

# SUPERVISORY BOARD REPORT



Dr. Alfred Gusenbauer

## **Dear shareholders, associates and friends of STRABAG SE,**

Another record year is behind us: With a further peak in the order backlog at the end of the year and a record output volume, the STRABAG Group has once again succeeded in exceeding the 2018 target of an EBIT margin of at least 3 %. The growth in earnings was primarily attributable to high demand in the core markets, extremely favourable construction weather everywhere and the absence of negative effects on earnings from the international business.

In addition to the positive economic situation, however, the success is also based on the

consistent pursuit and implementation of the internal risk management system, which leads to a constant improvement of the selection, processing and calculation of the offers as well as the project management. The Supervisory Board is convinced that the constant promotion of risk awareness is an essential building block for success. For the benefit of all shareholders, the Supervisory Board will therefore continue to focus its monitoring duties on risk management and ensure that this is implemented accordingly by the Management Board – with the support of the Supervisory Board.

## Open exchange of information and opinion in seven Supervisory Board meetings

In the 2018 financial year, the Supervisory Board duly fulfilled the responsibilities assigned to it by law, by the Articles of Association, by the Austrian Code of Corporate Governance (ÖCGK) and by

the Rules of Procedure. The Supervisory Board convened seven times and regularly advised the Management Board in its management function and reviewed and monitored its management

agenda. The Audit Committee met for three sessions in 2018. One meeting of the Presidential and Nomination Committee was held on 23 April 2018 to prepare the composition of the Management Board. At the meeting of the Executive Committee on 23 April 2018, the contracts and remuneration of the Management Board members were the subject of discussion.

The members of the Supervisory Board were duly represented at the respective board and committee meetings. All members of the Supervisory Board acted and made decisions independently as stipulated by the Austrian Code of Corporate Governance.

The exchange of information in 2018 also took place outside of the regular board and committee meetings, for example, by the Management Board reporting in writing on certain themes addressed by individual members of the Supervisory Board.

During the Supervisory Board meetings, the Management Board regularly and extensively informed the Supervisory Board as to the market situation, the business development and the company's situation. Open discussions in each session further enhanced the extensive exchange of information and opinions. As a result, the Supervisory Board was constantly informed about STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, the investment and project development plans, and large-scale projects and it had a complete overview of the business development. The Supervisory Board monitored and questioned the corporate planning and its foundations and also analysed unplanned developments together with the Management Board.

The Management Board always obtained consent from the Supervisory Board for important business transactions. The following agenda items of the Supervisory Board meetings are particularly noteworthy:

#### **SUPERVISORY BOARD MEETING 1: 2018 PLANNING INCLUDING INVESTMENTS AND FINANCIAL SITUATION**

On the agenda of the first Supervisory Board meeting held on 20 February 2018 were the report on the current situation, the management report as of 31 December 2017 including the planning for 2018, as well as investments and the financial situation in 2017. All topics were discussed in

detail with the Management Board and were approved where a resolution was required. The Supervisory Board also dealt with the medium-term planning for the period 2019–2021 and the investment budget for the rejuvenation of the equipment fleet.

#### **SUPERVISORY BOARD MEETING 2: REPORTING ON SPECIAL TOPICS**

In the second Supervisory Board meeting held on 20 March 2018, the Management Board provided detailed reports upon request from individual Supervisory Board members as to the situation in Chile and Poland. Furthermore, the

approval of the Supervisory Board was obtained for the conclusion of an asset purchase agreement for the transfer of employment contracts and operating assets from STRABAG PFS to a competitor.

#### **SUPERVISORY BOARD MEETING 3: 2017 ANNUAL FINANCIAL STATEMENTS**

The third meeting of the Supervisory Board on 24 April 2018 served to prepare the 2018 Annual General Meeting. The Management Board and the Supervisory Board dealt with the annual financial statements, the management report, the Consolidated Corporate Governance Report, the consolidated non-financial report, the consolidated report on payments to governments, the consolidated financial statements, and the group management report of STRABAG SE for 2017. The Audit Committee reported on the audit of the annual financial statements, the consolidated financial statements, the management reports and the Consolidated Corporate Governance Report. The Audit Committee also reported to the Supervisory Board on the results

of the financial audit in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and 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. 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 2017 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 addition, following the proposal of the Presidential and Nomination Committee, the Supervisory Board passed resolutions on the composition of the Management Board for the years 2019–2022. Dr. Thomas Birtel, Mag. Christian Harder, Dr. Peter Krammer and Dipl.-Ing. Siegfried Wanker were reappointed. Newly appointed to the board was Dipl.-Ing. (FH) Alfred Watzl.

