed by collateral (bank or group guarantees).

In the reporting period, impairment on other trade receivables developed as follows:

T€	2016	2015
Other trade receivables before impairment as at 31.12.	**1,680,667**	**1,648,280**
Impairment as at 1.1.	**153,671**	**137,365**
Currency translation	-322	735
Changes in scope of consolidation	-102	-4,405
Allocation/utilisation	-1,868	19,976
Impairment as at 31.12.	**151,379**	**153,671**
Carrying amount of other trade receivables as at 31.12.	**1,529,288**	**1,494,609**

(19) CASH AND CASH EQUIVALENTS

T€	31.12.2016	31.12.2015
Securities	3,085	3,231
Cash on hand	1,440	4,360
Bank deposits	1,998,736	2,724,739
Cash and cash equivalents	**2,003,261**	**2,732,330**

(20) ASSETS HELD FOR SALE

There were no assets held for sale as at 31 December 2016.

The assets held for sale as at 31 December 2015 were attributable exclusively to the hydraulic engineering activities. In December 2015, the group reached an agreement with Netherlands-based Royal Boskalis Westminster N.V., a leading service provider in the field of dredging and marine infrastructure, on the most important points of the sale of its hydraulic engineering business. As part of an asset deal for € 70 million, Hamburg-based STRABAG Wasserbau GmbH, the leader in the German dredging sector, transferred its equipment, staff and a series of maintenance contracts to the buyer. The hydraulic engineering activities formed part of the segment North + West. In the 2015 financial year write-offs in the amount of T€ 21,701 were made.

The transaction took place on 1 April 2016.

(21) EQUITY

The fully paid in share capital amounts to € 110,000,000 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. The acquisition extended between the period July 2011 and May 2013. The average purchase price per share was € 20.79.

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 Sec 192 Para 3 No. 2 and Sec 192 Para 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 Sec 4 Para 1. Implementation occurred with the decision on registration on 22 July 2016.

The Management Board was further authorised to acquire own shares pursuant to Sec 65 Para 1 No. 8 as well as Para 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 the 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 Sec 65 Para 1b AktG, to sell or assign own shares in a manner other than on the stock market or through a public tender.

Details as to the development of the equity of STRABAG SE are represented in the statement of changes in equity.

Long-term economic success, within the context of responsibility to our shareholders, customers, employees, suppliers, subcontractors and the company itself, is the primary entrepreneurial objective of the STRABAG Group. Working to pursue these goals, recognising opportunities and risks before and as they arise, and responsibly taking these into consideration safeguards the continuity of the group and protects the interests of the shareholders.

To guarantee the continuity of the company, the management and responsible employees assure that there is a balanced relationship between opportunities and risks during the selection of projects and assess the individual risks against the background of the overall company risk.

The group equity ratio target was defined at between 20 % and 25 % during the IPO of STRABAG SE in October 2007. The equity capital ratio is calculated from the carrying amount of the equity as at 31 December divided by the balance sheet total as at 31 December. The equity contains all parts of the equity according to the balance sheet: share capital, capital reserves, retained earnings and non-controlling interests.

The group equity ratio as at 31 December 2016 amounted to 31.5 % (2015: 31.0 %). With this equity base, the STRABAG Group will be able to participate increasingly in tenders for Public-Private Partnership (PPP) projects. This means that the necessary funds for a participation in equity capital are available and that the related change in the balance sheet total will be manageable.

If the group is awarded the tender for large-scale projects, or if a strategically suitable acquisition is made, the equity ratio could briefly fall below the set minimum. In this case, the company reserves the right to adjust the dividend payments to the shareholders or to issue new shares.

(22) PROVISIONS

T€	Balance as at 1.1.2016	Currency translation	Changes in scope of consolidation	Additions	Release	Utilisation	Balance as at 31.12.2016
Provisions for severance payments	96,131	490	2,119	11,277	0	0	110,017
Provisions for pensions	451,500	-1	0	5,983	0	0	457,482
Construction-related provisions	437,326	-2,585	125	47,938	173	45,041	437,590
Personnel-related provisions	57,797	0	20	8,844	0	1,074	65,587
Other provisions	50,625	109	1,369	14,351	0	25,403	41,051
Non-current provisions	**1,093,379**	**-1,987**	**3,633**	**88,393**	**173**	**71,518**	**1,111,727**
Construction-related provisions	335,405	75	-455	370,048	0	329,604	375,469
Personnel-related provisions[1]	150,185	528	1,158	148,927	0	150,473	150,325
Other provisions	288,461	490	619	277,607	37,849	244,760	284,568
Current provisions	**774,051**	**1,093**	**1,322**	**796,582**	**37,849**	**724,837**	**810,362**
Total	**1,867,430**	**-894**	**4,955**	**884,975**	**38,022**	**796,355**	**1,922,089**

1) In the other personnel-related provisions plan assets in the amount of T€ 1,037 (2015: T€ 817) are deducted.

The **actuarial assumptions as at 31 December 2016** (in brackets as at 31 December 2015) used to calculate provisions for severance payments and pensions are represented as follows:

	Severance payments	Pension obligation Austria	Pension obligation Germany	Pension obligation Switzerland
Biometric tables	AVÖ 2008-P	AVÖ 2008-P	Dr. Klaus Heubeck	BVG 2015G
Discounting rate (%)	1.60	1.60	1.60	0.50
	(2015: 2.30)	(2015: 2.30)	(2015: 2.30)	(2015: 0.80)
Salary increase (%)	2.00	0.00	dependent on contractual adaption	2.00
	(2015: 2.00)	(2015: 0.00)		(2015: 2.00)
Future pension increase (%)	dependent on contractual adaption	dependent on contractual adaption	1.40	0.25
			(2015: 1.70)	(2015: 0.25)
Retirement age for men	62	65	63–67	65
	(2015: 62)	(2015: 65)	(2015: 63–67)	(2015: 65)
Retirement age for women	62	60	63–67	64
	(2015: 62)	(2015: 60)	(2015: 63–67)	(2015: 64)

Sensitivity analysis

All other parameters remaining equal, a change in the discount rate by +/- 0.5 percentage points, a change in the salary increase by +/- 0.25 percentage points as well as a change in the pension increase by +/- 0.25 percentage points would have the following impact on the amount of the provisions for severance payments and pension obligations as at 31 December 2016:

T€	Change in discounting rate		Change in salary increase		Change in future pension increase	
Change[1]	-0.5 %-points	+0.5 %-points	-0.25 %-points	+0.25 %-points	-0.25 %-points	+0.25 %-points
Severance payments	-4,524	4,205	2,138	-2,206	n. a.	n. a.
Pension obligations	-41,354	36,966	11,444	-11,916	871	-838

Provisions for severance payments show the following development:

T€	2016	2015
Present value of the defined benefit obligation as at 1.1.	**96,131**	**97,660**
Changes in scope of consolidation	2,119	0
Current service costs	4,753	1,525
Interest costs	1,841	1,581
Severance payments	-3,439	-3,120
Actuarial gains/losses arising from experience adjustments	2,877	885
Actuarial gains/losses arising from changes in the discount rate	5,735	-2,400
Present value of the defined benefit obligation as at 31.12.	**110,017**	**96,131**

The **development of the provisions for pensions** is shown below:

