TEAMS WORK. IN PROGRESS.

Individual financial statements 2014

STRABAG
SOCIETAS EUROPAEA

Balance sheet as at 31 December 2014

Assets	31.12.2014 €	31.12.2013 T€
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**1,017,891.87**	**969**
II. Financial assets:		
1. Investments in subsidiaries	2,148,229,483.16	2,217,254
2. Loans to subsidiaries	83,730,000.00	99,757
3. Investments in participation companies	81,999,461.49	23,584
4. Loans to participation companies	92,271,378.21	0
5. Own shares	236,978,341.46	236,978
6. Other loans	631,218.25	1,101
	2,643,839,882.57	**2,578,674**
	2,644,857,774.44	**2,579,644**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	105,264.13	628
2. Receivables from subsidiaries	690,341,435.47	717,950
3. Receivables from participation companies	9,242,465.71	6,140
4. Other receivables and assets	65,432,089.97	95,604
	765,121,255.28	**820,322**
II. Cash assets, including bank accounts	152,762.93	185
	765,274,018.21	**820,507**
C. Accruals and deferrals	**6,620,316.00**	**9,091**
Total	**3,416,752,108.65**	**3,409,243**

Equity and liabilities	31.12.2014 €	31.12.2013 T€
A. Equity:		
I. Share capital	**114,000,000.00**	**114,000**
II. Capital reserves (committed)	**2,148,047,129.96**	**2,148,047**
III. Retained earnings:		
1. Legally required reserves	72,672.83	73
2. Voluntary reserves	73,855,740.94	64,935
	73,928,413.77	**65,007**
IV. Reserve for own shares	**236,978,341.46**	**236,978**
V. Unappropriated net profit (thereof profit brought forward € 5,130,000.00; previous year: T€ 2,280)	**57,000,000.00**	**51,300**
	2,629,953,885.19	**2,615,333**
B. Provisions:		
1. Provisions for severance payments	360,474.00	290
2. Provisions for taxes	13,361,814,89	13,362
3. Other provisions	29,679,800.00	27,328
	43,402,088.89	**40,981**
C. Accounts payable:		
1. Bonds	575,000,000.00	575,000
2. Bank borrowings	140,000,125.00	140,000
3. Trade payables	941,358.21	2,168
4. Payables to subsidiaries	10,191,638.40	9,874
5. Other payables (thereof taxes € 973,443.62; previous year: T€ 370; thereof social security liabilities € 13,373.34; previous year: T€ 25)	17,263,012.96	25,889
	743,396,134.57	**752,930**
Total	**3,416,752,108.65**	**3,409,243**
Contingent liabilities	298,989,868.63	320,612

Income statement for the 2014 financial year

	2014 €	2013 T€
1. Revenue (Sales)	69,690,421.40	59,234
2. Other operating income	3,034,068.23	11,590
3. Cost of materials and services:		
a) Materials	-69,269.40	-39
b) Services	-13,750,615.37	-13,337
	-13,819,884.77	**-13,376**
4. Employee benefits expense:		
a) Salaries	-5,675,331.09	-5,328
b) Severance payments and contributions to employee benefit plans	-120,215.78	-8
c) Statutory social security contributions, as well as payroll-related and other mandatory contributions	-302,899.31	-240
d) Other social expenditure	-176,353.78	-165
	-6,274,799.96	**-5,740**
5. Depreciation	-15,632.57	-5
6. Other operating expenses:		
a) Taxes other than those included in item 15	-111,945.96	-210
b) Miscellaneous	-34,735,582.64	-25,223
	-34,847,528.60	**-25,434**
7. Subtotal of items 1 through 6 **(operating result)**	**17,766,643.73**	**26,269**
8. Income from investments (thereof from subsidiaries € 62,562,155.47; previous year: T€ 105,390)	63,415,452.21	105,390
9. Other interest and similar income (thereof from subsidiaries € 30,800,050.87; previous year: T€ 34,927)	34,106,043.39	35,866
10. Income from disposal and write-up of financial assets and marketable securities	124,312.37	0
11. Expenses related to financial assets:		
a) Depreciation of investments in subsidiaries	-15,241,377.89	-29,324
b) Depreciation (other)	-816,000.00	-3,258
c) Expenses from subsidiaries	-39,021.09	-1,084
d) Miscellaneous	-4,070,873.75	-11,874
	-20,167,272.73	**-45,541**
12. Interest and similar expenses (thereof from subsidiaries € 463,009.96; previous year: T€ 972)	-31,873,990.04	-32,802
13. Subtotal of item 8 through 12 **(financial result)**	**45,604,545.20**	**62,913**
14. Results form ordinary business activities	**63,371,188.93**	**89,182**
15. Taxes on income and gains:		
a) Income tax	340,388.42	-169
b) Tax allocation	-2,920,623.94	-1,018
	-2,580,235.52	**-1,188**
16. Net income for the year	**60,790,953.41**	**87,994**
17. Allocation to retained earnings (voluntary reserves)	-8,920,953.41	-38,974
18. Profit for the period	**51,870,000.00**	**49,020**
19. Profit brought forward	5,130,000.00	2,280
20. Unappropriated net profit	**57,000,000.00**	**51,300**

NOTES TO THE 2014 FINANCIAL STATEMENTS OF STRABAG SE, VILLACH

I. Application of Austrian Business Enterprise Code

These 2014 financial statements were prepared in accordance with the Austrian Business Enterprise Code (UGB).

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

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

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

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

II. Accounting policies

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

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

The valuation premise adopted is that of a going concern.

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

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

All recognisable risks and impending losses which occurred in 2014 or an earlier financial year were taken into consideration.

The previously applied valuation method was kept.

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

Low-value assets are depreciated in full in the year in which they are acquired.

Extraordinary depreciation is undertaken where it is necessary to apply the lower value method.

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

The company has not exercised its option to capitalise deferred taxes in accordance with Section 198 Paragraph 10 of the Austrian Business Enterprise Code.

Trade and other receivables are reported at nominal value. The valuation of foreign currency receivables follows the strict “lowest value principle”.

Individual value adjustments are made for recognisable risks.

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

The provisions for severance payments were calculated using recognised financial mathematical principles, an interest rate of 2.5 % (previous year: 3.0 %), and a retirement age of 62 for women (previous year: 62) and 62 for men (previous year: 62).

Liabilities are valued at the amount repayable. Foreign currency liabilities are valued in accordance with the “highest value principle”.

III. Notes to the balance sheet

NON-CURRENT ASSETS

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

Due to long-term rentals, letting and leasing, the use of property, plant and equipment not shown in the balance sheet results in an obligation of € 6,861,598.08 (previous year: T€ 6,758) for the 2015 financial year. The sum of all obligations for the next five years is € 34,307,990.40 (previous year: T€ 33,789).

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

ACCOUNTS RECEIVABLES AND OTHER ASSETS

The following trade and other receivables have a remaining term of more than one year:

	31.12.2014	31.12.2013
	€	T€
Receivables from subsidiaries	250,403,496.97	270,001
Receivables from participation companies	4,772,084.01	872
Other receivables and other assets	58,522,495.80	19,456
Total	**313,698,076.78**	**290,329**

All other reported trade and other receivables have a remaining term of up to one year.

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

The item “Other receivables and other assets” includes income of € 340,420.00 (previous year: T€ 615) which will be cash effective after the balance sheet date.

EQUITY

The fully paid in share capital amounts to € 114,000,000.00 and is divided into 113,999,997 no-par bearer shares and three registered shares.

As at 31 December 2014, STRABAG SE had acquired 11,400,000 bearer shares equalling 10 % of the share capital. The corresponding value of the share capital amounts to € 11,400,000.00. The acquisition was between July 2011 and May 2013. The average purchase price per share was € 20.79.

The Management Board has been authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to € 57,000,000.00 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 (approved capital). In the case of capital increase through contributions in kind, the partial or full exclusion of the shareholders’ subscription rights is possible.

The exercise, issue price and conditions of issue shall be determined with the approval of the Supervisory Board. The Supervisory Board was authorised to determine the necessary changes to the Articles of Association required upon the issuance of shares from the approved capital.

The Management Board has also been authorised until 15 June 2017, in accordance with Section 65 Paragraph 1b of the Austrian Stock Corporation Act (AktG), to sell or assign its own shares, with approval by the Supervisory Board, in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full, or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Section 228 Paragraph 3 of the Austrian Business Enterprise Code) or third parties acting on behalf of the company.

The Management Board has been authorised, with approval from the Supervisory Board, until 15 June 2017, 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 € 1,000,000,000.00 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. This can be done also in several tranches and in different combinations and 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. For the servicing, the Management Board may use the conditional capital or own shares. The issue amount and issue conditions, as well as the possible exclusion of the shareholders' subscription rights for the issued financial instruments, are to be determined by the Management Board with the approval of the Supervisory Board.

Also approved was a conditional increase of the share capital of the company pursuant to Section 159 Paragraph 2 No. 1 of the Austrian Stock Corporation Act (AktG) by up to € 50,000,000.00 through the issue of up to 50,000,000 new bearer shares with no face value (no-par shares) for issue to creditors of financial instruments within the meaning of the authorisation granted to the Management Board, provided the creditors of financial instruments exercise their subscription and/or exchange rights for shares of the company. The issue amount and the exchange ratio are to be determined based on recognised financial mathematical methods and the price of the shares of the company in a recognised pricing procedure. The newly issued shares of the conditional capital increase carry a dividend entitlement corresponding to that of the shares traded on the stock market at the time of the issue. The Management Board is authorised, with the approval of the supervisory board, to establish the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to pass resolution on any amendments to the Articles of Association resulting from the issue of shares within the scope of the conditional capital.

PROVISIONS

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

ACCOUNTS PAYABLE

€	Remaining term < one year	Remaining term > one year	Remaining term > five years	Book value	Real securities
1. Bonds	100,000,000.00	275,000,000.00	200,000,000.00	575,000,000.00	0.00
Previous year in T€	*0*	*275,000*	*300,000*	*575,000*	*0*
2. Bank borrowings	125.00	140,000,000.00	0.00	140,000,125.00	0.00
Previous year in T€	*0*	*116,500*	*23,500*	*140,000*	*0*
3. Trade payables	941,358.21	0.00	0.00	941,358.21	0.00
Previous year in T€	*2,168*	*0*	*0*	*2,168*	*0*
4. Payables to subsidiaries	10,191,638.40	0.00	0.00	10,191,638.40	0.00
Previous year in T€	*9,874*	*0*	*0*	*9,874*	*0*
5. Other payables	17,263,012.96	0.00	0.00	17,263,012.96	0.00
Previous year in T€	*25,073*	*815*	*0*	*25,888*	*0*
Total	**128,396,134.57**	**415,000,000.00**	**200,000,000.00**	**743,396,134.57**	**0.00**
Previous year in T€	*37,115*	*392,315*	*323,500*	*752,930*	*0*

Payables to subsidiaries involve routine clearing as well as the clearing of tax allocation.

The item “Other payables” includes costs of € 16,535,485.57 (previous year: T€ 16,389) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

The contingent liabilities which must be shown in the balance sheet in accordance with Section 199 of the Austrian Business Enterprise Code (UGB) involve exclusively guarantee and indemnity liabilities.

The contingent liabilities reported include € 265,003,444.00 (previous year: T€ 278,526) in contingent liabilities for affiliated companies.

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

Performance bonds in the amount of € 380,883,281.29 (previous year: T€ 386,992) exist for construction projects of subsidiaries.

FINANCIAL INSTRUMENTS

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

As at 31 December 2014, interest payments for the bonded loan were hedged by means of the following hedging transactions:

T€	2014		2013	
	Nominal value	Market value	Nominal value	Market value
Interest rate swap (fixed rate payer)	108,500	-4,112	108,500	-3,395

The hedging period of the interest rate swap lasts until 2019 at the latest.

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

The establishment of hedging relationships allowed the company as at 31 December 2014 to forego the creation of provisions for pending losses from interest rate swaps in the amount of T€ -4,112 (previous year: T€ -3,395), as it is highly likely that the unrealised losses will be compensated by contrary unrealised gains from future interest payments.

The effective compensation between unrealised gains and losses is proven by means of effectiveness tests. If concordance of the essential conditions of the hedged item and the hedging transactions is established, the hedge effectiveness is measured using the critical terms match method. Otherwise, effectiveness is measured by means of the dollar offset method.

IV. Notes to the income statement

REVENUE (SALES)

	2014	2013
	€	T€
Domestic revenue	30,238,608.91	26,799
Foreign revenue	39,451,812.49	32,435
Total	**69,690,421.40**	**59,234**

EMPLOYEE BENEFITS EXPENSE

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

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

An amount of € 50,198.78 (previous year: T€ 34) for contributions to employee benefit plans is included in the severance payment expenses.

The salaries of the Management Board members in the 2014 financial year amounted to T€ 3,981 (previous year: T€ 4,199).

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

OTHER OPERATING EXPENSES

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

EXPENSES RELATED TO FINANCIAL ASSETS

Losses on the disposal of financial assets with an amount of € 39,021.09 (previous year T€ 669) is included in the item expenses from subsidiaries.

Other expenses from financial assets mainly concern the transfer of losses from partnerships, losses from the disposal of other financial assets and the allocation of reserves.

TAXES ON INCOME AND GAINS

The amount for active deferred taxes pursuant to Section 198 Paragraph 10 of the Austrian Business Enterprise Code (UGB) which may be capitalised is € 0.00 (previous year: T€ 0) because there is no additional tax expense except the minimum tax due to the fiscal losses of the company.

The reported tax expenses involve tax allocations to group members, corporate income tax and foreign tax expenses.

V. Miscellaneous

The company is a group parent under Section 9 Paragraph 8 of the Austrian Corporate Income Tax Act (KStG) of 1988 as amended by BGBl. I 180/2004. Tax adjustments (both positive and negative allocations) between the group parent and the company were arranged in the form of tax allocation agreements.

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

An agreement was concluded with BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., Spittal an der Drau, covering financial and management accounting, operating and cost accounting, payroll accounting, cash management, insurance management and facility management.

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

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to € 588,000.00 (previous year: € 631), of which € 58,000.00 (previous year: T€ 58) are for the audit of the financial statements, € 530,000.00 (previous year: T€ 530) for other audit services and € 0.00 (previous year: T€ 43) for miscellaneous services.

Villach, 10 April 2015

The Management Board

Dr. Thomas Birtel

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

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

Appendix 1 to the notes: Statement of changes in non-current assets
Appendix 2 to the notes: List of participations
Appendix 3 to the notes: Management and Supervisory Board

Statement of changes in non-current assets as of 31 December 2014

€	Balance 1.1.2014	Additions	Disposals	
			Acquisition and production costs	
I. Tangible assets:				
Other facilities, furniture and fixtures and office equipment	**1,139,456.68**	**63,795.29**	**0.00**	**0.00**
II. Financial assets:				
1. Investments in subsidiaries	2,288,967,727.56	10,374,271.29	-58,956,850.00	23,995,928.31
2. Loans to subsidiaries	99,756,885.00	0.00	0.00	14,026,885.00
3. Investments in participation companies	34,792,824.41	274,892.50	58,956,850.00	0.00
4. Loans to participation companies	0.00	93,626,564.21	0.00	1,355,186.00
5. Own shares	236,978,341.46	0.00	0.00	0.00
6. Other loans	1,101,397.24	24,821.03	0.00	495,000.02
	2,661,597,175.67	**104,300,549.03**	**0.00**	**39,872,999.33**
Total	**2,662,736,632.35**	**104,364,344.32**	**0.00**	**39,872,999.33**

	Balance 31.12.2014	**Accumulated depreciation**	**Carrying values 31.12.2014**	**Carrying values 31.12.2013**	**Depreciation for the period**
	1,203,251.97	**185,360.10**	**1.017.891,87**	**969,729.15**	**15,632.57**
	2,216,389,220.54	68,159,737.38	2,148,229,483.16	2,217,254,382.60	13,241,377.89
	85,730,000.00	2,000,000.00	83,730,000.00	99,756,885.00	2,000,000.00
	94,024,566.91	12,025,105.42	81,999,461.49	23,583,718.99	816,000.00
	92,271,378.21	0.00	92,271,378.21	0.00	0.00
	236,978,341.46	0.00	236,978,341.46	236,978,341.46	0.00
	631,218.25	0.00	631,218.25	1,101,397.24	0.00
	2,726,024,725.37	**82,184,842.80**	**2,643,839,882.57**	**2,578,674,725.29**	**16,057,377.89**
	2,727,227,977.34	**82,370,202.90**	**2,644,857,774.44**	**2,579,644,454.44**	**16,073,010.46**

List of participations (20.00 % interest minimum)