#### SUPERVISORY BOARD MEETING 4: REPORTING OF THE MANAGEMENT BOARD AND TRANSACTIONS REQUIRING APPROVAL

The fourth Supervisory Board meeting held on 13 July 2018 reported on the positive 14<sup>th</sup> Annual General Meeting of 15 June 2018. The Management Board further reported in detail on the current situation of the group. The Management Board also provided detailed information on the large-scale “Alto Maipo” project in Chile as well as on the internal investigations in connection with the cartel allegations against STRABAG AG in Austria. The Supervisory Board approved an increase of the 2018 investment budget for the rejuvenation

of the equipment fleet and the sale of a real estate company in Hungary.

The second session of the Audit Committee, which preceded this meeting, dealt with the report by KPMG on the evaluation of the risk management system and adopted a resolution on the audit approach of the financial statements as at 31 December 2018. A report was also heard by the internal audit.

#### SUPERVISORY BOARD MEETING 5: SPECIAL REPORT “ALTO MAIPO”

The subject of the Supervisory Board meeting on 13 September 2018 was a supplementary report by the Management Board at the request of the Supervisory Board on the “Alto Maipo” project in Chile. The Management Board also reported on the situation of the company as well as on the financial planning. In addition, the Supervisory Board approved changes to the

self-imposed conditions for participation in the tender for a concession project in Germany.

In its third meeting on 13 September 2018, the Audit Committee dealt with the IFRS Management Board reporting and the reports on the projects A100 Neukölln, Germany, and ARGE Val di Chienti, Italy.

#### SUPERVISORY BOARD MEETING 6: PROJECT “MAR 1 HIGHWAY”, COLOMBIA

The meeting of 18 October 2018 dealt with the – finally granted – approval of the increase of the

company’s share in a concession project in Colombia.

#### SUPERVISORY BOARD MEETING 7: REPORTING ON VARIOUS TOPICS

In the last Supervisory Board meeting of the year on 20 December 2018, KPMG reported on the Readiness Check Compliance that was conducted and the follow-up measures taken. The Supervisory Board presented the results of its

self-evaluation. The Management Board informed about the current situation of the company and the financial planning for 2018 and presented its analysis of a peer group comparison.

## Consolidated financial statements awarded unqualified audit opinion

In accordance with C-Rule 18 of the Austrian Code of Corporate Governance, 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 convinced itself of the effectiveness of the internal control system, the risk management system and the audit system. The Audit Committee also reviewed and monitored the independence of the financial auditor and group financial auditor, especially as regards the additional services provided to the audited company.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the annual financial statements and the management report of STRABAG SE for the 2018 financial year. The findings of the audit did not give rise to any issues of concern and the financial auditor awarded an unqualified audit opinion.

The consolidated financial statements and the group management report of STRABAG SE for the 2018 financial year were prepared by the Management Board under application of Sec 245a of the Austrian Commercial Code (UGB) 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. These were also reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified audit opinion.

The auditor's and group financial auditor's reports were presented to the Supervisory Board. In the presence of the financial auditor, the Audit Committee thereupon reviewed the 2018 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 additional report of the financial auditor to the Audit Committee as required by Article 11 of Regulation (EU) No. 537/2014, and prepared the approval of the annual financial statements as

well as the acknowledgement of the 2018 consolidated financial statements and group management report by the Supervisory Board. The Audit Committee also duly performed its obligations in accordance with Sec 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. This was taken note of by the Audit Committee and the Supervisory Board.

The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 26 April 2019, it declared its agreement with the 2018 annual financial statements and consolidated financial statements and approved – and so adopted – the 2018 annual financial statements. It also approved the Management Board's 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 2019 financial year, in accordance with the proposal of the Audit Committee. Also presented at the meeting of 26 April 2019 were the consolidated report on payments to governments pursuant to Sec 243d of the Austrian Commercial Code (UGB) in connection with Sec 267c, the Consolidated Non-Financial Report pursuant to Sec 267a UGB in connection with Sec 243b as well as the report on the non-audit services provided by the auditor. The reports were reviewed by the Supervisory Board and taken note of without cause for complaint.

## Word of thanks to Management Board and all employees

The Supervisory Board thanks the entire Management Board of STRABAG SE and all

employees for their valuable contribution in the past financial year.



The Chairman of the Supervisory Board of STRABAG SE,  
Dr. Alfred Gusenbauer

Vienna, 26 April 2019