T€	2016	2015
Present value of the defined benefit obligation as at 1.1.	**664,981**	**711,800**
Changes in scope of consolidation/currency translation	1,921	21,771
Current service costs	12,164	11,464
Interest costs	11,660	11,929
Pension payments	-50,155	-51,381
Actuarial gains/losses arising from experience adjustments	-5,053	-5,810
Actuarial gains/losses arising from changes in the discount rate	29,270	-34,792
Actuarial gains/losses arising from demographic adjustments	-1,580	0
Present value of the defined benefit obligation as at 31.12.	**663,208**	**664,981**

1) Sign: - increase of obligation, + decrease of obligation

The **plan assets for pension provisions** developed as follows in the year under report:

T€	2016	2015
Fair value of the plan assets as at 1.1.	**213,481**	**205,866**
Changes to the scope of consolidation/currency translation	1,754	20,673
Income from plan assets	1,935	2,343
Contributions	10,580	11,314
Pension payments	-23,672	-26,145
Acturial gains/losses	1,648	-570
Fair value of the plan assets as at 31.12.	**205,726**	**213,481**

The **plan assets** consist of the following risk groups :

T€	31.12.2016	31.12.2015
Shares[1)]	23,119	23,631
Bonds[1)]	79,021	86,227
Cash	25,938	29,146
Investment funds	5,095	5,104
Real estate	10,034	9,192
Liability insurance	55,363	56,376
Other assets	7,156	3,805
Total	**205,726**	**213,481**

The plan assets involve almost exclusively the assets of the pension foundation of STRABAG AG, Switzerland. Any investments in this regard are subject to the applicable laws and regulations governing the supervision of foundations. Capital investments are to be chosen by trained experts in such a way as to guarantee the investment goal of revenue-generating and risk-minimising asset management while taking into consideration security, risk distribution, returns and the liquidity to fulfil the pension purposes. The assets are to be invested to 80 % in nominal investments such as cash and receivables in a fixed monetary amount and to 20 % in real investments such as shares and real estate.

The expected employer contributions to pension foundations in the following year will amount to T€ 5,095 (2015: T€ 5,291).

Asset-liability matching strategy

Pension payments in Switzerland are provided by pension foundations with funds dedicated to this purpose, while payments in Austria and in Germany are covered by readily available cash and cash equivalents as well as securities.

The actual return on plan assets amounted to T€ 3,281 (2015: T€ 1,472) in the financial year.

The following amounts for pension and severance provisions were recognised in the **income statement**:

T€	2016	2015
Current service cost	16,917	12,989
Interest cost	13,501	13,510
Return on plan assets	1,935	2,343

The **development of the net defined benefit obligation** for pension and severance provisions was as follows:

T€	31.12.2016	31.12.2015
Severance provisions obligation	110,017	96,131
Present value of the defined benefit obligation (pension provisions)	663,208	664,981
Fair value of plan assets (pension provisions)	-205,726	-213,481
Pension provisions obligation	457,482	451,500
Obligation total	**567,499**	**547,631**

1) All shares and bonds are traded in an active market.

The **actuarial adjustments** to pension and severance provisions are represented as follows:

T€	31.12.2016	31.12.2015
Experience adjustments of severance provisions	8,612	-1,515
Experience adjustments of pension provisions	20,989	-40,032
Adjustments	**29,601**	**-41,547**

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2016 is as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	7,501	25,844	28,599	38,823	9,016
Provisions for pensions	38,716	163,447	160,593	232,891	215,773

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2015 is as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	6,756	23,016	25,090	38,025	9,655
Provisions for pensions	41,468	171,717	167,165	249,456	245,641

The **durations** (weighted average term) are shown in the following table:

Years	2016	2015
Severance payments Austria	9.39	9.45
Pension obligations Austria	8.94	8.90
Pension obligations Germany	11.27	10.20
Pension obligations Switzerland	15.10	15.00

Other provisions

The construction-related provisions include warranty obligations, costs of the contract execution and subsequent costs of invoiced contracts, as well as impending losses from projects pending which are not accounted for elsewhere. The personnel-related provisions essentially include bonus obligations and premiums, contributions to occupational funds as well as costs of the old age part-time scheme and expenses for personnel downsizing measures. Other provisions especially include provisions for damages and litigations.

(23) LIABILITIES

T€	31.12.2016 Total	31.12.2016 thereof current	31.12.2016 thereof non-current	31.12.2015 Total	31.12.2015 thereof current	31.12.2015 thereof non-current
Bonds	675,000	0	675,000	675,000	0	675,000
Bank borrowings	745,772	202,179	543,593	894,411	285,265	609,146
Liabilities from finance leases	5,304	370	4,934	10,336	729	9,607
Other liabilities	0	0	0	0	0	0
Financial liabilities	**1,426,076**	**202,549**	**1,223,527**	**1,579,747**	**285,994**	**1,293,753**
Receivables from construction contracts	*-3,544,735*	*-3,544,735*	*0*	*-3,526,003*	*-3,526,003*	*0*
Advances received	*4,171,524*	*4,171,524*	*0*	*4,170,088*	*4,170,088*	*0*
Net liabilities from construction contracts[1]	626,789	626,789	0	644,085	644,085	0
Other trade payables and payables to consortia	2,191,211	2,191,211	0	2,350,224	2,350,224	0
Trade payables	**2,818,000**	**2,818,000**	**0**	**2,994,309**	**2,994,309**	**0**
Non-financial liabilities	**367,977**	**367,977**	**0**	**384,653**	**383,753**	**900**
Income tax liabilities	**103,501**	**103,501**	**0**	**187,611**	**187,611**	**0**
Payables to subsidiaries	111,348	111,348	0	120,912	120,912	0
Payables to participation companies	31,742	31,742	0	18,620	18,620	0
Other financial liabilities	311,694	247,944	63,750	218,887	202,107	16,780
Other financial liabilities total	**454,784**	**391,034**	**63,750**	**358,419**	**341,639**	**16,780**

Change in representation

The other trade payables include an insignificant level of payables with a remaining term of more than twelve months which, however, lie within the normal operating cycle. Last year's other trade payables in the amount of T€ 78,370 were therefore reclassified from non-current to current.

In order to secure liabilities to banks amounting to T€ 116,594 (2015: T€ 127,443) real securities have been booked.

(24) CONTINGENT LIABILITIES

The company has issued the following guarantees:

T€	31.12.2016	31.12.2015
Guarantees without financial guarantees	174	155

1) The prepayment exceeding the receivables from construction contracts shown here is qualified as non-financial.

(25) OFF-BALANCE SHEET TRANSACTIONS

In the construction industry, it is customary and necessary to provide various types of guarantees to secure the contractual obligations. These guarantees are usually issued by banks or credit insurers and most commonly comprise bid, contract performance, prepayment and warranty guarantees. In the event these guarantees are called upon, the relevant banks have a contractual right of recourse against the group. The risk that such guarantees are utilised and that a right of recourse arises materialises only if the primary contractual obligations are not properly performed.

Obligations and possible risks from such guarantees are recognised in the balance sheet as provisions or liabilities.

Not included in the balance sheet or the contingent liability as at 31 December 2016 are performance bonds in the amount of € 2.1 billion (2015: € 2.1 billion) of which an outflow of resources is unlikely.

As is customary in the industry, STRABAG SE shares liability with the other partners of construction consortia in which companies of the STRABAG Group hold a share interest.

Other notes

(26) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The representation of the cash flow statement was made according to the indirect method and separated into the cash flows classified by operating, investing and financing activities. The cash and cash equivalents include exclusively cash on hand, bank deposits and short-term securities. Any effects of changes in consolidation were eliminated and represented in the cash flow from investing activities.