Name and residence of the company T€	Interest %	Equity/ negative equity[1]	Result of the last financial year [2]
Investments in subsidiaries:			
AKA-HoldCo Zrt., Budapest	100.00	12[3]	-2[3]
Asphalt & Beton GmbH, Spittal an der Drau	100.00	1,874	637
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau	100.00	3,062	1,696
Bau Holding Beteiligungs AG, Spittal an der Drau	65.00	940,686	-58,084
BHG Bitumen d.o.o. Beograd, Belgrade	100.00	195	7
BHG Sp. z o.o., Pruszkow	100.00	862	557
CESTAR d.o.o., Slavonski Brod	74.90	2,391	78
CLS Construction Legal Services GmbH, Cologne	100.00	96	71
CLS Construction Legal Services GmbH, (formerly: G15 Projekt GmbH), Schlieren	100.00	26	-15
CLS Construction Legal Services GmbH, Vienna	100.00	281	32
CLS CONSTRUCTION Legal Services SRL, Bucharest	100.00	0	-1
CLS CONSTRUCTION SERVICES d.o.o., Zagreb	100.00	2	-1
CLS CONSTRUCTION SERVICES s. r. o., Bratislava	100.00	29	3
CLS CONSTRUCTION SERVICES s.r.o., Prague	100.00	1	1
CLS Kft., Budapest	100.00	139	24
CLS Legal Sp.z o.o., Pruszkow	100.00	277	8
DRP, d.o.o., Ljubljana	100.00	1,297	460
Ed. Züblin AG, Stuttgart	57.26	202,703	38,992
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	1,566	587
EVN S.r.l. IN LIQUIDATZIONE, Rome	100.00	-16[5]	-105[5]
Facility Management Holding RF GmbH, Vienna	100.00	-11	-88
FLOGOPIT d.o.o., Novi Beograd	100.00	-70	-54
GRASTO d.o.o., Ljubljana	100.00	2,142	171
Ilbau Liegenschaftsverwaltung GmbH, Hoppegarten	99.99	138,856	19,732
Karlovarske silnice, a. s., Ceske Budejovice	100.00	2,341	13
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	100.00	1,390	20
LPRD (LESZCZYNSKIE PRZEDSIEBIORSTWO ROBOT DROGOWO)-MOSTOWYCH Sp.z o.o., Leszno	57.29	6,214	-108
Mazowieckie Asfalty Sp.z o.o., Pruszkow	100.00	-19[3]	-3[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	738[3]	356[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	2,364	393
MINERAL ROM S.R.L., Brasov	26.87	-3,071	-540
Norsk Standardselskap 154 AS, Oslo	100.00	-5[3]	-3[3]
OOO CLS Construction Legal Services, Moscow	100.00	156	6
OOO "SAT", Moscow	100.00	-95	2
PANADRIA MREZA AUTOCESTA D.O.O., Zabgreb	100.00	1	0
PNM, d.o.o., Ljubljana	100.00	9	0
Prottelith Produktionsgesellschaft mbH, Liebenfels	52.00	-2,250[3]	45[3]
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp.z o.o. W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE S.R.L., Cluj-Napoca	100.00	619	159
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	711	292
SAT SLOVENSKO s.r.o., Bratislava	100.00	1,508	232
SAT Ukraine, Brovary	100.00	1,450[3]	210[3]
„SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	301,645	26,897
SF Bau vier GmbH, Vienna	100.00	-13	-7
SOOO "STRABAG Engineering Center", Minsk	60.00	111[3]	7[3]
STR Irodaház Kft., Budapest	100.00	3,348[3]	-14[3]
STRABAG A/S, Trige	100.00	88[3]	34[3]
STRABAG AG, Cologne	74.80	518,007	41,296
STRABAG AG, Schlieren	100.00	37,004	2,353
"Strabag Azerbaijan" L.L.C., Baku	100.00	-17,576	-11,421

1) according to § 224 Para 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2013
4) no statement according to § 241 Para 2 UGB
5) Financial statements as of 30.09.2013

Name and residence of the company T€	Interest %	Equity/ negative equity[1]	Result of the last financial year [2]
STRABAG Beteiligungen International AG in Abwicklung, Spittal an der Drau	100.00	1,005	7
STRABAG Infrastruktur Development, Moscow	100.00	140	82
STRABAG Invest GmbH in Liqu., Vienna	51.00	-400[3]	14[3]
STRABAG Oy, Helsinki	100.00	1,268	-5,486
STRABAG Property and Facility Services a.s., Prague	100.00	3,265	206
STRABAG Ray Ltd. Sti., Ankara	99.00	-194[3]	-513[3]
STRABAG Real Estate GmbH, Cologne	84.50	48,304	21,290
Strabag RS d.o.o., Banja Luka	100.00	-262[3]	-43[3]
STRABAG Sh.p.k., Tirana	100.00	21[3]	0[3]
"STRABAG" d.o.o. Podgorica, Podgorica	100.00	1,536[3]	45[3]
TOO STRABAG Kasachstan, Almaty	100.00	-1,489[3]	-1,089[3]
Treuhandbeteiligung MO	100.00	[4]	[4]
Investments in participation companies:			
A-Lanes A15 Holding B.V., Nieuwegein	24.00	[4]	[4]
ASAMER Baustoff Holding Wien GmbH, Vienna	20.00	[4]	[4]
ASAMER Baustoff Holding Wien GmbH & Co.KG, Vienna	20.00	[4]	[4]
DYWIDAG Verwaltungsgesellschaft mbH, Munich	50.00	[4]	[4]
Erste Nordsee-Offshore-Holding GmbH, Pressbaum	49.90	[4]	[4]
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH, Spittal an der Drau	30.00	[4]	[4]
Moser & C. SRL, Bruneck	50.00	[4]	[4]
OOO "STRATON", Sochi	50.00	[4]	[4]
Societatea Companiilor Hoteliere Grand srl, Bucharest	35.31	[4]	[4]
SRK Kliniken Beteiligungs GmbH, Vienna	25.00	[4]	[4]
Straktor Bau Aktien Gesellschaft, Kifisia	50.00	[4]	[4]
Syrena Immobilien Holding Aktiengesellschaft, Spittal an der Drau	50.00	[4]	[4]
Zweite Nordsee-Offshore-Holding GmbH, Pressbaum	49.90	[4]	[4]

1) according to § 224 Para 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2013
4) no statement according to § 241 Para 2 UGB
5) Financial statements as of 30.09.2013

Management and Supervisory Board

Management Board:

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

Supervisory Board:

Dr. Alfred G u s e n b a u e r (Chairman)
Mag. Erwin H a m e s e d e r (Vice Chairman)
Andrey E l i n s o n
Mag. Kerstin G e l b m a n n
Ing. Siegfried W o l f
Mag. Hannes B o g n e r

Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n e (works council)
Georg H i n t e r s c h u s t e r (since 13 October 2014; works council)
Wolfgang K r e i s (works council)
Gerhard S p r i n g e r (until 13 October 2014; works council)

GROUP MANAGEMENT REPORT

Important Events

JANUARY

Charité hospital in Berlin is being renovated by Ed. Züblin AG joint venture

STRABAG subsidiary Ed. Züblin AG, in a joint venture with VAMED Deutschland, has begun construction at the Charité hospital in Berlin. Over the next three years, the 21-storey bed tower of the university clinic in Berlin-Mitte will be renovated and equipped with the latest state-of-the-art medical technology. The contract comprises the end-to-end execution planning, gutting and renovation of the bed tower as well as the construction of an adjoining new five-storey building to house several intensive care units, 15 operating rooms, and one emergency department. Planning of the medical technology as well as support during trial operation of the facility also form part of the joint venture's tasks. The construction works are expected to last until the end of 2016.

FEBRUARY

Ed. Züblin AG builds section of A 100 motorway in Berlin for € 73 million

Ed. Züblin AG has been awarded the contract to build a section of the urban motorway A 100 in Berlin. The contract value of the construction of the new 700 m section including several bridges is € 73 million. Construction has already begun and is expected to last until August 2017.

MARCH

EFKON chosen by ASFINAG for automatic toll sticker monitoring system

EFKON AG, a subsidiary of STRABAG headquartered in Raaba near Graz, was awarded the tender from Austrian road operator ASFINAG for the modernisation of the national toll sticker monitoring system.

STRABAG builds Zielone Arkady shopping centre in Bydgoszcz

Polish STRABAG Sp. z o.o. has been awarded the contract to build the Zielone Arkady ("Green Arcades") shopping centre with a scheduled date of completion at the end of October 2015. With 50,000 m² of rental space, it will be the largest shopping centre in Bydgoszcz. The construction volume is valued in the mid-double-digit million euro range. The development is being built in accordance with the BREEAM principles of sustainable construction.

Main entrance to the shopping centre "Zielone Arkady" in Bydgoszcz

MAY

STRABAG invests in N17/N18 section of the Irish motorway network

As part of the DirectRoute consortium, STRABAG will finance, plan, build and operate the 57 km long section of the Irish N17/N18 motorway between Gort and Tuam near Galway. The public-private partnership project has a total private sector investment value of about € 330 million. Equity funding represents 12 % of the overall funding, with STRABAG's share as investor amounting to 10 % of this equity. The motorway is to be opened to traffic in November 2017. Industry magazine "Project Finance International" awarded this project the "European PPP Deal of the Year" for its funding.

Züblin A/S is awarded large building construction contract in Denmark

Züblin A/S, a Danish subsidiary of the STRABAG Group, was awarded the contract to build the "Axeltorv, AT2" project, a 14-storey multi-use building in the centre of Copenhagen. The contract value of the turnkey building is about € 103 million. The handover of the project is expected by the end of 2016.

"Axeltorv, AT2" in Copenhagen

STRABAG consortium builds Ulriken railway tunnel in Norway for more than € 150 million

STRABAG, as part of a consortium, has been awarded the contract to build Section UUT21 of the Ulriken Tunnel. The contract value of the 7.8 km long tunnel, which will connect the Bergen and Arna stations, is € 156 million. STRABAG holds 50 % of the construction consortium. The construction works started in June 2014 and will last for about seven years. A special feature of the project is the use of the largest tunnel boring machine in Norway to date.

JUNE

STRABAG parts with its flue gas treatment business

STRABAG withdrew from its flue gas treatment business. The assets in its subsidiary STRABAG Energy Technologies GmbH, Vienna, were sold to international industrial group Yara International ASA, Oslo. STRABAG's flue gas treatment business, with some 70 employees, had generated an annual output volume of about € 25 million, primarily in Germany, the Czech Republic, Poland, the Middle East and Taiwan. The parties to the transaction have agreed not to disclose details of the purchase price.

Brenner Base Tunnel: STRABAG consortium awarded contract for main section Tulfes–Pfons

The bidding consortium consisting of STRABAG and Salini Impregilo has been awarded the largest contract section to date for the Brenner Base Tunnel. For a contract value of about € 380 million (STRABAG's share amounts to 51 %), the consortium will build the twin-tube rail tunnel between Tulfes and Pfons as well as a section of the exploratory tunnel, the new rescue tunnel running parallel to the Innsbruck bypass, and two connecting side tunnels. The construction time for the approximately 38 tunnel kilometres is planned from the second half of 2014 to probably 2019.

Züblin Scandinavia AB is awarded a contract for Marieholms Tunnel in Gothenburg

Züblin Scandinavia AB, a Swedish subsidiary of STRABAG SE, as leader and main shareholder of a joint venture, has been awarded the contract to build the Marieholms Tunnel project, an immersed tunnel passing under the river Göta älv in Gothenburg. The design & build agreement, which also comprises the mechanical and electrical works, has a total contract value of about € 170 million. Completion of the tunnel is expected for 2020.

Züblin A/S is awarded the contract for Copenhagen metro line


Construction of a 2 km metro tunnel

Züblin A/S is leading a joint venture for the construction of Copenhagen's new metro line between Østersøgade and the Nordhavn metro station. The contract includes about 2 km of metro line connecting the ongoing construction of "Metro Cityring" with the new Nordhavn development area in the city of Copenhagen. The order has a total value of € 150 million, with Züblin's share amounting to about € 90 million. The construction work is planned to last until 2019.

Renewal of € 2 billion syndicated surety loan

STRABAG SE has concluded the renewal of a syndicated surety loan (SynLoan) with a consortium of 14 international banks. The volume of the surety loan amounts to € 2.0 billion. The line of credit will be available to all STRABAG subsidiaries for sureties (bank guarantees) within the scope of exercising the general business activity. The new term is for five years with two extension options of one year each.

STRABAG SE prematurely extends € 400 million syndicated cash credit line

In view of a favourable financing environment, STRABAG SE has prematurely extended its revolving syndicated cash credit line in the amount of € 400 million. The group had initially arranged the cash credit line in 2012 with an original maturity in 2017. With the new term of five years, including two options to extend by one year each, STRABAG SE remains capable of securing its comfortable liquidity position for the long term.

STRABAG constructs steel plant in Russia for € 300 million

STRABAG has been contracted by Russia's Tula-Steel Company to build a steel production and rolling mill in Tula, some 200 km south of Moscow. The contract value is several hundred million euros. The construction of the project began in autumn 2014 and is expected to be completed within 36 months.

JULY

All Management Board mandates extended until end of 2018

The Supervisory Board of STRABAG SE, acting on the recommendation of the presidential and nomination committee, has reappointed all current members of the STRABAG SE Management Board for a new term lasting from 1 January 2015 to 31 December 2018. Dr. Thomas Birtel has been confirmed as CEO.

Core shareholder Rasperia raises stake in STRABAG SE to 25 % + 1 share

Rasperia Trading Ltd., a subsidiary of industrial conglomerate Basic Element, has exercised a call option to purchase shares and has thus increased its holding in STRABAG SE from 19.4 % to 25 % + 1 share, a stake it had already held previously. Rasperia acquired 6,377,144 shares for € 19.25 a piece and for a total investment of around € 123 million from the company's other core shareholders – the Haselsteiner Family, Raiffeisen and UNIQA.

STRABAG solidifies presence in Canada with winning bid to build outfall tunnel

STRABAG has secured the contract in Canada to build the Mid-Halton Outfall Tunnel for CAD 79 million (approx. € 54 million). The project centres on the excavation of two 60 m deep shafts and a 6.3 km rock-bored tunnel. Construction began in mid-July 2014 and is expected to be completed within 39 months. STRABAG has been offering ground civil and ground engineering as well as tunnelling in Canada since 2005.

More than € 100 million deal to construct S7 section "Trasa Nowohucka" in Cracow

A consortium comprising two subsidiaries of the STRABAG Group, STRABAG Sp. z o.o. and STRABAG Infrastruktura Południe Sp. z o.o., has signed a contract for the construction of an 18.6 km long stretch of the planned S7 expressway in the east of Cracow, called "Trasa Nowohucka", which will run between Rybitwy and Igołomska. The contract is worth around € 103 million. The construction is expected to be completed within 36 months.

STRABAG Real Estate sells large-scale project "Upper West" in Berlin

STRABAG Real Estate GmbH (SRE) sold its "Upper West" property development located at Berlin's Kurfürstendamm, with a project volume of € 250 million, to RFR Holding GmbH. The complex, consisting of a 118 m high-rise tower and a lower block-shaped building, comprises about 53,000 m² of total tenant. SRE acquired the approx. 3,400 m² property in September 2011. The construction works, being carried out by STRABAG SE's subsidiary Ed. Züblin AG, began in November 2012. The project is scheduled for completion in early 2017.

"Upper West" is being built along Kurfürstendamm in Berlin.

STRABAG wins in consortium contract for toll collection system in Belgium

Satellic NV, a project company established by T-Systems (76 %) and STRABAG (24 %), has been awarded the contract for the construction and operation of a satellite-based toll collection system for trucks weighing more than 3.5 tonnes. The contract has a term of twelve years and envisages that Satellic will establish the new toll collection system in the next 18 months. EFKON AG delivers the entire system technology – the so-called enforcement technology.

Consortium including Polish STRABAG subsidiary builds section of S5 expressway in Poland

A consortium consisting of STRABAG Infrastruktura Południe Sp. z o.o., a subsidiary of STRABAG SE, and Budimex S.A. was awarded the contract to build a 15 km long section of the S5 expressway between Poznań and Wrocław with a value of about € 112 million. Heilit+Woerner holds 50 % in the consortium. Completion and commissioning of the new section are scheduled for 2017.

AUGUST

STRABAG extends container port in Mauritius

STRABAG extends and strengthens the container harbour at Port Louis, Mauritius, together with its partner Archirodon Construction (Overseas) Co. SA. The project has a volume of USD 115 million (approx. € 90 million), of which STRABAG holds 50 %, and is to be completed in slightly over two years.

SEPTEMBER

Ed. Züblin AG commissioned to build the Cherbourger Strasse harbour tunnel in Bremerhaven

As part of a consortium, Ed. Züblin AG (technical leader/JV share 37 %) and Züblin Spezialtiefbau GmbH (JV share 30 %) were awarded the contract to build the Cherbourger Straße harbour tunnel in Bremerhaven. The order volume of around € 122 million includes the construction of the two-lane road tunnel, using an open cut construction method, and shall also include all entrance and exit ramps, two operation buildings and ten escape staircases. The tunnel is scheduled to be completed by the end of June 2018.

STRABAG building Kościerzyna bypass in Poland for € 40 million

A consortium of several STRABAG companies has been awarded the design and build contract for a 7.6 km bypass around the city of Kościerzyna in northern Poland. The contract has a value of about € 40 million. Approximately 30 months are scheduled for the construction phase.

STRABAG building section of A4 motorway in Poland for € 70 million

A consortium consisting of STRABAG Sp. z o.o. and Budimex S.A. has signed the contract to build a 41 km section of the A4 motorway from Rzeszów to Jarosław in south-eastern Poland. The contract has a value of about € 140 million. STRABAG holds a 50 % share in the consortium. The motorway is scheduled for completion and should be opened to traffic in the first half of 2016.

STRABAG acquires industry services provider DIW Group

STRABAG SE has acquired DIW Group (Stuttgart), a 100 % subsidiary of Voith GmbH, for integration into its property and facility services division. With the acquisition, STRABAG expanded its service portfolio to include industrial cleaning and consolidates its position as the second-largest facility services company in Germany with forecasted revenue of around € 1 billion. DIW's approximately 6,000 employees generate revenue of about € 175 million a year. The purchase price lies in the double-digit million euro range.

OCTOBER

STRABAG Real Estate develops office and commercial building in downtown Warsaw

The STRABAG Real Estate GmbH is developing an office and commercial building in Warsaw. “Astoria” with a gross floor area of nearly 28,000 m² will be erected right in the centre of the Polish capital, directly between the Old Town and the city’s business district. The contractor STRABAG Sp. z o.o. started the works in summer. The completion of the € 75 million project is planned for the first half of 2016.

STRABAG consortium builds € 300 million Eisack River undercrossing for Brenner Base Tunnel

The construction group STRABAG, in a consortium with the Italian construction companies Salini Impregilo, Consorzio Cooperative Costruzioni CCC and Collini Lavori, signed the € 300 million contract to build the 4.3 km long Eisack River undercrossing section of the Brenner Base Tunnel. STRABAG holds a 39 % share in the consortium. Work began in 2014 with a planned construction time of around eight years.

NOVEMBER

Züblin awarded contract to build hydroelectric power plant in Chile

Züblin Chile has been awarded the contract to build a hydroelectric power plant by energy group Colbún S.A. south of the Chilean capital of Santiago. The € 36 million contract was signed in mid-November. The contract for Züblin Chile comprises all earth and concrete works for the intake structures, an open-channel waterway, a turbine hall and a stilling basin. The construction works are expected to last about 25 months and should be concluded in early 2017.

DECEMBER

STRABAG to build Volkswagen factory in Września, Poland

The Polish STRABAG subsidiary has been awarded the contract to build a new production plant for Volkswagen commercial vehicles in Poland. The automobile manufacturer plans to manufacture the next generation of its VW Crafter delivery van in the new factory in Września. STRABAG has been commissioned to build three of the five modern production and industrial buildings that form part of the overall investment by the middle of 2015.

STRABAG Group and consortium partner Norderland-ETANAX sell offshore wind farm project Albatros

Approval for 79 wind turbines in the German North Sea

EnBW Energie Baden-Württemberg AG has acquired the Albatros offshore wind farm project from the consortium partners STRABAG and the Norderland/ETANAX Group. This offshore wind project, which has approval for 79 wind turbines of the 5–7 MW rating class, is located 105 km off the coast in the German sector of the North Sea. The wind farm covers an area of 39 km² at a water depth of 39–40 m. The contractual partners have agreed not to disclose any information about the purchase price. With their portfolio of 12 project developments, the STRABAG Group and the Norderland/ETANAX Group continue to be active in the offshore wind farm business. The projects will be developed until they are ready for approval or investment, and will subsequently be sold off or constructed in tandem with investment partners.

Country report

DIVERSIFYING THE COUNTRY RISK

2015 output volume unchanged at € 13.6 billion

Despite the strong presence in its home markets of Austria and Germany, STRABAG sees itself as a European-based company. The group has been active in Central and Eastern Europe for several 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 possible to export the technology and equipment and to use them in new regions at low cost and effort. In order to diversify the country risk even further, and to profit from the market opportunities in other parts of the world, STRABAG intends to intensify especially its international business, i.e. its activities in countries outside of Europe. The company expects its international business to grow to at least 10 % of the output volume by 2016.

The STRABAG SE Group generated an output volume of € 13.6 billion in the 2014 financial year, unchanged at the same high level as the year before. Increases in the home markets of Germany and Austria, for example, offset with declines in markets such as the RANC region (Russia and neighbouring countries) or Romania. The output volume in Germany developed positively, thanks to the mild winter – and despite the very restrained tender award policy in transportation infrastructures on the part of the public sector. Large projects were completed in Romania and Russia at the same time that newly acquired orders in these markets have not yet found expression in the output volume.

OUTPUT VOLUME BY COUNTRY

€ mln.	2014	% of total output volume 2014	2013	% of total output volume 2013	Δ %	Δ absolute
Germany	6,080	45	5,789	43	5	291
Austria	2,058	15	1,982	15	4	76
Poland	817	6	787	6	4	30
Czech Republic	620	5	645	5	-4	-25
Hungary	544	4	496	4	10	48
Slovakia	427	3	340	3	26	87
Switzerland	359	3	386	3	-7	-27
Benelux	324	2	400	3	-19	-76
Russia and neighbouring countries	302	2	561	4	-46	-259
Middle East	272	2	323	2	-16	-51
Sweden	271	2	316	2	-14	-45
Americas	255	2	263	2	-3	-8
Denmark	197	1	151	1	30	46
Romania	181	1	322	2	-44	-141
Italy	179	1	168	1	7	11
Africa	158	1	165	1	-4	-7
Rest of Europe	136	1	106	1	28	30
Croatia	121	1	134	1	-10	-13
Asia	87	1	103	1	-16	-16
Slovenia	68	1	67	0	1	1
Bulgaria	39	0	20	0	95	19
Serbia	38	0	31	0	23	7
Bosnia and Herzegovina	33	0	18	0	83	15
Total	**13,566**	**100[1]**	**13,573**	**100**	**0**	**-7**

1) Rounding differences are possible.

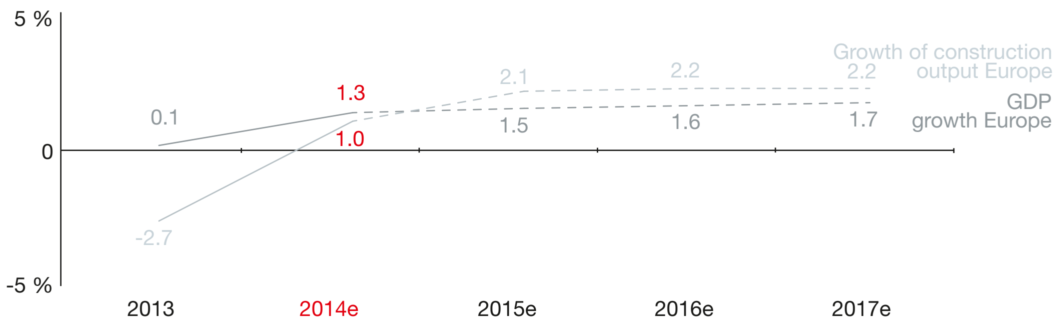
TURNAROUND IN THE EUROPEAN CONSTRUCTION SECTOR[1)]

The European economy continued to recover in 2014, even if growth slowed considerably over the course of the year. Within the 19 Euroconstruct countries, strong disparities in the development were evident. The recovery first gained momentum in the United Kingdom and in the Northern European countries outside the eurozone. While it was possible to stop the recession within the euro area, however, **economic growth** (GDP) stagnated due to the continuing weak domestic demand. The level of consumer debt has fallen little since the financial crisis, which limits the purchasing and investment possibilities in many of these countries. This weakness is being compensated by the rapid recovery of the Eastern European countries, which returned to robust growth after the sharp losses of 2012 and 2013. Against this backdrop, the total economic growth of the 19 Euroconstruct countries reached 1.3 % in 2014 and is expected to stabilise at this moderate level in the years to come.

The European **construction industry**, which finally entered a new phase of growth in 2014, should develop significantly more strongly in the long run than the economy as a whole. After seven years of crisis, during which the markets lost about 21 % of their overall volume, Euroconstruct calculations show the European construction industry returning to renewed growth of 1.0 % in 2014. On a country by country basis, this development was also quite heterogeneous. Against the backdrop of strong economic growth, the construction industry in Central and Eastern Europe registered significant increases which even approached pre-crisis levels. This development is being driven above all by EU-financed infrastructure projects. Analogous to the economic development, the Western European countries of Ireland, United Kingdom and Sweden registered strong growth in 2014, while Italy, France and Spain lost significant volume, and growth also slowed noticeably in Germany.

All in all, the construction industry should continue to grow in the near future. The Euroconstruct experts expect growth to consolidate at 2.1 % in 2015 and at 2.2 % in each of the two following years.

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



MODERATE GROWTH IN ALL SECTORS

The growth of the construction industry was supported by all sectors in 2014. Each of these segments should continue to grow at a constant rate of 2.0 % in the medium term, naturally with differences in the individual markets. Renovation building has a stabilising effect for the entire construction industry, while new construction works still exhibit significant weaknesses.

Residential construction suffered under the weak European economy in the period under review – especially new production stagnated at +0.1 % after the strong decline in the previous year – but this segment should establish itself as the strongest driving growth in the sector in the period 2015–2017. In a country by country analysis, the development in the residential construction sector remained heterogeneous. While the Central and Northern European countries – mainly Ireland and the United Kingdom – registered double-digit growth rates, the development in South-East Europe remained characterised by high losses. All in all, i.e. including renovation building, the sector achieved a growth rate of 0.9 %. The upwards trend should, however, accelerate significantly in the years to come with growth of 2.3 % in 2016.

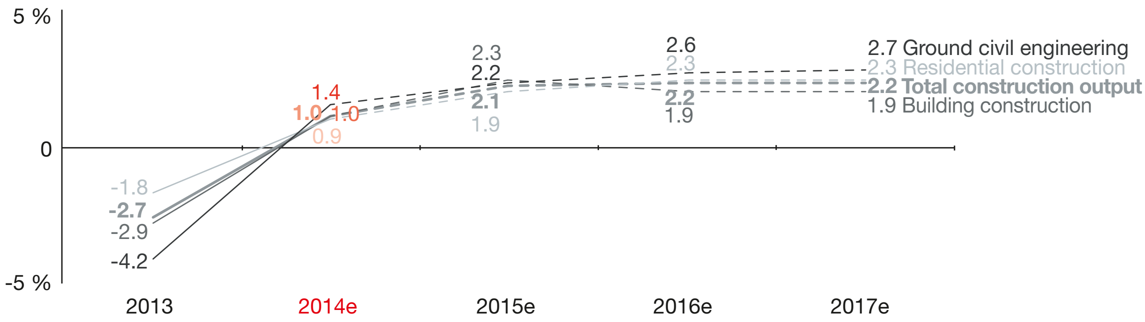
Similarly muted growth as in residential construction could also be seen in new construction works within the **building construction** segment. The 2013 losses had been much higher

1) All growth forecasts as well as the particular national construction volumes are taken from the Euroconstruct and EECFA winter 2014 reports. The indicated market share data are based on the data from the year 2013.

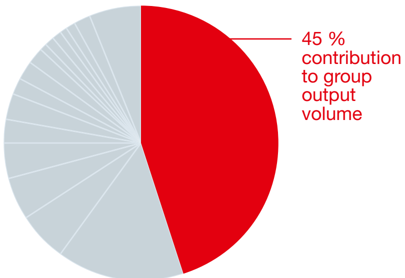
here than in residential building, however, and the forecast growth will also be more moderate in the medium term. All in all, building construction grew once more by 1.0 % in 2014 – after a decline of 2.9 % the year before. This again shows that this field is the most strongly dependent on the general economic development. Against this backdrop, the Eastern European market registered stronger growth rates than the Western European countries and will probably continue to drive growth in the future. Depending on the economic development, Euroconstruct believes that growth in building construction should stabilise at a level of 1.9 % in the medium term.

A significant turnaround was registered in **ground civil engineering**. After losses of 8.5 % in 2012 and 4.2 % in 2013, this segment returned to growth of 1.4 % in 2014. It thus has the highest growth rate in a sector by sector comparison, although forecasts had still been much lower in the months before. At 22 %, however, ground civil engineering continues to represent the lowest share of the entire European construction market. Growth in ground civil engineering should increase to 2.2 % in 2015 and will continue to grow steadily from year to year thereafter. Against the backdrop of the high deficit in the infrastructure field and the promise of corresponding EU funds, this positive development will also continue to be supported by the Central and Eastern European markets in the future. According to Euroconstruct, the CEE region achieved growth of 9.9 % here in 2014, while the Western European Euroconstruct countries were only able to post a slight plus of 0.7 %. In the long term, the nascent economic recovery could help to again raise the level of investment confidence in Western Europe and lead to higher growth rates.

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



GERMANY



Overall construction volume: € 278.76 billion
GDP growth: 2014e: 1.3 % / 2015e: 1.2 %
Construction growth: 2014e: 2.4 % / 2015e: 1.8 %

Although it was more than once necessary to lower the GDP forecasts for 2014 and 2015, the German economy was still able to register significant growth of +1.3 % in the reporting period versus the previous year (+0.1 %). Responsible for this positive development were the stable low interest rates. For the year to come, Euroconstruct again expects growth of 1.2 %. This figure takes into account the impact from the 2014 pension reform as well as the introduction of new minimum wages.

After negative construction growth in 2013 (-0.3 %), the mild winter in the first quarter of 2014 led to a strong rise of the construction output; over the remaining course of the year, however, the curve flattened in harmony with the global economy.

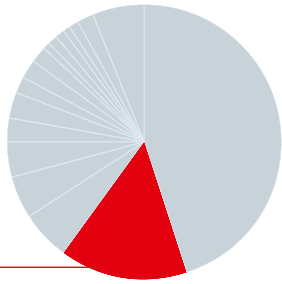
The sector still managed to achieve a significant plus of 2.4 % in 2014, with a considerable portion thereof attributable to residential construction (+2.4 %). Clear influences in this context came from the continuing favourable credit rates, the positive labour market situation, and the steady interest in home ownership as an investment alternative.

Even stronger growth was seen in building construction. After two difficult years (2012: -4.0 %; 2013: -1.5 %), this sector registered a plus of 1.9 % in 2014; for the current year, the construction of additional industrial buildings and warehouse properties supports expectations of renewed growth (forecast: +2.1 %).

But the strongest growth in the year under report was registered in the civil ground engineering sector, where the +3.2 % (excluding other adjustments) almost exactly matched the forecast that had been made the year before. The favourable weather in the spring and efforts by local governments to work off the investment backlog of the past few years – in particular with regard to road and rail development as well as water and wastewater utilities –, led to above-average growth that should continue in 2015 thanks to large investments in the telecommunications sector.

With a market share of 2.1 %, the STRABAG Group is the market leader in Germany. The share of the German road construction market reaches a level of 9.2 %. With € 6,080.29 million, the group generated about 45 % of its total output volume in Germany. Most of the output volume can be allocated to the North + West segment, while the property and facility services provided in Germany form part of International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 31.65 billion
GDP growth:	2014e: 0.8 % / 2015e: 1.2 %
Construction growth:	2014e: 1.7 % / 2015e: 1.0 %

With GDP growth of 0.8 %, Austria was exactly at the average for all euro countries in 2014 after being significantly below expectations at the mid-year point. The global economic situation resulted in a significant downward development of foreign trade, particularly in manufacturing; the low volume of orders led to rising unemployment and reduced consumer strength. The situation was further aggravated by an increased budget deficit. The slight GDP plus over the previous year is exclusively due to increases in production. A general recovery of the global economy as well as stronger demand within the EU will be necessary for the growth that is expected in the next few years (2015e: 1.2 %, 2016e: 1.4 %).

As in the past few years, residential construction remained the sector with the strongest growth rate in 2014. The +2.6 % did not quite reach the average for the last three years (approx. +3.0 %), but the favourable credit rates, the rising real estate prices and the demographically driven demand in the housing market contributed to a stable positive development whose end is not yet in sight. Weaker growth can be expected in the medium term if public sector investments and public funding are reduced in favour of budget consolidation.

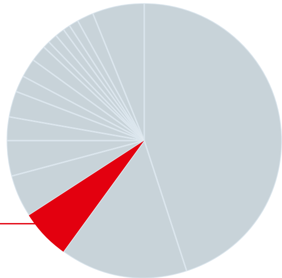
After the negative growth of 2013 (-1.0 %), the building construction sector was able to post slight gains as predicted in 2014 (+0.6 %). The segment should remain at this level in the year to come, before slightly higher growth of 1.7 % and 1.8 % is expected in 2016 and 2017, respectively. While the healthcare sector continues to benefit from the construction of the new Vienna North Hospital, new noteworthy public sector construction projects appear unlikely in the educational sector at this time.

The ground civil engineering sector owes its positive result to the development of the road and rail network. The plus of 1.2 % that was achieved in 2014 also represents the level at which the sector is expected to settle in the near future. For 2016, however, Euroconstruct expects a slight drop to +0.8 % as the nationwide broadband expansion that has been planned by 2020 is unlikely to entirely make up for the declining investments in transportation infrastructures.

The STRABAG Group generated 15 % of its total output volume in its home market of Austria in 2014 – the same as the year before. Along with Germany and Poland, Austria thus remains one of the group's top three markets. The output volume in 2014 reached a level of

€ 2,057.59 million. With a share of 6.3 %, STRABAG is the number two on the Austrian market. In road construction, the group's share of the market amounts to 17.4 %.

POLAND



Overall construction volume:	€ 42.02 billion
GDP growth:	2014e: 3.1 % / 2015e: 3.3 %
Construction growth:	2014e: 4.9 % / 2015e: 7.1 %

In contrast to most other EU member states, Poland did not have to revise its economic forecast downward, but upward, in the reporting period. After a somewhat slow previous year, Polish GDP growth nearly doubled from 1.6 % (2013) to 3.1 % (2014) and is expected to reach 3.3 % for 2015. This development can be explained primarily by accelerated production growth based on rising domestic demand. Higher levels of investment and consumption – the latter driven in part by lower unemployment – contributed considerably to a positive result in spite of declining export income and deflationary trends. Another considerable contribution came from the construction sector, which after two years of decline was able to increase its production output by 4.9 % in 2014 – with further growth expected in the future.

While the residential construction sector had ended 2013 with a substantial minus of 7.9 %, 2014 brought a turnaround that culminated in a plus of 3.0 %. Low credit and mortgage rates drove the Polish real estate market; in the medium term, however, Euroconstruct expects the declining demographics – a result of emigration – to have a negative impact on residential construction.