The **cash and cash equivalents** are composed as follows:

T€	31.12.2016	31.12.2015
Securities	3,085	3,231
Cash on hand	1,440	4,360
Bank deposits	1,998,736	2,724,739
Restricted cash abroad	-5,034	-5,559
Pledge of cash and cash equivalents	-653	-124
Cash and cash equivalents	**1,997,574**	**2,726,647**

Moreover, in construction projects executed through consortia there are cash and cash equivalents whose use can only be determined jointly with other partner companies.

The **cash flow from operating activities** in the reporting year contains the following items:

T€	2016	2015
Interest paid	49,466	67,384
Interest received	37,318	49,086
Taxes paid[1]	274,567	101,046
Dividends received	85,476	81,428

(27) FINANCIAL INSTRUMENTS

A financial instrument is a contract that results in a financial asset at one enterprise and a financial liability or equity instrument at another. Financial assets include especially cash and cash equivalents, trade receivables and other receivables and derivatives. Financial liabilities are obligations to pay cash or other financial assets on a regular basis. These include especially financial liabilities such as bank borrowings, bonds, liabilities arising from financial leases and trade payables. Initial recognition is carried out in principle using settlement date accounting.

The financial assets are derecognised when the claims to payment from the investment extinguish or have been transferred and the group has largely transferred all risks and opportunities which are related with the property.

1) Without the withholding tax refund from the German financial authorities in the amount of T€ 13,984 to the Austrian-based Ilbau Liegenschaftsverwaltung GmbH for dividends of Eberhardt Baugesellschaft mbH.

The **financial instruments** as at the balance sheet date were as follows:

T€	Measurement category according to IAS 39	31.12.2016 Carrying value	31.12.2016 Fair value	31.12.2015 Carrying value	31.12.2015 Fair value
Assets					
Trade receivables	L&R	2,444,400		2,392,971	
Receivables from concession arrangements	L&R	763,639		792,469	
Other financial assets	L&R	613,434		594,930	
Cash and cash equivalents	L&R	2,000,176		2,729,099	
Valuation at historical costs		**5,821,649**		**6,509,469**	
Securities	AfS	26,497	26,497	29,100	29,100
Cash and cash equivalents (securities)	AfS	3,085	3,085	3,231	3,231
Derivatives held for hedging purposes (receivables from concession arrangements)		-48,973	-48,973	-53,391	-53,391
Derivatives held for hedging purposes (other financial assets)		665	665	1,202	1,202
Valuation at fair value		**-18,726**	**-18,726**	**-19,858**	**-19,858**
Liabilities					
Financial liabilities	FLaC	-1,426,076	-1,471,785	-1,579,747	-1,619,725
Trade payables	FLaC	-2,191,211		-2,350,224	
Other financial liabilities	FLaC	-451,738		-355,993	
Valuation at historical costs		**-4,069,025**	**-1,471,785**	**-4,285,964**	**-1,619,725**
Derivatives held for hedging purposes		-3,046	-3,046	-2,426	-2,426
Valuation at fair value		**-3,046**	**-3,046**	**-2,426**	**-2,426**
Total		**1,730,852**	**-1,493,557**	**2,201,221**	**-1,642,009**
Measurement categories					
Loans and receivables (L&R)		5,821,649		6,509,469	
Available for sale (AfS)		29,582	29,582	32,331	32,331
Financial liabilities measured at amortised costs (FLaC)		-4,069,025	-1,471,785	-4,285,964	-1,619,725
Derivatives held for hedging purposes		-51,354	-51,354	-54,615	-54,615
Total		**1,730,852**	**-1,493,557**	**2,201,221**	**-1,642,009**

No special disclosure of the fair value of financial instruments is represented if the carrying amount is a reasonable approximation of fair value.

Cash and cash equivalents, trade receivables and other receivables have for the most part short remaining terms. Accordingly, their carrying values on the balance sheet date approximate their fair value. The fair value of non-current financial assets corresponds to the present value of the related payments under consideration of the prevailing market parameters as far as market values were not available.

Trade payables and other financial liabilities typically have short terms; their carrying amounts approximate the fair value. The fair value of bonds, bank borrowing and liabilities arising from financial leases are measured at the present value of the payments associated with them and under consideration of the relevant applicable market parameters as far as market values were not available. The fair value of the financial liabilities would qualify as a Level 1 measurement at T€ 719,498 (2015: T€ 712,661) and as a Level 2 measurement at T€ 752,287 (2015: T€ 907,064).

T€ 653 (2015: T€ 124) of cash and cash equivalents, T€ 2,787 (2015: T€ 2,694) of securities and T€ 1,696 (2015: T€ 1,620) of other financial instruments were pledged as collateral for liabilities. The non-recourse liabilities related to receivables from concession arrangements are hedged using the income from receivables from concession arrangements.

The financial instruments recognised at fair value, classified by method of measurement (Level 1 to Level 3), are as follows.

Level 1: In measurement at market prices, the assets and liabilities are measured at the quoted prices in an active market for identical assets and liabilities.

Level 2: The measurement based on observable market inputs takes into account not only market prices but also directly or indirectly observable data.

Level 3: Other methods of measurement also consider data that are not observable on the markets.

The **fair values** as at 31 December 2016 for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	26,497		26,497
Cash and cash equivalents (securities)	3,085		3,085
Derivatives held for hedging purposes		-48,308	-48,308
Total	**29,582**	**-48,308**	**-18,726**
Liabilities			
Derivatives held for hedging purposes		-3,046	-3,046
Total		**-3,046**	**-3,046**

The **fair values** as at 31 December 2015 for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	29,100		29,100
Cash and cash equivalents (securities)	3,231		3,231
Derivatives held for hedging purposes		-52,189	-52,189
Total	**32,331**	**-52,189**	**-19,858**
Liabilities			
Derivatives held for hedging purposes		-2,426	-2,426
Total	**0**	**-2,426**	**-2,426**

During the financial years 2016 and 2015, there were no transfers between the levels.

Financial instruments in Level 1

The fair value is determined on the basis of quoted prices in an active market. An active market exists if the prices are regularly established and readily available to the market participant. The quoted market price for the financial instruments presented in Level 1 corresponds to the bid price on 31 December 2016.

Financial instruments in Level 2

These financial instruments are not traded in an active market. They involve exclusively derivatives concluded for hedging purposes in the group. The fair value is determined using methods of measurement on the basis of observable market data. Specifically, measurement is made using interest yield and currency curves in proportion to the term of the derivative.

At the end of the reporting period, the STRABAG Group had no financial instruments classified in Level 3.

As at **31 December 2016**, the following derivatives existed which are not offsettable but which can be set off in case of insolvency.