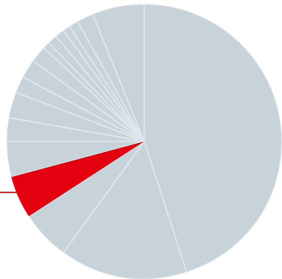
The building construction sector was also able to achieve a significant improvement in 2014 versus the previous year. The +3.1 % (after -2.4 % in 2013) resulted above all from new industrial plants as well as public buildings and commercial properties. This was contrasted, however, by a serious collapse in the construction of hotels and railway stations. Nevertheless, further growth of about 4.0 % is expected for 2015.

The most impressive increases during the reporting period were registered in the ground civil engineering sector. After -16.8 % in the previous year, extensive investments in the road and rail network led to a plus of 9.0 %. The planned further development of rail transportation, as well as new power plants and water works, make the forecasted growth of between 11.5 % and 12.9 % over the next three years seem realistic.

As the number three in the Polish construction sector, the STRABAG Group also benefits from an upswing on this market. The country contributed € 816.82 million or 6 % to the company's total output volume in 2014 and so is the third-largest market for the STRABAG Group. The group holds a share of 1.9 % on the Polish construction market and 7.2 % in road construction.

CZECH REPUBLIC

5 %
contribution
to group
output
volume



Overall construction volume: € 15.79 billion
GDP growth: 2014e: 2.6 % / 2015e: 2.7 %
Construction growth: 2014e: 1.0 % / 2015e: 2.5 %

2014 brought the turnaround for the Czech Republic. Despite the ongoing political instability, a weak currency, increases to the value added tax, and declining state investments, it was possible to stop the downward economic development that began in 2008 sooner than expected. The result was a GDP plus of 2.6 % with forecasts for a similar figure in the year to come.

Although the construction industry continued to suffer under the massive decrease of public sector investments in transportation infrastructures, the construction output also managed to grow by 1.0 % in the period under review; a plus of 2.5 % is expected for 2015.

The weakest sector in 2014 was residential construction. After the strong losses of the past (2012: -19.2 %, 2013: -13.0 %), this sector closed the year down 5.4 % although it should return to a slight plus (0.5 %) in 2015. At least the relatively low housing prices and extremely affordable interest rates for mortgage loans helped boost the weak demand especially for apartments in multi-family units. A negative impact, on the other hand, came from the rising fiscal burden – e.g. in the form of the real estate acquisition tax.

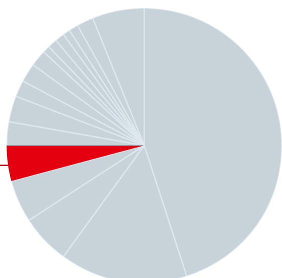
Although the building construction sector grew by 1.5 % in the reporting period, thereby getting out of the red earlier than expected, the bottom line for this sector could have been much more positive had the Czech Republic been more efficient in handling its EU grants and subsidies. Czech tax policies also led to insecurities among private investors, who returned only hesitatingly to the market as a result. The strongest recovery was observed with warehouse properties and office buildings, above all in Prague.

Euroconstruct saw the most significant improvement in ground civil engineering. After three consecutive years of shrinking by about 10 % each time, the sector finally grew by 4.8 % in 2014. This was due above all to projects from the public sector, which invested in rail expansion works, wastewater systems, sewage treatment plants, and flood control structures to help stimulate the economy. The government also promised to help develop transportation infrastructures and to ensure a more transparent and simpler contract award and funding procedure.

STRABAG is the number two on the market in the Czech Republic. With an output volume of € 619.58 million, about 5 % of the group's total output volume was generated on the Czech market in 2014. The group's share of the entire construction market amounts to 4.1 % and even reaches 18.2 % in road construction.

HUNGARY

4 %
contribution
to group
output
volume



Overall construction volume: € 7.84 billion
GDP growth: 2014e: 3.3 % / 2015e: 2.4 %
Construction growth: 2014e: 14.3 % / 2015e: 5.1 %

Hungary's economy was characterised by a dynamic upswing in 2014, reflected in GDP growth of 3.3 %. This development is based on the general economic improvement in Europe but also largely on government measures to relieve the private households and to increase private income.

A particularly significant effect came from the recovery of the construction output, which grew by 14.3 % over the previous year. The poor creditworthiness attested to Hungary by the international ratings agencies meant a lack of significant foreign direct investment. But the financial commitment by local micro businesses and SMEs should contribute to sustained, if moderate, growth of 3–5 % a year in the medium term thanks to a large number of planned industrial buildings and warehouse properties.

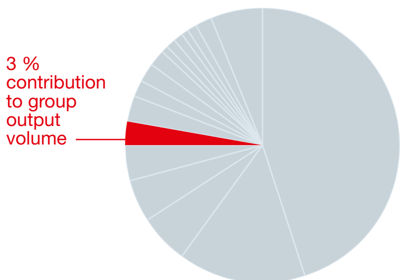
The residential construction sector ended the reporting year with a plus of 3.0 %. This result should be seen with caution, however, as the sector had shrunk by 15.1 % in 2013 and new residential construction had amounted to no more than one fifth of its volume before the beginning of the crisis. The current upswing, therefore only signals an end to the downward spiral for now.

The building construction sector grew even more strongly, by 10.0 %, in 2014. It was an election year in Hungary and the government dug deep into the available EU funds for strong investments in public buildings, squares, parks and local public transport systems, in particularly the new Line 4 of the Budapest Metro.

It was ground civil engineering, however, which contributed the most to the higher Hungarian construction volume. This sector grew by 23.1 % and accounted for about 61 % of all construction projects in progress. After years of stop-and-go politics, the government in 2014 finally decided to make long-term investments in road and rail construction and Euroconstruct now expects this sector to also report positive growth rates in the years to come.

4 % of the output volume of the STRABAG Group, or € 544.28 million, is generated in Hungary, giving the company the number two position on the Hungarian construction market. Its share of the market as a whole amounts to 6.4 %, with a figure of 10.1 % in road construction.

SLOVAKIA



Overall construction volume:	€ 4.38 billion
GDP growth:	2014e: 2.4 % / 2015e: 2.6 %
Construction growth:	2014e: -0.4 % / 2015e: 1.8 %

The Slovak GDP, with +2.4 %, grew twice as strongly in 2014 as the EU average. This development was due above all to the unexpectedly high domestic consumption in the first half of the year, which, in turn, was a result of higher wages and salaries as well as of lower unemployment figures. For the export industry, the most important pillar of the Slovak economy, Euroconstruct expects only marginal growth in the next few years. The annual GDP growth, however, should remain between 2.6 % (2015e) and 3.5 % (2016e/2017e).

Despite this positive economic development, a recovery was not observed in the construction sector. The construction volume shrank in 2014, as in the years before, with a decline of 0.4 %. Important factors were the lack of private investments and the postponed start of construction on public sector projects. Positive construction output growth (+1.8 %) is not expected until 2015.

As the state has not distributed any noteworthy funding for the construction of rental housing, the negative trend in residential construction continued despite the positive economic environment with a minus of 0.9 % in 2014. However, Euroconstruct expects a return to growth in 2015 with a slight plus of 0.5 %.

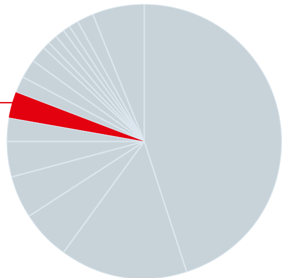
The building construction sector, which represents more than half of Slovakia's total construction output, also continued to suffer under the lack of financial resources and investor reluctance. The sector slipped by a total of 1.6 % in 2014. The originally announced upswing for 2015 is now expected in 2017 at the earliest.

Ground civil engineering was the only sector of the Slovak construction industry to register positive growth in 2014. The plus of 1.9 %, generated above all thanks to the realisation of long-postponed road construction projects, was in line with the previous year's result but remained far below the forecast of +10.6 %.

Slovakia is still struggling with problems in the award of public contracts and inadequate project documentation, which causes a lot of problems for construction companies and investors as it hinders the approval of urgently needed EU grants and subsidies.

With a market share of 7.8 % in 2013 and an output volume of € 427.13 million in 2014, the STRABAG Group is the market leader on the Slovak market. In road construction, the group's share even amounts to 13.6 %. In 2014, Slovakia contributed 3 % to the total output volume of the group.

SWITZERLAND[1)]



Overall construction volume: € 52.45 billion
GDP growth: 2014e: 1.7 % / 2015e: -0.5 %
Construction growth: 2014e: 0.8 % / 2015e: -1.4 %

Switzerland showed moderate economic growth in 2014. Although the export sector boomed less strongly than in the past, and despite the declining domestic demand, the GDP nevertheless grew by 1.7 % in 2014.

In mid-January 2015, the Swiss National Bank unexpectedly discontinued the minimum euro exchange rate, resulting in a sudden jump of the value of the Swiss franc. This will likely lead to a sharp drop in exports; the KOF Swiss Economic Institute therefore expects the country's GDP to decline by 0.5 % in 2015.

As political decisions had a dampening effect, the construction industry benefited only partly from the general economic development with a plus of 0.8 % in the past financial year. A negative impact came from the second-home purchase restrictions adopted two years ago, which limit the percentage of holiday homes in any community to 20 %. This led to a noticeable drop in the number of new building projects in tourism regions. Another troubling referendum is the initiative against mass immigration that was approved in July 2014. Lower levels of immigration not only mean a lower demand for new accommodation, but the decision could also threaten to end bilateral as well as EU-wide agreements – resulting in lower demand for industrial buildings and commercial properties. Only the third referendum – for the creation of a billion-franc rail fund – could basically help to boost the Swiss construction sector.

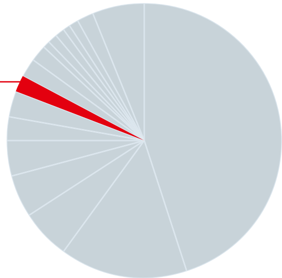
These three referenda had a defining influence on 2014, contributing to a collapse of the business climate above all in residential construction. Growth of just 0.2 % (after a plus of 2.2 % the previous year) was only possible because the order books had still been filled. But the construction companies were already complaining of a lower volume of orders. The building construction sector was still able to post a positive bottom line (+1.3 %) despite increasing vacancies and lower returns on investments in office properties. In ground civil engineering (+1.4 %), the mild winter 2013/2014 allowed for above-average levels of construction activity and made it possible to work off overdue contracts.

The decision by the Swiss National Bank to unpeg its currency will affect previous forecasts within the construction economy for 2015 – although exports play a lesser role in this sector than in other industries and the exchange rate shift should therefore have a lower impact on the construction sector. In view of the "franc shock", however, the KOF Swiss Economic Institute now expects a higher than expected decrease (1.4 %).

Switzerland contributed € 358.65 million, or about 3 %, to the total output volume of the STRABAG Group in 2014.

1) The forecasts for Switzerland are based on estimations by the KOF Swiss Economic Institute at the Federal Institute of Technology Zurich from January 2015.

BENELUX



BELGIUM

Overall construction volume:	€ 38.56 billion
GDP growth:	2014e: 1.1 % / 2015e: 1.5 %
Construction growth:	2014e: 0.7 % / 2015e: 0.0 %

NETHERLANDS

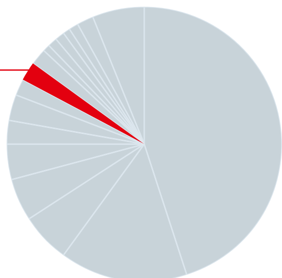
Overall construction volume:	€ 59.78 billion
GDP growth:	2014e: 0.8 % / 2015e: 1.3 %
Construction growth:	2014e: 0.3 % / 2015e: 3.4 %

As forecast, the economy in the Benelux countries exhibited a slight recovery in 2014. Falling unemployment and rising investments helped the Netherlands fight its way out of the recession (GDP growth 2014: 0.8 %) and Euroconstruct expects to see even stronger growth in the years to come. Belgium had to adjust its GDP growth downward in the year under review, but it still achieved a plus of 1.1 %, with an upward trend expected here as well.

Development of the Belgian construction output in 2014 was somewhat weaker, but still positive (+0.7 %). The significant growth in residential construction (+3.4 %) helped to balance out declines in building construction and ground civil engineering. The future looks rather dismal, however: zero growth, leaning to the negative, is predicted for 2015, thanks primarily to the relatively strongest sector – building construction – before moderate growth sets in starting with 2016. The Dutch construction industry on the other hand, which had to content itself with a modest plus of 0.3 % in the construction output in 2014, has a more positive outlook for the coming years. The residential construction sector in particular is expected to boom in 2015 (+5.9 %), feeding hopes of a higher overall construction volume (+3.4 %). For 2016/2017, Euroconstruct expects growth of up to 4.7 %.

STRABAG generated an output volume of € 324.07 million in the Benelux countries in 2014, which corresponds to about 2 % of the total.

RUSSIA AND NEIGHBOURING COUNTRIES (RANC)



RUSSIA

Overall construction volume:	€ 177.20 billion
GDP growth:	2014e: 0.3 % / 2015e: -1.5 %
Construction growth:	2014e: 6.0 % / 2015e: -6.5 %

UKRAINE

Overall construction volume:	€ 13.49 billion
GDP growth:	2014e: -7.0 % / 2015e: 1.0 %
Construction growth:	2014e: -14.4 % / 2015e: 1.5 %

The turbulences to which Russia has been subjected since the beginning of the Ukraine crisis have had a noticeable effect on the national economy. Western sanctions, as well as the collapse of the rouble and of the oil price, made it necessary to adjust the 2014 GDP growth forecasts downward several times. In the end, this figure settled at just +0.3 %. The Eastern European Construction Forecasting Association (EECFA) expects the Russian economic output to shrink by 1.5 % in 2015 and by -0.8 % in 2016.

The residential construction sector in Russia reached a high point with a considerable plus of 18.3 % in 2014, but growth is expected to collapse just as spectacularly in the years to come. The forecast is -12.1 % for 2015 and -9.7 % for 2016, caused by recession-driven income losses and declining purchasing power, on the one hand, and by rising mortgage rates and more stringent bank credit policies, on the other hand.

The building construction sector, which shrank by 3.1 % in 2014, is also expected to post losses of 7.7 % and 9.8 % for the next two years. Especially affected will be the office and commercial building sector, which traditionally suffers the most under negative economic influences.

Ground civil engineering, which fell by a relatively moderate 1.8 % in 2014, is the only sector with the promise of positive growth: Thanks to a number of large infrastructure projects, such as the bridge over the Kerch Strait between Crimea and the Taman Peninsula, or the Power of Siberia pipeline between Russia and China, slight growth of 1.2 % is expected for 2015.

Ukraine's macroeconomic situation in 2014 was shaped by the conflict in the eastern part of the country, the insecurities regarding energy security, and the loss of sales markets. These problems led to a GDP decline of 7.0 %. On the condition that the state of war with Russia ends and political stability returns to the region, however, EECFA expects an upswing for the coming years with GDP growth rates of 1.0 % (2015e) and 3.9 % (2016e).

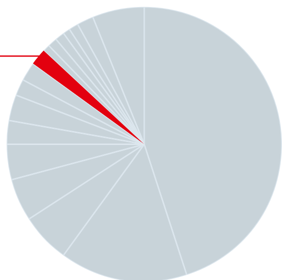
The construction industry saw quite distinct developments in Ukraine in 2014. While the market for residential construction exhibited some growth despite the crisis and therefore posted only weak negative development (-3.0 %), building construction and ground civil engineering collapsed by 25.6 % and 14.2 %, respectively. The former can be explained, among other things, by a migration-driven rise in housing needs and by renovation works – both of these are aspects that should lead to an upswing in residential construction in the years to come. Current forecasts are for +2.0 % for 2015 and +4.0 % for 2016.

Building construction, on the other hand, will continue to feel the impact of the crisis – a general decline in business and, as a result, low demand for offices and hotels – at least in the year to come. The experts expect a minus of 2.1 % for the sector as a whole with a possible exception of the retail sector, which, however, has experienced drastic losses since 2009.

In the ground civil engineering sector, which fell by a practically unchanged 14.2 %, the massive investment need in the Ukrainian infrastructure holds the promise of a positive development. This should bring the construction industry a plus of 3.4 % in 2015 and even growth of 6.0 % in 2016.

The STRABAG Group generated an output volume of € 302.07 million in Russia and the neighbouring countries (RANC) in 2014. The share of the group's total output volume reached 2 % in the period under review. STRABAG is almost exclusively active in building construction and civil engineering in the region.

SWEDEN



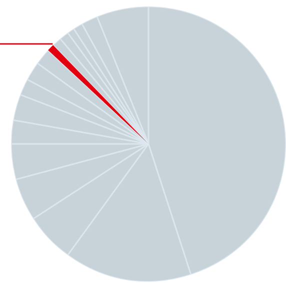
Overall construction volume: € 32.48 billion
GDP growth: 2014e: 1.8 % / 2015e: 3.1 %
Construction growth: 2014e: 5.3 % / 2015e: 1.3 %

The Swedish economy expanded by 1.8 % in 2014, more strongly than in the year before. This positive trend will probably continue to accelerate in the medium term, with growth expected to reach 3.4 % by 2016. Driving this development is, besides the low credit interest, the declining unemployment figures, and the rising real wages (as well as the resulting higher domestic consumption), an investment backlog that is now in the process of being worked off.