T€	31.12.2016			31.12.2015		
Bank	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Bayerische Landesbank	254	-49	**205**	0	-239	**-239**
Commerzbank AG	0	-1,704	**-1,704**	97	-127	**-30**
Crédit Agricole Corp. & Investment	370	-215	**155**	563	-163	**400**
Erste Group Bank AG	26	0	**26**	0	0	**0**
ING Bank N.V.	0	0	**0**	162	0	**162**
Landesbank Baden-Württemberg	0	0	**0**	381	-49	**332**
Republic of Hungary	-48,973	0	**-48,973**	-53,392	0	**-53,392**
SEB AG	15	-1,078	**-1,063**	0	-1,574	**-1,574**
UniCredit Bank Austria AG	0	0	**0**	0	-274	**-274**
Total	**-48,308**	**-3,046**	**-51,354**	**-52,189**	**-2,426**	**-54,615**

The **net income effects of the financial instruments** according to valuation categories are as follows:

T€	2016				2015			
	L&R	**AfS**	**FLaC**	**Derivatives**	**L&R**	**AfS**	**FLaC**	**Derivatives**
Interest	38,101	0	-46,148	0	47,424	0	-69,702	0
Interest from receivables from concession arrangements	62,218	0	-19,995	-6,815	64,194	0	-21,776	-7,358
Result from securities	0	644	0	0	0	708	0	0
Impairment losses	-26,031	259	0	80	-56,161	-363	0	8,054
Disposal losses/profits	0	648	0	0	0	873	0	0
Gains from derecognition of liabilities and payments of written off receivables	1,305	0	6,722	0	514	0	4,082	0
Net income recognised in profit or loss	**75,593**	**1,551**	**-59,421**	**-6,735**	**55,971**	**1,218**	**-87,396**	**696**
Value changes recognised directly in equity	0	-558	0	9,996	0	-311	0	21,094
Net income	**75,593**	**993**	**-59,421**	**3,261**	**55,971**	**907**	**-87,396**	**21,790**

Dividends and income from investments shown in net income from investments are part of operating income and therefore not part of net income of financial instruments. Impairment losses, reversal of impairment losses, disposal gains and disposal losses of loans & receivables (L&R) and of financial liabilities measured at amortised cost (FLaC) are carried in other income or other expenses.

Impairment losses, reversal of impairment losses, disposal gains and disposal losses of the financial instruments are carried in net income from investments if they are investments in subsidiaries or participation companies, otherwise in net interest income.

Derivative instruments are used exclusively to hedge existing risks resulting from changes in currency and interest rates. The use of derivative financial instruments in the group is subject to the appropriate approval and control procedures. The connection to a mainstay business is a must, trading is not permissible.

Principles of risk management

The STRABAG Group is subject to credit, market 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. Certain transactions require prior approval by the Management Board, which is regularly informed as to the scope and amount of the current risk exposure.

Interest rate risk

The financial instruments bear variable interest rates on the assets side, on the liabilities side there are both variable and fixed interest obligations. The risk of financial instruments bearing variable interest rates consists of increasing interest charges and sinking interest revenue resulting from an unfavourable change in market interest rates. Fixed interest obligations mainly result from the bonds issued by STRABAG SE amounting to a total of T€ 675,000.

As at 31 December 2016, following **hedging transactions** existed:

T€	31.12.2016		31.12.2015	
	Nominal value	Market value	Nominal value	Market value
Interest rate swaps	559,987	-51,755	738,252	-55,019

The amount of bank deposits and bank borrowings according to currency – giving the average interest rate at balance sheet date – is represented as follows:

Bank deposits

Currency	Carrying value 31.12.2016 T€	Weighted average interest rate 2016 %
EUR	1,378,369	0.07
PLN	201,052	1.23
CZK	160,264	0,20
HUF	23,506	0.45
Others	235,545	0.27
Total	**1,998,736**	**0.23**

Bank borrowings

Currency	Carrying value 31.12.2016 T€	Weighted average interest rate 2016 %
EUR	742,131	1.60
Others	3,641	9.85
Total	**745,772**	**1.64**

Had the interest rate level at 31 December 2016 been higher by 100 basispoints, then the EBT would have been higher by T€ 15,285 (2015: T€ 19,952) and the equity at 31 December 2016 would have been higher by T€ 40,016 (2015: T€ 51,046). Had the interest rate level been lower by 100 basispoints, this would have meant a correspondingly lower equity and EBT. The calculation is made based on the level of interest-bearing financial assets and liabilities as at 31 December. Tax effects from interest rate changes were not considered.

Currency risk

Due to the decentralised structure of the group, characterised by local companies in the respective countries, mainly closed currency positions appear in the balance sheet. Loan financing and investments were predominantly made by the group companies in the respective country's local currency. Receivables and liabilities from business activities mainly offset each other in the same currency.

The remaining currency risk mainly results when the currency of the order deviates from the functional currency of the subsidiary affected.

The internal financing of companies within the group using different functional currencies resulted in an earnings-relevant currency risk.

This applies in particular to orders which are concluded in euro. The planned proceeds are received in the currency of the order while a substantial part of the associated costs is made in the local currency.

In order to limit the remaining currency risk and secure the calculation, derivative financial instruments are transacted. As at **31 December 2016**, the following hedging transactions existed for the **underlying transactions**[1] mentioned below:

T€ Currency	Expected cash flows 2017	Expected cash flows 2018	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	84,025	0	84,025	254	-67
PLN	39,502	0	39,502	351	-148
AED	9,100	0	9,100	26	0
Others	16,678	0	16,678	34	-49
Total	**149,305**	**0**	**149,305**	**665**	**-264**

As at **31 December 2015**, the following hedging transactions existed for the **underlying transactions**[1] mentioned below:

T€ Currency	Expected cash flows 2016	Expected cash flows 2017	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	107,370	0	107,370	362	-513
PLN	58,110	0	58,110	664	0
CZK	55,666	0	55,666	0	-165
AED	13,780	0	13,780	48	0
Others	12,300	0	12,300	56	-48
Total	**247,226**	**0**	**247,226**	**1,130**	**-726**

Of the derivative financial instruments classified as cash flow hedges as at 31 December 2015, T€ 0 were recycled from equity and recognised in the consolidated income statement in the 2016 financial year (2015: T€ 178). This did not result in any deferred tax effect in the 2016 financial year (2015: tax expense of T€ -34).

Development of the important **currencies in the group**:

Currency	Exchange rate 31.12.2016: € 1 =	Average rate 2016: € 1 =	Exchange rate 31.12.2015: € 1 =	Average rate 2015: € 1 =
HUF	309.8300	311.9092	315.9800	309.5867
CZK	27.0210	27.0423	27.0230	27.2695
PLN	4.4103	4.3744	4.2639	4.1841
CHF	1.0739	1.0909	1.0835	1.0646

Essentially, the Polish zloty, the Czech crown, the Hungarian forint and the Swiss franc are affected by revaluation (devaluation). The following table shows the hypothetical changes in EBT and equity if the euro in the year 2016 had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	Δ in EBT	Δ in equity	Δ in EBT	Δ in equity
PLN	19,604	19,604	-19,604	-19,604
HUF	7,098	7,098	-7,098	-7,098
CHF	-6,409	-6,409	6,409	6,409
CZK	15,560	15,560	-15,560	-15,560
Other	1,726	1,726	-1,726	-1,726

1) Not entirely represented as hedge accounting

The following table shows the hypothetical changes in EBT and equity if the euro in the year 2015 had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	**Δ in EBT**	**Δ in equity**	**Δ in EBT**	**Δ in equity**
PLN	9,398	9,398	-9,398	-9,398
HUF	-2,234	-2,234	2,234	2,234
CHF	-8,772	-8,772	8,772	8,772
CZK	14,224	14,224	-14,224	-14,224
Other	-1,786	-1,786	1,786	1,786

The calculation is based on original and derivative foreign currency holdings in non-functional currency as at 31 December as well as underlying transactions for the next twelve months. The effect on tax resulting from changes in currency exchange rates was not taken into consideration.