With a plus of 5.3 %, the Swedish construction industry was able to report above-average strong growth in 2014. A construction boom – especially with multi-family homes – had already started the year before. In 2014, this was reflected in a plus of 8.7 % in the residential construction sector. For 2015, however, Euroconstruct expects weaker growth of +0.2 %. Thanks to large private and public projects, the building construction sector also registered satisfactory growth of 4.2 % although this should slow to 1.1 % in 2015. Investments from the energy sector led to a recovery in ground civil engineering (+2.5 %) in 2014 after the negative growth of the previous year. Despite plans to expand the transport infrastructures, however, growth is expected to be slower in the years to come.

The output volume of the STRABAG Group in Sweden amounted to € 270.82 million in 2014. The company's main fields of activities include infrastructure and residential construction.

DENMARK



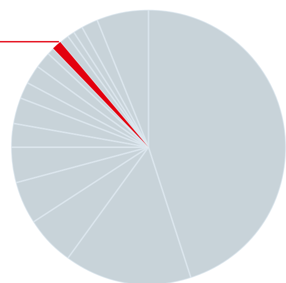
Overall construction volume:	€ 26.56 billion
GDP growth:	2014e: 0.7 % / 2015e: 1.2 %
Construction growth:	2014e: 2.5 % / 2015e: 2.9 %

After two negative years, the Danish economy returned to slight GDP growth of 0.7 % in 2014. Driving this development was the foreign trade, which grew more strongly than other macroeconomically relevant sectors. Increasing consumer confidence, higher available income levels, new jobs and rising real estate prices, among other things, should help Denmark to constant, albeit moderate, economic growth in the next few years, according to Euroconstruct.

The sharp – in contrast to the GDP – decline in the construction output in the past few years was followed by relatively just as steep growth of 2.5 % in 2014, with forecasts from +2.9 % (2015e) to +3.7 % (2017e). In the residential construction sector, the demand for new social housing projects led to growth of 2.6 %. In building construction, which also grew by 2.6 % in 2014, an extensive programme to build new hospitals also promises strong impulses for the coming years, with a considerable plus of 4.3 % forecast for 2015. Ground civil engineering, for years the most stable construction sector, achieved a plus of 2.2 % in 2014 and, thanks to increasing financing and numerous new projects, especially in transport, should rise to 3.5 % in 2015.

Thanks to several new large projects, the STRABAG Group generated an output volume of € 196.76 million in Denmark in 2014.

ROMANIA



Overall construction volume:	€ 16.53 billion
GDP growth:	2014e: 2.0 % / 2015e: 2.4 %
Construction growth:	2014e: 0.2 % / 2015e: 5.6 %

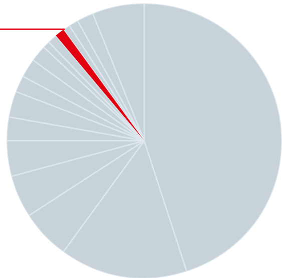
The Romanian economy expanded by 2.0 % in 2014, just below the forecast from the previous year. According to EECFA, this positive trend should gain strength by an additional 0.4 percentage points each year in the years to come. Increasing private demand, rising incomes and a stable inflation rate should lend growth impulses to the construction sector as well. After a moderate increase of 0.2 % in the period under review, growth of 5.6 % is expected in this sector for 2015.

The main sector driving this growth in 2014 was residential construction, which had still posted declines in the year before and now registered a plus of 6.0 %. The building construction sector was unable to fully maintain its high growth rate of 2013 (+8.1 %), but could still generate an increase of 6.0 %. The main reasons for this development can be found in the highly skilled workforce and low wages, which draw foreign companies to the country.

Although after four years of recession the ground civil engineering sector had succeeded in achieving positive growth in the previous year (+3.5 %), this was again followed by a decline of 6.9 % in 2014. But as all areas of Romanian infrastructure – roads, rail, airports, waterways, municipal utilities, etc. – are in urgent need of repair, EECFA sees great potential for development in this sector. The forecast for 2015 amounts to +7.7 %, not least because of the increased use of EU funding.

The STRABAG Group is market leader on the Romanian construction market, with an output volume of € 181.34 million in 2014; this corresponds to a market share of 1.9 %. In Romanian road construction, the share amounts to 2.5 %.

ITALY



Overall construction volume: € 166.48 billion
GDP growth: 2014e: -0.4 % / 2015e: 0.3 %
Construction growth: 2014e: -2.2 % / 2015e: 1.1 %

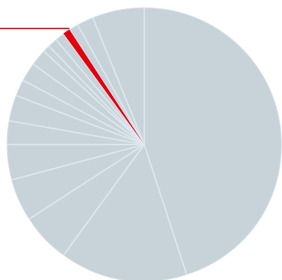
Counter to the forecasts of the previous year, the Italian economy continued its downward development in 2014. The domestic consumption remained weak as a result of high unemployment and the GDP shrank by 0.4 %. There are hopes for a light plus of 0.3 % for this year, but a real upturn is not expected until after 2015.

The Italian construction industry suffered more than average under the economic crisis. In a long-term comparison, the volumes have fallen by 66 % (2014e: -1.6 %) in residential construction and by 64 % (2014e: -2.5 %) in building construction since 2006. The turnaround is expected in both sectors for the coming year, however, with moderate growth (+0.7 % and +0.9 %) to be generated above all through rising private demand. In order to create incentives for private investment, the government in October decided to extend the tax deductibility of construction work until the end of 2015.

As expected, ground civil engineering developed the weakest in 2014 with a minus of 3.2 %. Still, the relatively greatest growth for 2015 is being predicted in this sector thanks to the government's Sblocca Italia (Unlock Italy) reform package of urgent actions for the opening of construction sites, the realisation of public contracts, and the digital transformation of Italy.

The output volume of the STRABAG Group in Italy amounted to € 179.10 million in 2014. The company is mainly active in tunnelling and road construction in the north of the country, therefore, the output volume can be found in the International + Special Divisions segment.

CROATIA



Overall construction volume: € 2.99 billion
GDP growth: 2014e: -0.7 % / 2015e: 0.2 %
Construction growth: 2014e: -5.7 % / 2015e: 5.2 %

The Croatian GDP decreased for the sixth year in a row. However, the 2014 minus of 0.7 % should represent an end to this downward spiral. EECFA forecasts a minimal plus of 0.2 % for 2015, although private consumption is expected to continue to decline despite the minor income growth. The country is expected to leave the recession behind it in 2016, but only if it can avoid unnecessary delays in applying for EU grants and subsidies and if it finally implements long overdue policy measures.

Croatia's construction industry has also been ailing since 2009 – and to an even stronger degree than the national economy. In 2014, the construction volume was down 5.7 % versus the year before. For 2015 and 2016, however, EECFA sees renewed growth in the amount of 5.2 % and 5.1 %, respectively.

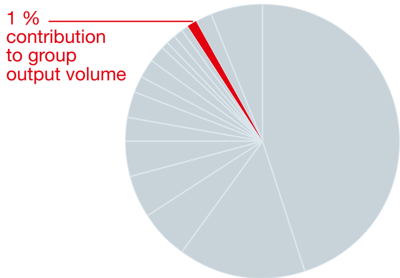
Given the hesitance on the part of the banks to issue loans, and the lack of consumer purchasing power in Croatia, it is no wonder that the residential construction sector shrank by 5.8 % in 2014 and that the forecast for 2015 is for a moderate +1.5 %. The great number of vacant residential properties on the market speaks against new projects. The situation with office properties is similar.

A better performance in 2014, with a minus of just 0.2 %, was presented by the building construction sector. Transportation structures and hotels grew the strongest here. The experts also expect positive growth with industrial buildings and warehouse properties.

The weakest sector in 2014 by far was ground civil engineering (-9.3 %), although it has the best future prospects and should grow by 9.5 % in 2015. Some conditions for this development include an adequate availability of EU funds, a positive development of returns from oil and gas production, as well as swift investments in seaport and airport facilities.

In 2014, the STRABAG Group generated € 120.74 million on the Croatian market.

SLOVENIA



Overall construction volume:	€ 2.37 billion
GDP growth:	2014e: 2.0 % / 2015e: 1.6 %
Construction growth:	2014e: 9.7 % / 2015e: -4.5 %

With an increase of 2.0 %, Slovenia's GDP growth in 2014 was two-and-a-half times as high as the EU average (+0.8 %) and in the upper third of Europe as a whole. The economic upswing also had a positive impact on the construction industry. Although the sector only managed to achieve half of the previous year's forecast, the plus of +9.7 % nevertheless represents almost double-digit growth.

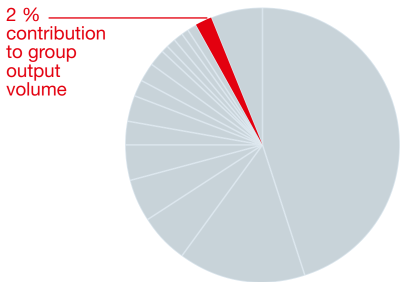
Slovenia's weakest construction subsector – and the only one to shrink in 2014 – was residential construction. The minus of 8.9 % was the sixth negative growth figure in a row. At least renovation works, which have outweighed new productions since 2013 and are continually on the rise, should help to relieve the situation. For the near future, EECFA expects growth of 8.1 % (2015e) and 9.9 % (2016e).

A much better performance in the year under review was shown by building construction. With a plus of 13.9 %, the sector also managed to end a five-year recession phase. This development was driven primarily by public investments in educational facilities and energy efficiency projects. As grants and subsidies from the EU structural fund will no longer be available at the same level as in 2014, however, this upswing is unlikely to last through the years to come. For 2015, EECFA expects to see stagnation or a slight minus of 0.7 %.

The ground civil engineering sector, which grew by a fantastic 25.0 % in 2014, will likely suffer under the lack of EU funds in the coming years. Depending on the level of public financing or state austerity measures, the sector is expected to shrink by 15.0 % and 5.0 % in 2015 and 2016, respectively.

In 2014, the STRABAG Group generated an output volume of € 68.17 million in Slovenia, positioning it as the third-largest construction company in the country.

BULGARIA, SERBIA AND REST OF EUROPE



BULGARIA

Overall construction volume:	€ 5.86 billion
GDP growth:	2014e: 1.2 % / 2015e: 0.6 %
Construction growth:	2014e: 7.6 % / 2015e: 0.2 %

SERBIA

Overall construction volume:	€ 1.67 billion
GDP growth:	2014e: -1.8 % / 2015e: 1.0 %
Construction growth:	2014e: -6.9 % / 2015e: 3.1 %

Bulgaria

Slow yet steady positive growth describes the development of the Bulgarian economy since the collapse five years ago. Thanks to rising household consumption, based on higher incomes and pensions, the GDP growth amounted to 1.2 % in 2014. The growth is expected to drop in half to 0.6 % in 2015 before increasing again to 1.3 % in 2016.

After the negative growth of 2013, Bulgaria's construction sector was able to register a plus of 7.6 % in the year under report, thanks considerably to residential construction. After four strongly negative years, an end to the negative movement had already been noticed the year before (-1.9 %) and the turnaround finally came in 2014 with +11.7 %. Planned energy efficiency programmes, above all with prefabricated concrete buildings, should also help drive continued positive growth of 3.4–4.6 % in the years to come.

Two trends helped shape the result of +5.4 % in building construction. On the one hand, the modest economic growth slowed the construction of new hotels, commercial buildings and office properties; on the other hand, EU funds became available for agricultural, healthcare and educational facilities. The positive forecasts of +4.2 % (2015e) and +3.3 % (2016e) are based on industrial projects commissioned by foreign companies.

The ground civil engineering sector likely reached its preliminary high in 2014 with a plus of 7.7 %. EU funds in particular were exhausted toward the end of the period, although a part of this financing will continue to have an impact in 2015. The expected return to a minus of 3.1 % (2015e) and 6.6 % (2016e) is due to Russia's decision in December 2014 to cancel the South-stream gas pipeline project. In this context, the resumption of suspended EU programmes will only provide some relief, but by no means positive figures for this sector.

In 2014, the STRABAG Group generated an output volume of € 39.32 million on the Bulgarian market.

Serbia

After the positive result of the previous year (+2.4 % GDP growth), the Serbian economy had to suffer a bitter setback in 2014 as the country was hit by the worst flooding in 200 years, with damages surpassing € 2 billion and a decline of the GDP to -1.8 %. Depending on the stability of export and agriculture growth, and on the level of deliberation with which the government implements its austerity and debt reduction programme in 2015, EECFA expects a moderate yet continuous upswing between 1 % and 2 % for the coming years.

Serbia's construction sector, marked by a collapse of over 20 % in 2013, was able to slow the decline to 6.9 % 2014, but still failed to return to positive territory. A substantial recovery is not in sight before 2016.

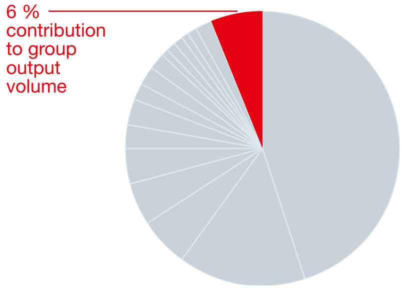
Residential construction, which had been hardest hit in 2013 with a minus of 27.5 %, suffered under the end of state incentive programmes in the year under review and closed with a minus of 5.4 %. EECFA expects a slight improvement of the situation for 2015 (+2.3 %) although a real upswing (+13.3 %) is not in sight until 2016.

The losses in building construction still amounted to 12.0 % in 2014 (after -18.0 % the year before). The demand in the office segment, as well as for new projects in the hotel and retail sector, feed hopes for a return to growth in 2015 – EECFA currently expects a plus of 9.1 %.

Ground civil engineering proved to be the most stable sector in 2014. Thanks to the many motorways currently under construction, the decline here amounted to just 4.6 % and growth of 0.5 % is expected for 2015. On the condition that the 2014 programme to rebuild the country's rail network has the expected positive effect, the plus for 2016 is even being put at 10.8 %.

In 2014, the STRABAG Group generated an output volume of € 37.96 million on the Serbian market.

MIDDLE EAST, AMERICAS, AFRICA, ASIA



In order to become more independent from the economic conditions in individual countries, the STRABAG Group not only operates on its main European markets but is also active outside of Europe – mostly in the role of main contractor under a direct export model. The most important non-European markets, some of which STRABAG has been working in for decades, include Canada, Chile, the Middle East and selected countries in Africa and Asia.

Due to STRABAG's high level of technological expertise, the focus of the activities in the non-European markets lies in especially demanding fields such as civil engineering, industrial and infrastructure projects, and tunnelling. Group companies are currently working on hydropower plants in Chile and on a container port in Mauritius.

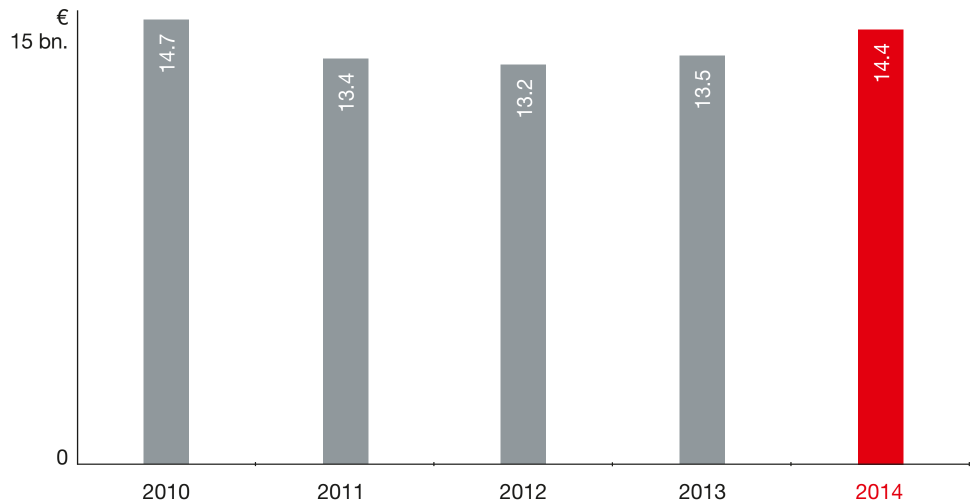
All in all, the STRABAG Group generated € 771.30 million, or 6 %, of its total output volume outside of Europe in 2014. The company expects this figure to grow to at least 10 % in the years to come. The group's activities in non-European markets can be found – with a few exceptions – in the International + Special Divisions segment.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2014

€ mln.	Total 2014	North + West	South + East	International + Special Divisions	Other	Total 2013	Δ Group %	Δ Group absolute
Germany	4,938	3,738	95	1,099	6	5,052	-2	-114
Austria	1,542	4	1,017	520	1	1,503	3	39
Italy	1,237	0	2	1,235	0	1,256	-2	-19
Poland	845	783	17	45	0	605	40	240
Russia and neighbouring countries	723	37	618	68	0	317	128	406
Americas	583	22	0	561	0	640	-9	-57
Slovakia	553	0	526	27	0	445	24	108
Middle East	525	2	11	512	0	585	-10	-60
Hungary	508	1	486	21	0	573	-11	-65
Romania	498	2	490	6	0	308	62	190
Denmark	456	433	0	23	0	284	61	172
Benelux	398	329	16	53	0	351	13	47
Czech Republic	348	0	336	11	1	364	-4	-16
Sweden	311	307	0	4	0	269	16	42
Rest of Europe	228	14	129	85	0	118	93	110
Asia	194	0	10	184	0	112	73	82
Switzerland	169	10	145	14	0	217	-22	-48
Slovenia	113	0	113	0	0	151	-25	-38
Africa	108	0	9	99	0	134	-19	-26
Croatia	53	0	49	4	0	77	-31	-24
Bosnia and Herzegovina	35	0	35	0	0	53	-34	-18
Serbia	24	0	24	0	0	21	14	3
Bulgaria	14	0	14	0	0	35	-60	-21
Total	**14,403**	**5,682**	**4,142**	**4,571**	**8**	**13,470**	**7**	**933**

DEVELOPMENT OF ORDER BACKLOG



The positive development of the order backlog which had begun to take shape in the last few months of the past financial year continued until year's end: at € 14.4 billion (+7 %), the order backlog reached a high level that covered more than the planned output volume for the 2015 full year. Growth was seen especially in Central and Eastern Europe. A number of medium-sized orders in Slovakia and Romania, projects in the private industrial construction sector in Russia, and a number of Polish transportation infrastructure projects helped drive the order backlog up. In other markets, such as the home market of Germany – here especially in the building construction and civil engineering segment – the order backlog had already previously reached a high level.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2014

Category	Number of construction sites	as % of number of construction sites	Order backlog € mln.	as % of order backlog
Small orders (€ 0–15 mln.)	14,292	98	5,042	35
Medium-sized orders (€ 15–50 mln.)	209	1	2,603	18
Large orders (>€ 50 mln.)	102	1	6,758	47
Total	**14,603**	**100**	**14,403**	**100**

Part of risk management

The overall order backlog is comprised of 14,603 individual projects. More than 14,000 of these are small projects with a volume of up to € 15 million each. They account for 35 % of the order backlog; a further 18 % are medium-sized projects with order volumes between € 15 million and € 50 million; 47 % are large projects of € 50 million or more. 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 2014 added up to 20 % of the order backlog, compared to 22 % at the end of 2013.