Credit risk

The maximum risk of default of the financial assets, without cash and cash equivalents, on the balance sheet date is T€ 3,848,185 (2015: T€ 3,982,275) and corresponds to the carrying amounts presented in the balance sheet. Thereof T€ 2,444,400 (2015: T€ 2,392,972) involve trade receivables. Receivables from construction contracts and receivables from consortia involve ongoing construction projects and are therefore not yet payable for the most part. Of the remaining trade receivables only insignificant amounts are overdue and not impaired.

The risk for receivables from clients can be rated as low due to the wide dispersion, a constant creditworthiness check and the presence of the public sector as an important client.

The risk of default for other primary financial instruments shown on the assets side can also be regarded as low, as the contract partners are mainly financial institutions with the highest level of creditworthiness and/or the risk of default has been significantly reduced as a result of assumed liabilities of third parties.

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 54,853 (2015: T€ 34,125).

Financial assets are impaired item by item if the carrying amount of the financial assets is higher than the present value of the future cash flows. This can be triggered by financial difficulties, insolvency of the client, breach of contract or significant default of payment. The impairment is composed of many individual items of which none, seen alone, is significant. In addition to the estimation of the creditworthiness risk, the relevant country risk is also taken into consideration. Graduated valuation adjustments are formed according to risk groups to take into consideration general credit risks.

Liquidity risk

Liquidity for the STRABAG SE Group means not only solvency in the strict sense but also the availability of the necessary financial margin for mainstay business through sufficient aval lines.

To guarantee financial flexibility, liquidity reserves are kept in the form of cash and credit lines for cash and aval loans. The STRABAG SE Group keeps bilateral credit lines with banks and a syndicated cash and aval credit line in the amount of € 0.4 billion respectively € 2.0 billion. The overall line for cash and aval loan amounts to € 7.5 billion. The syndicated surety credit line contains covenants which were fulfilled at the balance sheet date.

The medium- and long-term liquidity needs have so far also been covered by the issue of corporate bonds. In the years 2011, 2012 and 2013, STRABAG issued bonds of € 175 million, € 100 million and € 200 million, respectively, with a term to maturity of seven years each. The most recent was a € 200 million bond floated in 2015. As per 31 December 2016, STRABAG SE had four bonds with a total volume of € 675 million on the market. Depending on the market situation and the appropriate need, further bond issuances are planned.

The following **payment obligations** arise from the financial liabilities (interest payments based on interest rates as at 31 December and redemption) for the subsequent years:

Payment obligations as at 31 December 2016

T€	Carrying value 31.12.2016	Cash flows 2017	Cash flows 2018–2021	Cash flows after 2021
Bonds	675,000	21,813	522,813	203,241
Bank borrowings	745,772	217,718	401,929	190,336
Liabilities from finance leases	5,304	628	2,514	3,614
Financial liabilities	**1,426,076**	**240,159**	**927,256**	**397,191**

Payment obligations as at 31 December 2015

T€	Carrying value 31.12.2015	Cash flows 2016	Cash flows 2017–2020	Cash flows after 2020
Bonds	675,000	21,813	541,375	206,500
Bank borrowings	894,411	304,336	304,571	369,493
Liabilities from finance leases	10,336	1,190	4,760	6,814
Financial liabilities	**1,579,747**	**327,339**	**850,706**	**582,807**

The trade payables and the other liabilities (see item 23) essentially lead to cash outflows in line with the maturity at the amount of the carrying values.

(28) SEGMENT REPORTING

The rules of IFRS 8 Operating Segments, apply to the segment reporting. IFRS 8 prescribes defining the segments and reporting the earnings on the basis of the internal reporting (Management Approach). Segment assets are not disclosed as these do not form part of the regular internal reporting.

The internal reporting in the STRABAG Group is based on Management Board areas, which also represent the segments. The settlement between the single segments is made at arm’s length prices.

The segment North + West bundles the construction activities in Germany, Poland, Benelux and Scandinavia as well the ground engineering activities.

The segment South + East comprises the construction activities in Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe and Russia and Neighbouring Countries and environmental engineering business.

The segment International + Special Divisions includes the international construction activities, tunnelling, services, real estate development and infrastructure development as well as the construction materials business.

In addition, there are the Central Divisions and Central Staff Divisions, which handle services in the areas of accounting, group financing, technical development, machine management, quality management, logistics, legal affairs, contract management etc. These services are included in the segment Other.

Segment reporting for the financial year 2016

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,174,914**	**4,000,979**	**3,154,887**	**160,252**		**13,491,032**
Revenue	**5,802,444**	**3,888,519**	**2,681,019**	**28,483**	**0**	**12,400,465**
Inter-segment revenue	107,089	24,761	225,704	758,229		
EBIT	**169,893**	**187,998**	**48,865**	**469**	**17,685**	**424,910**
thereof share of profit or loss of equity-accounted investments	61,177	25,279	-8,380	291	27,811	106,178
Interest and similar income	0	0	0	73,899	0	73,899
Interest expense and similar charges	0	0	0	-77,680	0	-77,680
EBT	**169,893**	**187,998**	**48,865**	**-3,312**	**17,685**	**421,129**
Investments in property, plant and equipment, and in intangible assets	0	0	0	412.455	0	412.455
Write-ups, depreciation and amortisation	10,000	0	4,884	415,388	0	430,272
thereof extraordinary write-ups, depreciation and amortisation	10,000	0	4,884	30,622	0	45,506

Segment reporting for the financial year 2015

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,368,404**	**4,535,132**	**3,250,105**	**136,123**		**14,289,764**
Revenue	**5,895,104**	**4,412,355**	**2,790,881**	**25,136**	**0**	**13,123,476**
Inter-segment revenue	94,056	19,826	263,065	764,992		
EBIT	**105,174**	**197,048**	**46,788**	**226**	**-8,193**	**341,043**
thereof share of profit or loss of equity-accounted investments	59,992	28,483	-26,878	292	0	61,889
Interest and similar income	0	0	0	82,071	0	82,071
Interest expense and similar charges	0	0	0	-106,490	0	-106,490
EBT	**105,174**	**197,048**	**46,788**	**-24,193**	**-8,193**	**316,624**
Investments in property, plant and equipment, and in intangible assets	0	0	0	395,751	0	395,751
Write-ups, depreciation and amortisation	21,701	20,280	4,470	428,606	0	475,057
thereof extraordinary write-ups, depreciation and amortisation	21,701	20,280	4,470	35,043	0	81,494

Reconciliation of the sum of the segment earnings to EBT according to IFRS financial statements

Income and expense in the internal reporting are essentially shown in accordance with IFRS. An exception is income taxes, including those applicable to deferred tax, which are not considered in the internal reporting.

The basis for the internal reporting is formed by all subsidiaries. In the IFRS financial statements, earnings from companies which were not fully consolidated or reported using the equity method are recognised in conformity with dividends, transfer of earnings and/or depreciation and amortisation. For this reason, the internal reporting does not conform with EBIT in regards to EBT in the consolidated financial statements in terms of the investment result.

Other minor differences result from entries in other consolidations.

Reconciliation of the internal reporting to IFRS financial statements is allocated as follows:

T€	2016	2015
Net income from investments	-9,720	-15,680
Non-operating profit	27,811	0
Other consolidations	-406	7,487
Total	**17,685**	**-8,193**

Breakdown of revenue by geographic region

T€	2016	2015
Germany	6,167,180	6,146,357
Austria	2,058,263	1,995,565
Rest of Europe	3,716,505	4,487,631
Rest of World	458,517	493,923
Revenue	**12,400,465**	**13,123,476**

Presentation of revenue by region is done according to the company's registered place of business.