THE TEN LARGEST PROJECTS CURRENTLY IN PROGRESS AS AT 31 DECEMBER 2014

Country	Project	Order backlog € mln.	as % of total order backlog
Italy	Pedemontana motorway	966	6.7
Chile	Alto Maipo hydropower complex	332	2.3
Germany	Stuttgart 21, underground railway station	289	2.0
Russia	Chusovoy Steel Works	233	1.6
Austria	Koralm Tunnel, Section 2	217	1.5
Austria	Brenner Base Tunnel, Tulfes–Pfons	200	1.4
Russia	Tula Steel Works	197	1.4
Germany	Rastatt Tunnel	183	1.3
Germany	Upper West, Berlin	139	1.0
Sweden	Marieholm Tunnel	138	1.0
Total		**2,894**	**20.1**

Impact on changes to the scope of consolidation

In the 2014 financial year, 21 companies (thereof six mergers with fully consolidated companies) were included in the scope of consolidation for the first time. These companies contributed a total of € 64.43 million to group revenue and € 2.36 million to net income after minorities. As a result of first-time inclusions, current and non-current assets increased by € 129.35 million, current and non-current liabilities by € 49.74 million.

Financial performance

The consolidated **group revenue** for the 2014 financial year amounted to € 12,475.67 million and so remained – like the output volume – nearly unchanged (+1 %). The ratio of revenue to output remained at the previous year's level of 92 %. The segment North + West contributed 46 %, South + East 32 % and International + Special Divisions 22 % to the revenue.

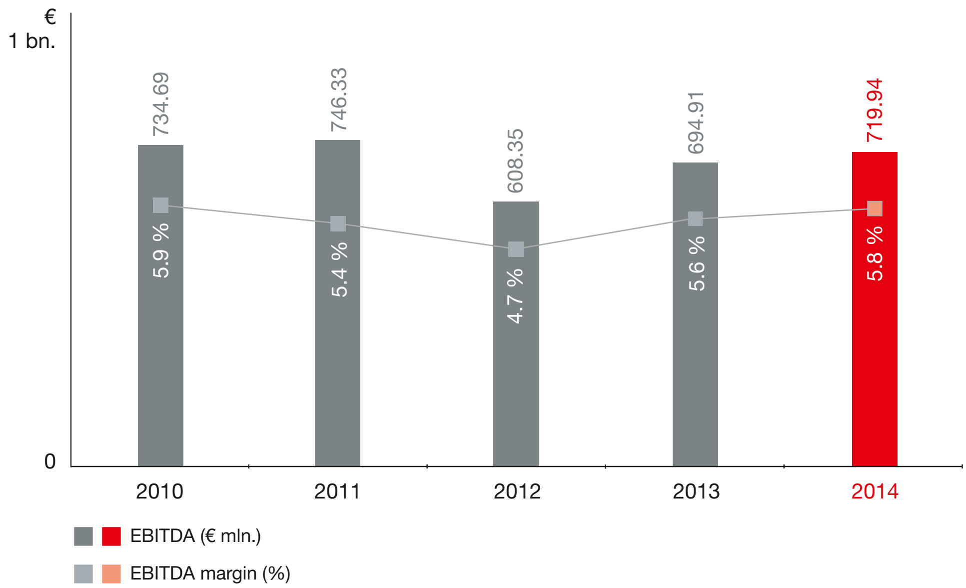
The **changes in inventories** involve mainly the real estate project development business, which was conducted as actively in 2014 as in the past. The removal of a large concluded project was only partially compensated through the start of new project developments. The **own work capitalised** remained 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.	2014	2013	Δ %
Construction materials, consumables and services used	8,163,25	8,204.35	1
Employee benefits expense	3,057.67	2,998.65	-2
Other operating expenses	791.36	779.12	-2
Depreciation and amortisation	437.98	433.34	-1

As of this year, the **share of profit or loss of associates** also includes earnings from construction consortia; the previous year's figures have been adjusted for better comparability. The significant growth can be explained by the reduction of financial burdens related to a hydraulic engineering project in Sweden. The net income from investments, composed of the dividends and expenses of many smaller companies or financial investments, moved from negative into positive territory. The figure for the previous year had been burdened by a one-time impairment on a German concession company.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN



Effective tax rate: 42.3 %

Earnings per share: € 1.25

In total, there was a 4 % increase of the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) to € 719.94 million, while the EBITDA margin grew from 5.6 % to 5.8 %. The **depreciation and amortisation** stood at € 437.98 million or at about the level of the previous year. The goodwill impairment contained in this item increased from € 3.99 million to € 28.83 million. The depreciation on property, plant and equipment involves special equipment purchased for the group's international business, with the expense to be depreciated over just a few years of construction time, as well as depreciation on equipment in hydraulic engineering.

This results in a plus of 8 % in the **earnings before interest and taxes** (EBIT) to € 281.96 million and an EBIT margin of 2.3 % after 2.1 % in 2013. Year-on-year earnings improved across the board in Poland, while hydraulic engineering in Germany, a Dutch transportation infrastructures project and the business activity in Sweden again represented a burden.

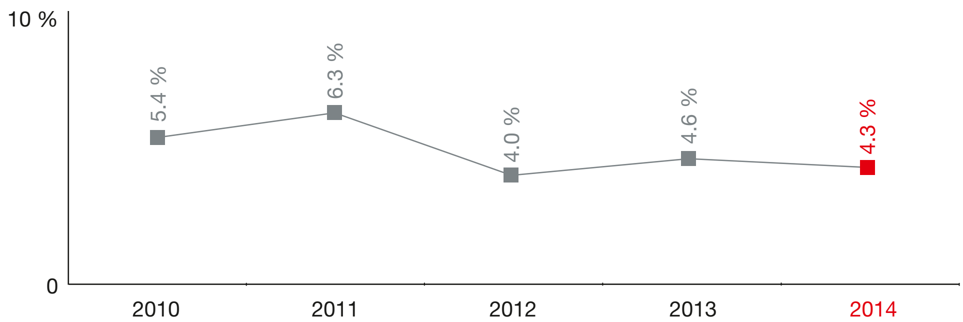
While exchange rate differences amounting to € 13.04 million had been registered in 2013, the **net interest income** in the past financial year now contained foreign currency effects of just € 5.29 million. The result was a net interest income of € -26.20 million compared to € -31.54 million the year before. The reason for the lower interest burden can be found in the interest received for the financing of associate companies.

In the end, the **earnings before taxes** (EBT) showed a plus of 11 %. The unusually high **income tax rate** of 42.3 % (2013: 32.1 %) – due to the lack of tax savings for the losses in Sweden, the Netherlands or Portugal and as a result of non-tax-deductible expenses – nevertheless resulted in a 6 % decline of the net income.

Earnings owed to minority shareholders amounted to just € 19.53 million compared to € 42.70 million the year before. This can be explained by the reduction of earnings for Ed. Züblin AG. The **net income after minorities** for 2014 thus came to € 127.97 million, a plus of 13 % versus the previous year. The number of weighted outstanding shares decreased insignificantly due to the buyback of own shares – concluded in 2013 – from 102,716,850 to 102,600,000, so that the earnings per share also increased by 13 % to € 1.25.

The **return on capital employed** (ROCE)[1)] fell slightly from 4.6 % to 4.3 %.

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.	2014	% of balance sheet total	2013	% of balance sheet total
Non-current assets	4,506.46	44	4,416.30	42
Current assets	5,769.08	56	6,144.50	58
Equity	3,144.30	31	3,238.77	31
Non-current liabilities	2,408.70	23	2,465.79	23
Current liabilities	4,722.54	46	4,856.23	46
Total	**10,275.54**	**100**	**10,560.79**	**100**

The **balance sheet total** of STRABAG SE remained nearly unchanged at € 10.3 billion. This was in large part due to an increase in other non-current assets resulting from the assumption of financing from the associated company Societatea Companiilor Hoteliere Grand srl, Bucharest, and the significant decrease of inventories as a result of the disposal of the offshore wind farm portfolio and a large building construction project development. A further result was the growth of cash and cash equivalents from € 1.7 billion to € 1.9 billion.

Conspicuous on the liabilities side is the stable high **equity ratio** of 30.6 % (2013: 30.7 %) and the higher non-current provisions resulting from the interest-related growth of the pension and severance provisions.

KEY BALANCE SHEET FIGURES

	2010	2011	2012	2013	2014
Equity ratio (%)	31.1	30.3	31.2	30.7	30.6
Net debt (€ mln.)	-669.04	-267.81	154.55	-73.73	-249.11
Gearing ratio (%)	-20.7	-8.5	4.9	-2.3	-7.9
Capital employed (€ mln.)	5,235.74	5,336.45	5,322.35	5,462.11	5,357.82

Net cash position: € 249.11 million

As usual, a **net cash position** was reported on 31 December 2014. This position grew, as a result of the higher cash and cash equivalents, from € 73.73 million on 31 December 2013 to € 249.11 million at the end of 2014.

CALCULATION OF NET DEBT

€ mln.	2010	2011	2012	2013	2014
Financial liabilities	1,559.15	1,731.96	1,649.98	1,722.70	1,609.92
Severance provisions	69.36	70.44	79.91	78.40	97.66
Pension provisions	374.79	384.21	429.92	422.24	505.94
Non-recourse debt	-719.89	-754.18	-630.31	-585.11	-538.61
Cash and cash equivalents	-1,952.45	-1,700.24	-1,374.96	-1,711.97	-1,924.02
Total	**-669.04**	**-267.81**	**154.55**	**-73.73**	**-249.11**

With a 21 % higher cash flow from earnings of € 620.23 million, the **cash flow from operating activities** grew by 16 % to € 805.33 million. The changes in inventories were noticeably affected by the sale of a successful proprietary building construction project development. The working capital improvement was further influenced by the uncharacteristically high project-related advance payments. The **cash flow from investing activities** was driven by the acquisition of Germany- and Austria-based facility services company DIW Group as well as the aforementioned takeover of financing from the Romanian associated company – this item grew from the previous year's € -332.38 million to € -435.30 million in 2014. The investments in property, plant and equipment, on the other hand, were down by 11 %. The **cash flow from financing activities** was significantly more negative – reaching € -142.42 million versus € -6.49 million in 2013 – for two reasons: first, unlike the previous year, no bond was issued in 2014; and second, loan repayments made following the sale of a project development resulted in a lower level of bank borrowings.

Capital expenditures

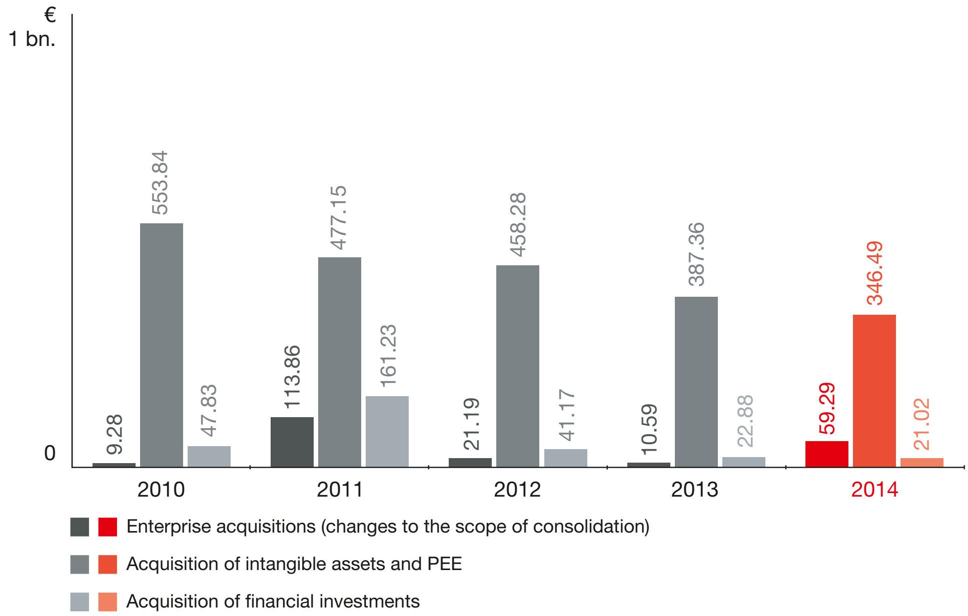
STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 350 million for the 2014 financial year. In the end, the net capital expenditures totalled € 435.30 million and so were clearly over budget. The budget planning did not yet take into account the acquisition of DIW Group and the takeover of financing from an associated company. These helped to drive the cash flow from investing activities.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 426.80 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 346.49 million, the **purchase of financial assets** in the amount of € 21.02 million and **enterprise acquisitions** (changes to the scope of consolidation) of € 59.29 million.

About € 250 million is spent annually as maintenance expenditures related to the equipment fleet in order to prevent inventory obsolescence. The high proportion of expansion expenditures in relation to the total expenditures on intangible assets and on property, plant and equipment is largely due to the project-based nature of STRABAG's business: In 2014, the group invested especially in project-specific equipment needed for its international business as well as equipment for specialty businesses such as pipe jacking.

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 € 437.98 million. This figure also includes goodwill impairment in the amount of € 28.83 million.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2010	2011	2012	2013	2014
Interest and other income (€ mln.)	78.71	112.31	73.15	66.72	82.17
Interest and other expense (€ mln.)	-98.39	-103.77	-123.87	-98.26	-108.37
EBIT/net interest income (x)	-15.2	39.2	-4.1	-8.3	-10.8
Net debt/EBITDA (x)	-0.9	-0.4	0.3	-0.1	-0.3

The number one objective for the treasury management of STRABAG SE is assuring the continued existence of the company through the maintenance of constant solvency. This objective is to be reached through the provision of sufficient short-term, medium-term and long-term liquidity.

Liquidity for STRABAG SE means not only solvency in the strict sense but also the availability of guarantees. The building activity requires the constant availability of bid, contract fulfilment, pre-payment and warranty guarantees and/or sureties. The financial scope of action is thus defined on the one hand by sufficient cash and cash credit lines, on the other hand by sufficient surety credit lines.

The management of **liquidity risks** has become a central element of the corporate management at STRABAG. In practice, liquidity risks come in various forms:

- In the short term, all daily payment obligations must be covered in time and/or in their entirety.
- In the medium term, liquidity levels must be sufficient so that no transactions or projects become impossible due to a lack of sufficient financial means or guarantees or that they cannot be executed at the desired pace.
- In the long term, there should be sufficient financial means available to be able to pursue the strategic development targets.

Total credit line for cash and surety loans of € 6.8 billion

In the past, STRABAG has always oriented its financing decisions according to the risk aspects outlined above and has organised the maturity structure of the financial liabilities in such a way as to avoid a refinancing risk. In this way, the company has been able to maintain a great scope for action, which is of particular importance in a difficult market environment.

The respective liquidity needed is determined by targeted liquidity planning. Based on this, liquidity assurance measures are made and a liquidity reserve is defined for the entire group.

The medium- and long-term liquidity needs have so far also been covered by the issue of **corporate bonds.** STRABAG SE (and its predecessor FIMAG) has regularly issued bonds on the Austrian capital market since 2002. As per 31 December 2014, STRABAG SE had four bonds with a total volume of € 575 million on the market. In the 2014 financial year, the company opted against issuing another bond as it was possible to comfortably cover the liquidity needs from existing sources.

In order to diversify the financing structure, STRABAG SE placed its first **bonded loan** in the amount of € 140 million in the 2012 financial year. 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 € 1.9 billion assures the coverage of group's liquidity needs. Nevertheless, further bond issues – as in the beginning of 2015 – or a refinancing of existing financing instruments are planned, depending on the market situation, in order to maintain a high level of liquidity re-serves in the future and to take advantage of favourable market conditions.

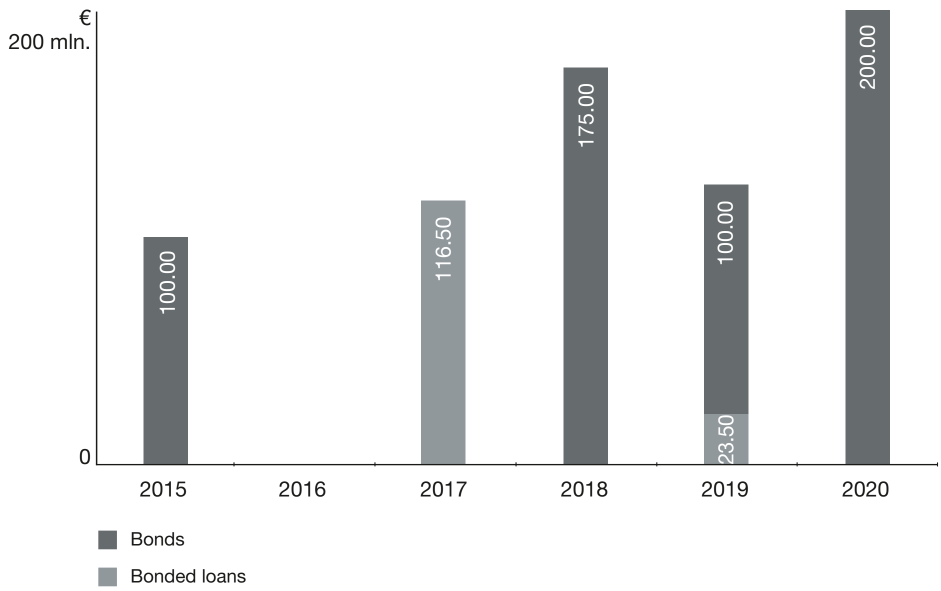
STRABAG SE has a total credit line for cash and surety loans in the amount of € 6.8 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion with a term until at least 2019. In the past financial year, both instruments were extended before the end of their term to allow the company to benefit from the favourable financing environment. 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 August 2014, **S&P** again confirmed the **investment grade rating** of BBB- and stable outlook for STRABAG SE. The rating agency explained its decision in part due to the company's vertical integration, the strategic access to construction materials, the strong liquidity position and the track record of stable operating margins in an otherwise cyclical and highly competitive industry. According to S&P, the key performance indicators within the STRABAG Group which are necessary for the investment grade rating still offer flexibility in terms of further investments and acquisitions.

PAYMENT OBLIGATIONS

€ mln.	Book value 31 December 2014
Bonds	575.00
Bank borrowings	1,023.76
Liabilities from finance leases	11.16
Total	**1,609.92**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



MANAGEMENT REPORT

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

FINANCIAL PERFORMANCE

The company's revenue increased by € 10.46 million from € 59.23 million to € 69.69 million. The significant growth was due largely to the higher pass-through of guarantee fees.

	2014	2013
Revenue (T€) (Sales)	69,690	59,234
Earnings before interest and taxes (T€) (EBIT)	61,139	86,118
Return on sales (%) (ROS)[1]	87.7	145.4
Return on equity (%) (ROE)[2]	2.4	3.5
Return on investment % (ROI)[3]	1.8	2.6

The earnings before interest and taxes (EBIT) fell by € 24.98 million versus the previous year from € 86.12 million to € 61.14 million. The reductions affected both the operating result as well as the net income from investments.

A slight revenue improvement could be achieved in the operating result through the increase in the intra-group allocations. The impairments of receivables from subsidiaries impacted the earnings to a similar degree as in the year before. The one-off high income from the extension of the option for Transstroy Holding in the previous year was missing from the operating result for the 2014 financial year.

Significantly lower impairments were recognised in the financial result in a year-on-year comparison. The expenses related to financial assets sank significantly to € 20.17 million (2013: € 45.54 million), of which € 15.24 million involved impairments of investments in affiliated companies largely from subsidiaries in Finland, Azerbaijan and Kazakhstan.

The investment income was influenced in the year under report by the lower dividends among subsidiaries in the services field.

The changes in earnings also had an impact on the profitability figures.

The interest income reached a positive total of € 2.23 million, calculated on the basis of the interest income for financial assistance given to subsidiaries and from the external finance charges for the interest-bearing liabilities.

Overall, the company generated a net profit of € 60.79 million for the 2014 financial year (2013: € 87.99 million).

FINANCIAL POSITION AND CASH FLOWS

The balance sheet total of STRABAG SE remained unchanged at € 3.4 billion in 2014 (2013: € 3.4 billion), with substantial changes among only a few balance sheet items.

The higher financial assets were mainly the result of loans to participation companies and, with € 92.27 million, involve the acquisition of financing to Societatea Companiilor Hotelerie Grand srl, Bucharest.

The reclassification of the windfarm projects from investments in subsidiaries to investments in participation companies resulted in changes in the financial assets.

The loans to subsidiaries decreased by € 14.00 million, triggered by a further repayment on the loan to STRABAG AG, Cologne, and by the partial bad debt allowance for TOO STRABAG Kazakhstan, Almaty. The reduction of the other receivables can

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

largely be explained by the partial repayment of the loan to SURI HOLDINGS LIMITED following a reorganisation of the loan with that company in July 2014.

The decline of the other liabilities in the financial year resulted mainly from the payment of the residual purchase price for subsidiaries.

	2014	2013
Net debt (T€)[1)]	403,617	409,476
Working capital (T€)[2)]	75,014	155,650
Equity ratio (%)	77.0	76.7
Gearing ratio (%)[3)]	15.3	15.7

The net debt at 31 December 2014 amounted to € 403.62 million, down slightly versus the previous year (€ 409.48 million). Due to the slight increase in equity, the gearing ratio of 15.7 % in the previous year improved to 15.3 % in the year under report.

The working capital decreased in 2014 by € 80.64 million from € 155.65 million to € 75.01 million. This was largely due to the above-mentioned reduction of other receivables.

The equity ratio of 77.0 % represents a slight increase versus the previous year (76.7 %) as a result of an increase in equity.

T€	2014	2013
Cash flow from operating activities	100,050	139,594
Cash flow from investing activities	-46,551	-108,277
Cash flow from financing activities	-46,170	46,039

The cash flow from operating activities of € 100.05 million can be explained largely by the cash flow from earnings. Additionally, the reduction of receivables from subsidiaries had a positive impact on the working capital.

The cash flow from investing activities saw an outflow of cash totalling € 46.55 million in the year under report. € 92.27 million were used for additional loans to participation companies.

Inflows came from the partial repayment of the loan to SURI HOLDINGS LIMITED, the reduction of the financial receivables from subsidiaries and the disposals of carrying values of non-current assets.

The dividend pay-out for the 2013 financial year led to an outflow in the cash flow from financing activities of € 46.17 million in 2014.

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

Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE is divided into four segments, of which there are three operative segments North + West, South + East and International + Special Divisions, and 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, Hydraulic Engineering

SOUTH + EAST
Management Board responsibility:
Siegfried Wanker
Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering
Management Board responsibility:
Thomas Birtel
Russia and neighbouring countries

INTERNATIONAL + SPECIAL DIVISIONS
Management Board responsibility:
Hannes Truntschnig
International, Tunnelling, Services, Real Estate Development, Infrastructure Development, Construction Materials

OTHER
Management Board 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.

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	✓	✓	✓
Hydraulic Engineering, 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	✓		
Offshore Wind			✓
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: PRESSURE FROM LARGE MULTI-YEAR PROJECTS

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 and hydraulic engineering can also be found in this segment.

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Output volume	6,292.45	6,021.11	5	271.34
Revenue	5,719.12	5,500.84	4	218.28
Order backlog	5,682.38	5,451.26	4	231.12
EBIT	28.67	72.54	-60	-43.87
EBIT margin (% of revenue)	0.5	1.3		
Employees	23.123	22.695	2	428

OUTPUT VOLUME NORTH + WEST

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Germany	4,651	4,269	9	382
Poland	693	669	4	24
Benelux	257	308	-17	-51
Sweden	246	312	-21	-66
Denmark	191	149	28	42
Russia and neighbouring countries	85	141	-40	-56
Rest of Europe	67	67	0	0
Switzerland	28	35	-20	-7
Americas	21	9	133	12
Austria	20	21	-5	-1
Middle East	14	7	100	7
Africa	8	3	167	5
Romania	6	4	50	2
Italy	2	7	-71	-5
Asia	2	5	-60	-3
Bosnia and Herzegovina	1	2	-50	-1
Slovenia	0	10	-100	-10
Hungary	0	3	-100	-3
Total	**6,292**	**6,021**	**5**	**271**

Projects in Sweden, the Netherlands and Germany weighing on earnings

Thanks to the mild winter – and despite the very restrained tender award policy on the part of the public sector in transportation infrastructures in Germany –, the output volume of the North + West segment underwent a positive development, growing by 5 % over the previous year to reach € 6,292.45 million. The largest contribution to this increase came from the building construction and civil engineering business in Germany and from the reclassification of a part of the railway construction activities from the South + East segment to North + West. The projects acquired some time ago in Denmark also showed a positive impact, while the output volume generated in Sweden and Benelux was somewhat lower.

The revenue also grew by 4 % in 2014. The earnings before interest and taxes (EBIT), however, only reached € 28.67 million and so remained 60 % below the previous year's level. Substantial factors for this development included warranty claims in road construction, social security back payments in Portugal, impairments in Sweden, and – as was the case last year – financial burdens related to a hydraulic engineering project in Germany and a transportation infrastructures project in the Netherlands.

Higher order backlog thanks to Poland and Denmark

The order backlog increased by 4 % over the comparison period to € 5,682.38 million. This growth was driven above all by Poland and Denmark: In Poland, a whole series of new orders proved that the market may finally be on its way to recovery. Acquired projects include the S5 Poznań–Wrocław, S7 Trasa Nowohucka, the bypass around the city of Kościerzyna and the A4 section Rzeszów–Jarosław. Moreover, the Polish building construction unit will build a new production plant for Volkswagen commercial vehicles in Września. In Denmark, the group was awarded the contract to build the Axeltorv project, a 14-storey multi-use building in the centre of Copenhagen with a contract value of more than € 100 million, as well as the tunnelling contract including station and ramp for the Copenhagen Metro, with about € 90 million of the contract value corresponding to the Züblin A/S subsidiary. In the home market of Germany, the order backlog remained slightly below the year-on-year comparison, but still at a high level. In Bremerhaven, a consortium including two group companies was awarded the contract to build the Cherbourger Straße harbour tunnel.

Employee numbers up slightly due to internal reclassification

The number of employees in the segment grew slightly by 2 % in 2014 to 23,123. Due to the reclassification of a part of **railway construction** from the South + East segment to the North + West segment, the company workforce in Germany increased by nearly twice the amount by which it declined in Poland. A significant increase also resulted from the new large orders in Denmark, while staff levels decreased by a similar degree in Sweden and Benelux.

Outlook: Unchanged output volume expected at high level

The Management Board expects an approximately constant **output volume** of about € 6.2 billion in the North + West segment in the 2015 financial year. In **Germany,** which generates nearly three quarters of the segment's output volume, two different trends can be observed: The country's building construction and civil engineering business should continue to contribute quite positively to both output volume and earnings, while subcontractor prices are no longer expected to rise but could even fall slightly. The prices of reinforcing steel remain at a stable low level. In the German mass market for transportation infrastructures, on the other hand, no substantial investment boom is expected next year despite the increasing state of disrepair of the transport infrastructure in the country and the government's announcement that it would raise investments. This basically also applies to large projects. As regards the production of construction materials for the German market, STRABAG expects that the consolidation course of proprietary asphalt mixing plants will continue.

The **Polish construction sector** – with 11 % of the segment output volume the second biggest market in North + West – again recovered significantly. The Polish road construction authority GDDKiA had planned to make investments in the amount of around € 7.5 billion for the two years 2014 and 2015 – and issued a call for bids. Additionally, investments of more than € 10 billion are expected in railway construction in Poland between 2015 and 2022. As most construction companies now have extensive order backlogs, rising material, staff and subcontractor prices are to be expected.

In **Scandinavia,** Sweden and Denmark are making the most significant contributions to the output volume. Here both the overall economic environment and the market for tunnel and infrastructure projects continue to be stable. The economic framework for the building construction business in Sweden and Denmark is attractive and offers growth potential. At the same time, the competition in Scandinavia for potential subcontractors and suppliers is very high, which is why STRABAG is working on its organisational and cost structure. Due to the ongoing restructuring in Sweden, projects will therefore be handled in cooperation with units from Germany to ensure quality.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog € mln.	Percentage of total group order backlog %
Germany	Stuttgart 21, underground railway station	289	2.0
Sweden	Marieholm Tunnel	138	1.0
Denmark	Bryghus multi-use building, Copenhagen	111	0.8
Poland	S7 expressway, Cracow	92	0.6
Denmark	Axeltorv multi-use building, Copenhagen	88	0.6
Germany	Cherbourger Straße harbour tunnel, Bremerhaven	86	0.6

SEGMENT SOUTH + EAST: REORGANISATION SHOWING EFFECT, BUT PRICE PRESSURE IS UP

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

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Output volume	4,170.80	4,593.36	-9	-422.56
Revenue	3,996.96	4,422.26	-10	-425.30
Order backlog	4,142.31	3,805.48	9	336.83
EBIT	168.63	138.23	22	30.40
EBIT margin (% of revenue)	4.2	3.1		
Employees	18,769	21,089	-11	-2,320

OUTPUT VOLUME SOUTH + EAST

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Austria	1,681	1,630	3	51
Czech Republic	505	546	-8	-41
Hungary	431	402	7	29
Slovakia	386	301	28	85
Switzerland	294	325	-10	-31
Russia and neighbouring countries	190	410	-54	-220
Romania	146	285	-49	-139
Germany	132	336	-61	-204
Croatia	103	114	-10	-11
Rest of Europe	58	30	93	28
Slovenia	57	47	21	10
Serbia	36	29	24	7
Bulgaria	36	17	112	19
Bosnia and Herzegovina	32	16	100	16
Poland	31	51	-39	-20
Middle East	21	15	40	6
Africa	12	12	0	0
Asia	5	8	-38	-3
Italy	5	6	-17	-1
Benelux	5	5	0	0
Americas	3	6	-50	-3
Denmark	2	2	0	0
Total	**4,171**	**4,593**	**-9**	**-422**

Reorganisation measures leading to EBIT growth

The South + East segment generated an output volume of € 4,170.80 million in 2014, 9 % less than in the same period of the preceding year. This development can be partially explained by the reclassification of a part of railway construction to the North + West segment and by the completion of large projects in Romania and Russia, at the same time that new orders in these markets have not yet found expression in the output volume.

The revenue was down as well, slipping by 10 %. The earnings before interest and taxes (EBIT), on the other hand, grew by 22 % to € 168.63 million. A decisive factor for this development was the reorganisation in Hungary, Switzerland and Austria.

New large orders in Russia, Slovakia and Romania

The order backlog for the segment registered significant growth versus the end of 2013, with a plus of 9 % to € 4,142.31 million. This can be explained in part by various medium-sized orders in Slovakia and Romania. But the order backlog also climbed significantly upward in Russia thanks to several contract awards in industrial construction.

Lower employee numbers in nearly all markets

Given the ongoing implementation of measures to raise efficiency, the number of employees was down in nearly all countries within the South + East segment. In total, the figure fell by 11 % to 18,769. However, this also includes the reclassification of nearly 900 employees from railway con-struction to the North + West segment.

Outlook: Growth of output volume possible, but continuing high price pressure

The South + East segment should be able to generate a somewhat higher **output volume** of € 4.5 billion in the ongoing 2015 financial year. Thanks to the higher order backlog, an increase is expected – although the segment is characterised by smaller projects and only few large projects are currently being tendered. The business environment and the price situation in the **Central and Eastern European construction sector** remain challenging. Strong competition can be seen especially in **Romania** and in the **Adriatic region.** The general construction environment in the **Czech Republic** and in **Slovakia** is acceptable, but pressure from the competition is on the rise here as well. The bidding prices are at times close to the limit of profitability.

The situation in **Austria** also did not relax. In the face of excess capacities, price competition in all construction segments remains intense. The only segment that remains quite positive is the **building construction** business in the greater **Vienna area** – the order books here remain well-filled.

The activities in **Russia** shifted increasingly from a focus on residential and commercial construction to heavy industrial construction. The company will be busy working off the newly acquired projects in the years to come. Meanwhile, the political developments in Ukraine since February 2014 are having no significant influence on the situation of the STRABAG Group from today's perspective: STRABAG's output volume in 2014 in Ukraine amounted to less than 1 % of the annual figure, and to just about 2 % in the RANC region (Russia and neighbouring countries). As construction is an export non-intensive industry in which most of the services are provided locally, and the STRABAG Group provides its services almost exclusively for private clients, the company does not expect the political developments to have any immediate impact on its business in Russia – even if the investment climate has cooled significantly. In 2015, no significant output volume is expected to be achieved in Ukraine.

Although the earnings improvement measures in the **environmental engineering** business had taken hold, STRABAG made strategic changes by withdrawing from its flue gas treatment business through the sale of assets. The employees working in this business had generated an annual output volume of about € 25 million.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog € mln.	Percentage of total group order backlog %
Russia	Tula Steel Works	197	1.4
Slovakia	D1 motorway Hricovské Podhradie–Lietavská Lúcka	111	0.8
Hungary	M4 motorway section Abony–Fegyvernek	89	0.6
Slovenia	Ljubljana waste treatment facility	73	0.5

SEGMENT INTERNATIONAL + SPECIAL DIVISIONS: SATISFACTORY BUSINESS

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 opera-tion 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.