(29) NOTES ON RELATED PARTIES

The core shareholders of STRABAG SE are the Haselsteiner Group, as well as the Raiffeisen-Holding NÖ-Wien Group, the UNIQA Group and Rasperia Trading Limited, owned by Russian businessman Oleg Deripaska. A syndicate agreement remains in effect between the core shareholders.

Arm's-length finance and insurance transactions exist with the Raiffeisen Holding NÖ-Wien Group and the UNIQA Group. The payables on 31 December 2016 to Raiffeisen Group relating to financing and current accounts amounted to T€ 53,248 (2015: T€ 30,623). The interest expense in the 2016 financial year amounted to T€ 1,351 (2015: T€ 1,523).

Haselsteiner Group

The Haselsteiner Group holds investments in various areas such as banks, real estate and infrastructure. The portfolio also includes investments in healthcare and the cultural area.

The business relations between STRABAG SE and the companies of the Haselsteiner Group during the financial year are presented below.

T€	2016	2015
Work and services performed	11,527	11,808
Work and services received	13,059	2,363
Receivables as at 31.12.	6,713	13,064
Liabilities as at 31.12.	392	26

The Haselsteiner Group acquired 5.1 % of the shares of Ed. Züblin AG, Stuttgart, in April 2016 and sold these to the STRABAG SE Group in August 2016. The purchase price corresponded to the fixed strike price including interest that was agreed with the minority stakeholders and totalled T€ 25,500.

The Haselsteiner Group also acquired 5.1 % of STRABAG Real Estate GmbH, Cologne, for T€ 9,792, and a 5.1 % share each in five real estate companies of the Züblin subgroup and 5.1 % of Züblin Projektentwicklung GmbH. The purchase prices for these companies totalled T€ 2,480 and were determined on the basis of the market values of the properties of these companies.

All purchase prices were paid in full during the 2016 financial year.

Basic Element

The Basic Element Group, a group with numerous industrial holdings, among other things in the area of construction, construction materials and infrastructure, is owned by Russian businessman Oleg Deripaska. A cooperating agreement lays out the principles for joint operating cooperation in Russia and the CIS states between the STRABAG Group and the Basic Element Group.

STRABAG performed construction work connected to the Olympic Games in Sochi for the company Basic Element Group. A part of these receivables is to be paid during the years 2014 to 2018. The open receivables amounted to T€ 11,032 on 31 December 2016 (2015: T 23,084). The receivables carry interest and are secured by collateral under usual market conditions.

To consolidate and expand the business in Russia, STRABAG made in 2010 an advance payment secured by a bank guarantee, of € 70 million for a 26 % stake in the leading Russian road construction company Transstroy, part of the diversified industrial holding Basic Element. STRABAG had the right to refrain from the purchase and to demand reimbursement of the deposit of € 70 million if the parties fail to agree on a final purchase price following a due diligence process. In 2014, STRABAG exercised its right to reversal, whereupon a portion of the advance was paid back. The remainder is to be repaid until 2018. As at 31 December 2016, the open receivables amounted to T€ 32,128 (2015: T€ 38,166). The receivables carry interest and are secured by collateral under usual market conditions.

IDAG

IDAG Immobilienbeteiligung u. -Development GmbH is entirely held by private foundations whose beneficiaries are the Haselsteiner Group and the Raiffeisen-Holding NÖ-Wien Group. It is the business purpose of IDAG Immobilienbeteiligung u. -Development GmbH to develop property and to participate in property projects.

STRABAG's headquarters in Vienna and office buildings in Graz are held in the real estate portfolio of subsidiaries of IDAG Immobilienbeteiligung u. -Development GmbH. The buildings are let to and in part sublet by the STRABAG Group at the usual market conditions. Rental costs arising from both buildings in the 2016 financial year amounted to T€ 8,053 (2015: T€ 7,982). Other services in the amount of T€ 14 (2015: T€ 102) were obtained from the IDAG Group.

Furthermore, revenues of T€ 635 (2015: T€ 13,272) were made with IDAG Immobilienbeteiligung u. -Development GmbH in the 2016 financial year. At the balance sheet date of 31 December 2016, the STRABAG Group had receivables from rental deposits amounting to T€ 25,869 (2015: T€ 24,699) from IDAG Immobilienbeteiligung u. -Development GmbH.

Investments in equity-accounted investments

In September 2003, **Raiffeisen evolution project development GmbH**, a joint project development company, was founded together with R.B.T. Beteiligungsgesellschaft m.b.H, "URUBU" Holding GmbH (both Raiffeisen Group) and UNIQA Beteiligungs-Holding GmbH. With the acquisition of the remaining 80 % interest in December 2016, the company is fully consolidated as of 31 December 2016.

STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) bundles project developments in building construction activities of the shareholders (excluding Germany and Benelux). STRABAG Group is employed in the construction work on the basis of arm's-length contracts. In 2016 revenues of T€ 22,385 (2015: T€ 9,146) were made. In the previous year there were receivables against the STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) in the amount of T€ 1,408.

STRABAG holds a 49.9 % investment in **Erste Nordsee-Offshore-Holding GmbH** and in **Zweite Nordsee-Offshore-Holding GmbH**. 1.1 % of these companies is held by RBI PE Handels- und Beteiligungs GmbH (a related company via Raiffeisen Holding NÖ-Wien Group) and 49.9 % are held by third parties.

In 2014, STRABAG sold the 1.1% investment in the holding companies to RBI PE Handels- und Beteiligungs GmbH at the usual market rate.

A loan granted to Zweite Nordsee-Offshore-Holding amounted to T€ 0 (2015: T€ 5,035) on 31 December 2016 with accrued interest of T€ 61 (2015: T€ 218). Additionally, receivables in the amount of T€ 0 (2015: T€ 65) were recognised as at 31 December 2016. Services in the amount of T€ 40 (2015: T€ 31) were performed and no services were received. In the financial year 2016 impairments in the amount of T€ 5,465 were made.

Erste Nordsee-Offshore-Holding, effective 31 December 2016, sold all of the special purpose companies held by it and which had been awarded the permits to build wind turbines in the North Sea. The assignment contracts foresee subsequent purchase price adjustments in the event that certain conditions occur. The adjustments have not been recognised yet.

All projects held by Zweite Nordsee-Offshore-Holding had to be fully impaired in response to a legislative change in Germany.

Lafarge Cement CE Holding GmbH bundles the cement activities of LafargeHolcim, a market leader in construction materials manufacturing, and STRABAG in the countries of Central Europe. The joint activities aim at maintaining a commensurate cement supply in the group's core countries. In 2016, STRABAG procured cement services worth T€ 17,880 (2015: T€ 18,514) from LafargeHolcim. At the balance sheet date, there were liabilities to Lafarge Cement CE Holding GmbH Group in the amount of T€ 427 (2015: T€ 53).

The **business transactions with the other equity-accounted investments** can be presented as follows:

T€	2016	2015
Work and services performed	60,589	62,874
Work and services received	39,623	33,505
Receivables as at 31.12.	12,581	11,800
Liabilities as at 31.12.	10,726	6,784

Moreover, there were financing receivables due from equity-accounted investments in the amount of T€ 133,703 (2015: T€ 0).

For information about construction consortia we refer to item 14 (notes on construction consortia).

The business transactions with the Management Board members and employees of the first management level (management in key positions) and with their family members and companies which are controlled by the management in key positions or decisively influenced by them comprised services provided in the amount of T€ 153 (2015: T€ 95) as well as services received in the amount of T€ 38 (2015: T€ 68). At the reporting dates, no receivables or payables existed from these business transactions.

The total remuneration including any severance and pension payments, as well as other long-term payments for employees of the first management level amounted to T€ 16,977 (2015: T€ 12,427) in the year under report. Of this amount, T€ 16,852 (2015: T€ 12,146) is attributable to the current remuneration and T€ 125 (2015: T€ 281) to severance and pension payments.

(30) NOTES ON THE MANAGEMENT AND SUPERVISORY BOARDS

Management Board

Dr. Thomas Birtel (CEO)
Mag. Christian Harder
Dipl.-Ing. Dr. Peter Krammer
Mag. Hannes Truntschnig
Dipl.-Ing. Siegfried Wanker

Supervisory Board

Dr. Alfred Gusenbauer (Chairman)
Mag. Erwin Hameseder (Vice Chairman)
Mag. Hannes Bogner
Thomas Bull (since 6.2.2017)
Mag. Kerstin Gelbmann
William R. Spiegelberger
Dr. Gulzhan Moldazhanova (since 13.1.2016 until 6.2.2017)
Andrei Elinson (until 13.1.2016)

Dipl.-Ing. Andreas Batke (works council)
Miroslav Cerveny (works council)
Magdolna P. Gyulainé (works council)
Georg Hinterschuster (works council)
Wolfgang Kreis (works council)

The total salaries of the Management Board members in the financial year amount to T€ 6,761 (2015: T€ 5,829). The severance expenses for Management Board members amount to T€ 88 (2015: T€ 79).

The remunerations for the Supervisory Board members in the amount of T€ 135 (2015: T€ 135) are included in the expenses. Neither the Management Board members nor the Supervisory Board members of STRABAG SE received advances or loans.

(31) EXPENSES FOR THE AUDITOR

The expenses for the auditor, KPMG Austria GmbH, incurred in the financial year amount to T€ 1,235 (2015: T€ 1,254) of which T€ 1,149 (2015: T€ 1,137) were for the audit of the consolidated financial statements (including the audit of separate financial statements of group companies) and T€ 86 (2015: T€ 116) for other services.

(32) EVENTS AFTER THE BALANCE SHEET DATE

The Annual General Meeting of Cologne-based STRABAG AG on 24 March 2017 approved the merger of the company as transferring company into Ilbau Liegenschaftsverwaltung AG, which holds a direct 93.63 % interest, in exchange for a reasonable cash settlement payable to the minority shareholders (so-called upstream merger squeeze-out).

The cash settlement was determined at € 300 per share. 256,760 shares are still held by minority shareholders. The settlement amount can be legally challenged by the minority shareholders in court in a so-called “Spruchverfahren”, which could lead to an increase of the settlement amount.

With registration of the merger in the commercial register, the group will hold 100 % of STRABAG AG, Cologne.

(33) DATE OF AUTHORISATION FOR ISSUE

In Austrian companies organised as corporations limited by shares, the consolidated financial statements prepared by the Management Board are approved by the Supervisory Board. The STRABAG SE Supervisory Board meeting for the approval of the consolidated financial statements for the year ended 31 December 2016 will take place on 24 April 2017.

Villach, 7 April 2017

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements[1] give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Villach, 7 April 2017

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)

1) The seperate financial statements are included in the annual financial report.

Auditor’s report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

STRABAG SE,
Villach, Austria

which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement/statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

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 audited entity 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 consolidated 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 consolidated 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.

MEASUREMENT OF AND REVENUE AND EARNINGS FROM CONSTRUCTION CONTRACTS

Refer to notes section 14 and 18

Risk for the Financial Statements

Revenue recognised in the consolidated financial statements of STRABAG SE as at 31 December 2016 mainly consists of revenue from construction contracts, which is accounted for by reference to their stage of completion (percentage of completion method). Furthermore, the item share of profit or loss of equity-accounted investments includes significant amounts of profit or loss from projects managed in cooperation with partners in construction consortia, which are also measured based on the percentage of completion method.

The stage of completion for construction contracts, whether executed alone or in cooperation with partners, is updated on an ongoing basis by means of periodic reporting. Besides the services already performed and the order backlog, in particular taking contract deviations and supplementary claims into account, periodic reporting also includes the costs incurred to date as well as remaining costs to be incurred. The data used in the measurement of construction contracts includes estimates regarding the progress and expected outcome of the projects. Profit or loss is recognised by reference to the stage of completion of a project (percentage of completion method).

Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred. Additionally, there is also a risk that receivables from construction contracts and construction consortia are not recoverable.

Our response

Our audit procedures included the assessment of controls in connection with the recognition and measurement of construction contracts as well as detailed tests of individual cases for significant large projects and random samples of other projects.

In the course of testing internal controls in respect of the accounting for projects, we critically analysed the relevant controls and performed an assessment of their operating effectiveness. These controls include, on the one hand, automated IT-supported controls for the purpose of determining the relevant amounts respective in the financial statements as well as system test routines for identifying abnormalities, and on the other hand manual controls in connection with order acceptance, ongoing project management as well as project monitoring and finalisation of projects.

The tests of individual cases primarily included the following audit procedures:

- Systematic and detailed inquiries regarding selected significant construction contracts, in order to verify the correct accounting method, particularly in respect of project risks
- Sample-based examination of contracts in respect of their components significant to the assessment
- Discussions with the Management Board and the operating management regarding individually significant projects in order to assess the planning assumptions
- A critical analysis of the internal project reporting, in order to evaluate whether all known information was taken into account in the preparation of the financial statements
- Sample-based examination of the recoverability of accounts receivable from construction contracts and construction consortia
- Retrospective assessment of individually significant projects in connection with estimation uncertainties

Furthermore, we analysed whether the required disclosures in the notes to the consolidated financial statements include all necessary explanations in regards to revenue recognised from construction contracts and construction consortia and whether they appropriately describe the significant estimation uncertainties.

IMPAIRMENT TESTING OF GOODWILL

Refer to notes section 12

Risk for the Financial Statements

Goodwill represents approximately 4 % of total assets in the consolidated financial statements of STRABAG SE as at 31 December 2016.

An impairment test for goodwill is performed on a yearly basis and whenever impairment indicators have been identified. The determination of the recoverable amount, which serves as a benchmark value in the impairment test, is performed on the basis of future discounted net cash flows. The calculation of the recoverable amount depends significantly on future revenue and margin expectations as well as the discount rates applied and is thus afflicted with significant estimation uncertainties.

Our response

We compared the revenues and margins used as the basis for the calculation of the recoverable amount with the planning for the group of which the Supervisory Board has taken notice. In order to assess the appropriateness of the planning, we obtained an understanding of the planning process and compared the assumptions used with current industry-specific market expectations. Additionally, we also held discussions regarding the assumptions used with the Management Board as well as representatives of the respective business divisions. Beyond that, we assessed the adequacy of the discount rates used as well as the relevant calculations and sensitivity analysis. We examined whether the tested carrying amounts are covered by the recoverable amounts in case of realistic changes in the assumptions. Finally, we analysed whether the disclosures made in the notes to the consolidated financial statements regarding the impairment testing of goodwill are appropriate and complete.

RECOVERABILITY OF DEFERRED TAX ASSETS

Refer to notes 16

RISK FOR THE FINANCIAL STATEMENTS

Deferred tax assets represent a significant asset of STRABAG SE. Before offsetting, deferred tax assets recognized in the consolidated financial statements of STRABAG SE as at 31 December 2016 amount to T€ 436,665 (thereof T€ 107,818 from tax loss carryforwards). Furthermore, deferred tax assets were not recognised for tax loss carryforwards amounting to T€ 1,144,073, since utilisation of the tax losses is not sufficiently assured. The recognition of deferred tax assets is mainly based on the expected realisation of future taxable profits as well as tax planning opportunities available to the entity. Due to the significance of deferred tax assets recognised and those not recognised as well as existing uncertainties in respect of their recoverability, this represents a key audit matter.

Our response

Our audit procedures included the assessment of controls in connection with the recognition and measurement of deferred tax assets and assumptions made by the Management Board and representatives of the operating divisions in respect of future taxable profit as well as tax planning opportunities.

We compared input data used by the group to estimate future profit with externally available data, such as e.g. economic forecasts. Furthermore, we compared the assumed earnings trend of the group with its historic data, specifically taking into account its sensitivity with regard to performance and outcome. Tax planning opportunities were analysed particularly in regard to their feasibility.

Furthermore, we examined whether the notes to the consolidated financial statements include all required disclosures in connection with deferred tax assets and whether all significant estimation uncertainties have been described adequately.

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

The company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the group'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 group or closure of operations is planned or cases in which such measures appear unavoidable.

The Audit Committee is responsible for overseeing the group's financial reporting process.

AUDITORS' RESPONSIBILITY

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our 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 always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the 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 misstatement of the consolidated financial statements, whether due to fraud or error, 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 obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates 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 evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

GROUP MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated 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 group 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 group management reports as applied in Austria.

Opinion

In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated 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 consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

OTHER INFORMATION

The legal representatives of the company are responsible for other information. Other information comprises all information provided in the Annual Report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon. We expect the Annual Report to be provided to us after the date of the opinion.

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

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

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)

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

GLOSSARY

ATX	Austrian Traded Index; the index of leading shares of the Vienna Stock Exchange (Wiener Börse)
BIM	Building Information Modelling
Book value per share	Book value of equity/number of outstanding shares
BPM	Business process management
BREEAM	Building Research Establishment Environmental Assessment Methodology; a rating system for environmental and social-culturall-aspects for sustainable building
CAPEX	Capital Expenditure, Investments; acquisition of financial assets + acquisition of intangible assets as well as property, plant and equipment + changes to the scope of consolidation
Capital employed	Total of group equity + interest-bearing debts
Cash flow	Cash and cash equivalents being received and spent
Carbon footprint	Measure of carbon emissions caused by an activity
CO_2	Carbon dioxide (greenhouse gas)
Code of Conduct	Guidelines which reflect the company’s policy; compliance is mandatory for all employees, directors and officers
Compliance	Abidance with applicable laws and relevant regulations
Corporate Governance	A code of conduct for publicly listed companies; corporate governance comprises all guidelines which maximise transparency and control in order to avoid conflicts of interest
Cost-plus-fee	Contract model under which the client pays the contractor a previously agreed percentage of the costs of the project as a fee
DCF method	Discounted cash flow method
DGNB	German Society for Sustainable Construction (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.)
Directors’ dealings	Transactions with company securities by company directors or officers
Dividend yield	Ratio of dividend to price per share at year’s end in %
Earnings per share	Net income after minorities/weighted average number of shares
EBIT	Earnings before interest and taxes
EBIT margin	Ratio of EBIT to revenue in %
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin	Ratio of EBITDA to revenue in %
EECFA	Eastern European Construction Forecasting Association
EMAS	Eco-Management and Audit Scheme; instrument developed by the European Commission for organisations, who want to improve their environmental performance on a voluntary basis.
ENCORD	European Network of Construction Companies for Research and Development
Equity ratio	Ratio of book value of equity to balance sheet total

Equity method	Method of consolidation of shares in associated companies and joint ventures; mostly companies in which STRABAG holds a stake between 20 % and 50 %
ERP systems	Enterprise Resource Planning
Four-eyes principle	Principle according to which an activity is carried out and monitored by different persons
GDP	Gross Domestic Product
Gearing ratio	Net debt/total group equity
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board, issues the IFRS
IFRS	Financial reporting standards and interpretations adopted by the International Accounting Standards Board (IASB)
ISO 14001	International standard designed to help organisations establish environmental management systems
ISO 50001	International standard designed to help organisations establish energy management systems
LEED	Leadership in Energy and Environmental Design
Net debt	Financial liabilities - non-recourse debt + severance and pension provisions - cash and cash equivalents; called net cash in case of negative result
Order backlog	Future revenues from contracts signed to a specific date less work already accomplished
ÖCGK	Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex)
ÖGNI	Austrian Sustainable Building Council (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft)
OHSAS 18001	British Standard Occupational Health and Safety Assessment
Payout ratio	Dividends/earnings per share in %
PPP	Public-Private Partnership; Project which is funded and operated through a partnership of private investors and public-sector institutions
Pro rata temporis	lat. “at the rate for the time”; Allocation of an amount at a rate proportional to the time allotted
Risk management	An approach to recognise potential risks to the company and develop strategies to manage these risks
ROCE	Return on Capital Employed; (Net income + interest on debt - interest tax shield (25 %))/(average group equity + interest-bearing debt)
SCC	Safety Certificate Contractors
SHE	Safety, health, environment
Sureties	Bank guarantees or surety bonds
Value chain	The individual steps and actions required to create a product or deliver a service
Volatility	Measure of the price movement of e.g. shares
WBI	Vienna Stock Exchange Share Index, made up of all companies listed on the Vienna Stock Exchange (Wiener Börse Index)

FINANCIAL CALENDAR

Annual Report 2016	**27 April 2017**
Publication	7:30 a.m.
Press conference	10:00 a.m.
Investor and analyst conference call	2:00 p.m.
Interim Report January–March 2017	**31 May 2017**
Publication	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Notice of Annual General Meeting	26 May 2017
Shareholding confirmation record date	13 June 2017
Annual General Meeting 2017	**23 June 2017**
Start: 10:30 a.m.	
Location: Tech Gate Vienna	
Ex-dividend date	30 June 2017
Record date	3 July 2017
Payment date for dividend	4 July 20176
Semi-annual Report 2017	**31 August 2017**
Publication	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Interim Report January–September 2017	**30 November 2017**
Publication	7:30 a.m.
Investor and analyst conference call	10:00 a.m.

All times are CET/CEST. Please find the current road show schedule on the website www.strabag.com > Investor Relations > Company Calendar.

IMPRINT

Owner, editor and publisher

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Our Investor Relations department will gladly answer all your questions:

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The Annual Report was prepared with the highest possible attention to detail. All information was verified. In case of discrepancy the German version prevails. The possibility of rounding errors, printing errors or misprints, however, cannot be completely excluded. The Annual Report contains information and forecasts related to the future development of STRABAG SE. These forecasts represent estimates made on the basis of all available information at the time of publication. Should the assumptions underlying the forecasts fail to appear, the actual results could deviate from the expectations.

Many of the projects contained in this financial report were carried out in joint ventures. We hereby extend a warm "thank you" to all our partners.

Creative support during the preparation of the Annual Report: Rosebud
Artwork: Larissa Mantel; Reverse Graffiti: Lucas Nestler, Georg Zsifkovits, Ronny Priesching; Photographs: Bernd Preiml; Making Of: Conny Schönmann, Phillip Mayrhofer
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