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Output volume	2,970.14	2,822.41	5	147.73
Revenue	2,738.44	2,444.54	12	293.90
Order backlog	4,571.21	4,202.28	9	368.93
EBIT	92.18	69.58	32	22.60
EBIT margin (% of revenue)	3.4	2.8		
Employees	25,309	23,575	7	1,734

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Germany	1,243	1,127	10	116
Austria	321	295	9	26
Middle East	237	301	-21	-64
Americas	231	248	-7	-17
Italy	172	155	11	17
Africa	138	150	-8	-12
Czech Republic	109	93	17	16
Hungary	107	86	24	21
Poland	84	52	62	32
Asia	80	90	-11	-10
Benelux	61	85	-28	-24
Slovakia	39	37	5	2
Switzerland	32	22	45	10
Romania	26	31	-16	-5
Sweden	24	2	n.a.	22
Russia and neighbouring countries	21	7	200	14
Croatia	17	19	-11	-2
Slovenia	11	10	10	1
Rest of Europe	10	9	11	1
Denmark	4	0	n.a.	4
Bulgaria	2	2	0	0
Serbia	1	1	0	0
Total	**2,970**	**2,822**	**5**	**148**

Earnings up by about one third

Thanks to the growth in the home market of Germany, the output volume in the International + Special Divisions segment increased by 5 % in 2014. The contrasting upward and downward movements in the other countries more or less balanced each other out.

The segment revenue gained 12 % thanks to the sale of a large proprietary project development. The earnings before interest and taxes (EBIT) grew by 32 % to € 92.18 million. Especially positive impacts came from the sale of the aforementioned building construction project, although this was countered by write-offs on raw materials and by goodwill impairment.

Tunnelling contracts add to order backlog

The order backlog increased by 9 % to € 4,571.21 million compared to 31 December 2013. This figure received a boost, among other things, from the contract awards for the Ulriken rail tunnel in Norway for about € 75 million and from the Tulfes–Pfons section of the Brenner Base Tunnel in Austria, the largest section to date, with a value of more than € 190 million for STRABAG. Increases can therefore be found especially in Austria, but also in Germany and in the RANC region (Russia and neighbouring countries).

Acquisition of DIW Group increases employee numbers

The plus of 7 % in the number of employees was influenced largely by the acquisition of DIW Group. Large projects in markets such as Austria or the Americas also contributed to this increase.

Outlook: Satisfactory earnings expected despite high competition

The STRABAG Group would like to raise the **output volume** of the International + Special Divisions segment to € 3.2 billion in 2015. Earnings are also expected to remain satisfactory, even if the price level is ruinously low in some areas, e.g. in tunnelling. The economic situation continues to be difficult especially in the company's traditional markets of Austria, Germany and Switzerland. STRABAG is therefore increasingly offering its technological know-how outside of Europe. Currently being pursued in this regard are selected projects in places such as Canada, Chile and the Arab world.

Internationally STRABAG is successfully active in specialty businesses such as the tunnelling technique of pipe jacking, in test track construction, and in the field of liquefied natural gas (LNG). In its traditional non-European markets such as the Middle East, the company remains engaged with the same level of commitment, so that the orders situation can be assessed as satisfactory despite the great competition that projects are subject to here as well.

Although existing projects are mostly proceeding satisfactorily, the market for **concession projects** in transportation infrastructures in Europe remains weak in the face of a reduced project pipeline. STRABAG was able to conclude two new contracts as part of consortia in 2014 – for the nationwide rollout of a toll system for trucks in Belgium as well as the financing, design, construction and operation of a section of the N17/N18 motorway in Ireland –, but potential projects above all in Eastern Europe hold significant political and financial challenges. In addition to the Northern European area, therefore, the group is actively yet selectively observing international markets such as Chile, Canada and individual countries in Africa.

In comparison, the group again expects a solid earnings contribution from the following two business fields: In **property and facility services,** increased productivity should make it possible to partially compensate for the higher personnel costs from the newly concluded collective agreement for 2014. Here STRABAG expanded its range of services in 2014 to include industrial cleaning through the acquisition of Germany- and Austria-based DIW Group. The takeover also served to strengthen the position of STRABAG PFS as second-largest facility services enterprise in Germany. This position was further consolidated with a series of new orders e.g. from companies in the media and retail business.

The **real estate development** business is profiting from higher rents and lower vacancies in the German real estate centres. Moreover, in view of the continuously low interest rates, German and Austrian real estate should remain a much sought-after investment alternative. STRABAG is therefore very pleased with the busy activity of its subsidiary STRABAG Real Estate GmbH: Investors have been found for two projects in the past few months, for "Upper West" at Berlin's Kurfürstendamm and for the "Dancing Towers" in Hamburg. Meanwhile, properties were acquired for new projects in Frankfurt and in Hamburg, and only recently the company announced the start of the development of the office and retail property "Astoria" in Warsaw.

The **construction materials** business could be bolstered by an incipient stabilisation of the economic situation of the construction industry in several Eastern European markets. The affordable bitumen prices are also having a positive impact.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog € mln.	Percentage of total group order backlog %
Italy	Pedemontana motorway	966	6.7
Chile	Alto Maipo hydropower complex	332	2.3
Austria	Koralm Tunnel, Section 2	196	1.4
Austria	Brenner Base Tunnel, Tulfes–Pfons	175	1.2
United Arab Emirates	STEP wastewater systems	120	0.8
Italy	Brenner Base Tunnel, Eisack River undercrossing	118	0.8
Germany	Albabstieg Tunnel	104	0.7
Oman	Road Sinaw–Duqm	88	0.6

SEGMENT OTHER (INCLUDES SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

This segment encompasses the group's internal Central divisions and Central Staff Divisions.

€ mln.	2014	2013	Δ 2013–2014 %	Δ 2013–2014 absolute
Output volume	132.61	136.19	-3	-3.58
Revenue	21.15	26.51	-20	-5.36
Order backlog	7.54	10.66	-29	-3.12
EBIT	0.35	0.06	483	0.29
EBIT margin (% of revenue)	1.7	0.2		
Employees	5,705	5,741	-1	-36

Risk management

The STRABAG Group is subject to a number of risks in the course of its business activities. These risks are identified and assessed using an active risk management system and dealt with using an appropriate risk policy.

The group's goals are defined at all company levels. This is a prerequisite to setting up processes for the timely identification of potential risks standing in the way of the achievement of company objectives. The **organisation** of STRABAG's risk management builds on project-related jobsite and acquisitions controlling, supplemented by the higher-level assessment and steering management. The risk controlling process includes a certified 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.

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

EXTERNAL RISKS ARE 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.

OPERATING RISKS MANAGED THROUGH PRICE COMMISSIONS AND TARGET/PERFORMANCE COMPARISONS

The operating risks primarily include the complex risks of project selection and execution. STRABAG keeps **acquisition lists** in order to review the project choice. Business transactions requiring consent are reviewed and approved by business unit and sub-division managers or by division managers according to internal rules of procedure. Depending on the risk profile, bids must be analysed by **commissions** and reviewed for their technical and economic feasibility. **Cost accounting and expense allocation guidelines** have been set up to assure a uniform process of costing and to establish a performance profile at our construction sites. Project execution is managed by the construction team on site and controlled by **monthly target/performance comparisons**; at the same time, our central controlling provides constant commercial backing, ensuring that risks of individual projects do not endanger the continuance of the company.

FINANCIAL RISKS: ACTIVE LIQUIDITY AND ACCOUNTING 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.

See also corporate governance report

In order to convey STRABAG's values and principles, the group drew up its Code of Ethics and internal **Compliance Guidelines** in 2007. The values and principles contained within these documents are reflected in the guidelines and instructions of the STRABAG companies and divisions. Compliance with these values and principles is expected not only from the members of the Management and Supervisory Boards as well as from other management-level employees but from all group employees. The Compliance Guidelines and the Code of Ethics are designed to guarantee honest and ethical business practices. In 2014, the Code of Ethics, i.e. the ethics model, was updated and replaced by a **business compliance model**. This model is comprised of the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and the personnel structure of the business compliance model at STRABAG, which consists of the group compliance coordinator, the regional compliance representatives as well as the external and internal ombudspersons. The Code of Conduct is available for download at www.strabag.com > Strategy > Our strategic approach > Business Compliance.

Detailed information regarding interest risk, currency risk, credit risk and liquidity risk can be found in the Notes under item 25 Financial Instruments.

ORGANISATIONAL RISKS RELATED TO HUMAN RESOURCES AND IT

Risks concerning the design of personnel contracts are covered by the central **personnel department** with the support of a specialised data base. The company's IT configuration and infrastructure (hardware and software) is handled by the central IT department, guided by the international **IT steering committee**.

PERSONNEL AS AN IMPORTANT COMPETITIVE FACTOR

Past experience has shown that having a highly qualified and motivated workforce is an important factor in competition. In order to properly assess the potential of employees, STRABAG uses an IT-supported aptitude diagnostics process, the so-called **behaviour profile analysis**. In subsequent feedback talks and employee appraisal interviews, employees and their supervisors analyse the results and agree on specific training and further education measures.

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 centrally organised Central Staff Divisions Construction Legal Services (CLS) and Contract Management support the operating divisions in legal matters, with regard to construction industry questions or in the analysis of risks in the construction business. 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 the systematic preparation and handling of difficult claims. The establishment of company-wide quality standards in quotation processing and supplemental services management makes it easier to assert claims for outstanding debt.

POLITICAL RISK: INTERRUPTIONS AND DISPOSSESSION POSSIBLE

The group also operates in countries which experience political instability. Interruptions of construction activity, restrictions on ownership interests of foreign investors, and even dispossession or expropriations could be the consequence of political changes which could have an impact on the group's financial structure.

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 the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 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 system 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 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 our 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 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 to identifying and communicating weak points and potential areas for improvement in the financial reporting process. **Accounting employees** receive regular **training** regarding new methods of national and international financial reporting in order to identify risks of unintended misreporting at an early stage.

Monitoring

The **Management** and **Supervisory Boards** bear responsibility for the ongoing company-wide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process. The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the chief financial officer before being passed on to the Supervisory Board's audit committee.

Human resources

In the 2014 financial year, the STRABAG Group employed an average of 72,906 people (2013: 73,100), of which 45,019 were blue-collar and 27,887 were white-collar workers. The **number of employees** thus remained relatively constant in comparison to the previous year. Yet clear differences could be seen at the country level: While the acquisition of Germany- and Austria-based facility services company DIW Group helped to raise staff levels, the number of employees fell in response to the continually implemented efficiency-rising measures and the end of large projects in a number of other countries in Eastern and Northern Europe.

The STRABAG Group continues to focus on the **training** and promotion of young people, a fact that is reflected in the constantly high number of apprentices and trainees. In 2014, 1,070 blue-collar apprentices (2013: 1,118) and 295 white-collar trainees (2013: 255) were in training with the group. Additionally, the company employed 53 technical trainees (2013: 45) and eleven commercial trainees (2013: ten).

In the 2014 financial year, the company only partially reached its goal of annually raising the percentage of **women** in the group. Women accounted for 13.8 % of employees within the entire group, versus 13.6 % in the previous year, and 8.5 % within group management (2013: 8.6 %).

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 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, 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 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 **750** 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 execution planning and site management, ZT offers innovative solutions with regard to construction materials technology, construction management, construction physics, and software solutions. Central topics for innovation activities are sustainable construction and renewable energy. Among other things, the employees at ZT develop methods and tools to control the impact of construction activities on the environment. The specialist staff department of Development and Innovation oversees the systematic networking of people and relevant topics. In 2014, the group also began to establish a series of innovation ombudspersons in its divisions, starting with transportation infrastructures, among others.

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 as well as the safety of the processes, and developing and reviewing standards for the handling and processing of construction materials. With lean management, TPA also holds competences for the efficient planning of supply and production chains. TPA has about **800 employees** at 130 locations in more than 20 countries, making it one of Europe's largest private laboratory companies.

STRABAG's **EFKON AG** subsidiary provides the group with expertise in the research and development of intelligent transportation systems in general and electronic toll collection solutions in particular. The company has developed products and solutions in the electronic toll collection segment for multi-lane traffic flow and has already introduced these onto the international market. The research focus last year was on the topics of stationary enforcement, automatic toll sticker monitoring and the development of a handheld device for local toll enforcement. 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: from the use of drones for land surveying to the integration of renewable energy technologies in environmentally friendly, intelligent electric vehicle charging stations to process optimisation through the use of RFID (radio frequency identification) technology on the 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 € 15 million (2013: about € 20 million) on research, development and innovation activities during the 2014 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. With its extensive **energy management**, the company is on the right path: in 2014, it was possible to lower energy costs by 11 % versus 2013. This is also due to the lower market prices for energy sources. The carbon footprint of all consolidated companies shows a reduction of CO_2 emissions by 124,074 tonnes. The energy costs for the companies within STRABAG SE's scope of consolidation amounted to € 304.67 million (2013: € 342.73 million).

ENERGY USE WITHIN THE GROUP

	Unit	2010	2011	2012	2013	2014
Electricity	MWh	499,945	499,146	486,033	497,943	433,164
Fuel	thousands of litres	212,614	241,433	245,660	252,718	230,926
Gas	heating value in MWh	705,973	658,356	565,048	560,507	505,371
Heating oil	thousands of litres	25,836	21,644	17,790	16,053	14,388
Pulverised lignite	tonnes	51,452	84,318	79,107	69,602	75,247

The focus in 2014 was on the analysis of the group's main energy source: fuels. By monitoring the **fuel consumption** of the passenger car and commercial vehicle fleet in Germany and Austria, it was possible to identify enormous savings potential. Appropriate action will be taken to reduce fuel consumption in 2015 in order to live up to the goal of doing business while saving resources. Another task will be to develop indicators to recognise potential savings with regard to the energy efficiency of the asphalt plants.

Website Corporate Governance Report

The STRABAG SE 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

1. The share capital of STRABAG SE amounts to € 114,000,000 and consists of 114,000,000 fully paid-in, no-par value shares with a pro rata value of € 1 per share of the share capital. 113,999,997 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, "Octavia" Holding 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 co-ordination 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 Sec 65 Para 5 of the Austrian Stock Corporation Act (AktG), all rights were suspended for 11,400,000 no-par shares (10 % of the share capital) effective 31 December 2014 as these shares are held by STRABAG SE as own shares as defined in Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG) (see also item 7).

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 2014:

   - Haselsteiner Group........................ 25.5 %
   - Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H. (Raiffeisen Group)... 12.7 %
   - UNIQA Versicherungen AG (UNIQA Group)................................ 13.8 %
   - Rasperia Trading Limited. 25.0 % + 1 share

   The company itself held 11,400,000 no-par shares on 31 December 2014, which corresponds to 10 % of the share capital (see also item 7).

   The remaining shares of the share capital of STRABAG SE, amounting to about 13.0 % 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 Management Board of STRABAG SE, in accordance with Sec 169 of the Austrian Stock Corporation Act (AktG), was authorised by resolution of the tenth 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 Sec 174 Para 2 of the Austrian Stock Corporation Act (AktG), was further authorised by resolution of the eighth Annual General Meeting of 15 June 2012 and with the approval of the Supervisory Board to issue financial instruments within the meaning of Sec 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 Sec 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 (Sec 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 27 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 AG (formerly Bilfinger Berger SE), Wayss & Freytag Ingenieurbau AG and a group company. The JV is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Through its subsidiary Ed. Züblin AG, the STRABAG Group holds a 33.3 % interest in the JV.

The cause of the collapse remains unknown. The public prosecutor's office began an investigation – initially against persons unknown – with three separate experts into possible negligent homicide and endangerment in construction. Two independent proceedings are being conducted by 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. Merely for the purpose of extending the statute of limitations, the public prosecutor's office in December 2013 opened proceedings against approximately 100 persons associated closely or loosely with the project. This purely precautionary measure does not represent any statement as to the cause of the accident. In this respect, it remains to be seen what the final result of the investigation of the site and the expert report reveal. For purposes of the investigation, construction is continuing on a model of the building, the completion and use of which was originally expected by mid-2014. As things stand, however, full completion can be expected no sooner than the first quarter of 2016. The model is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the JV.

We continue to believe that this project will not result in any significant damages for the company.

Outlook

The Management Board of STRABAG SE expects the **output volume** to increase from € 13.6 billion to € 14.0 billion in the 2015 financial year. This will likely be composed of € 6.2 billion from the North + West segment, € 4.5 billion from the South + East segment and € 3.2 billion from the International + Special Divisions segment. The remainder can be allotted to the segment "Other". The Managment Board therefore expects the output volume to remain nearly stable in North + West and to rise slightly in the other two operating segments.

As larger acquisitions are not planned, the **net investments** (cash flow from investing activities) are expected to fall significantly and should come to rest at about € 350 million.

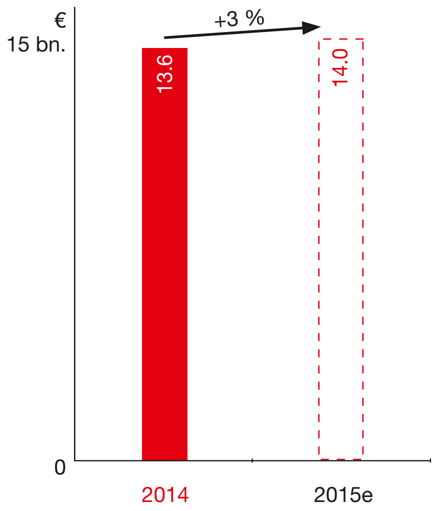
STRABAG SE would like to raise its **EBIT** to at least € 300 million in 2015. The efforts that have been made so far to further improve the risk management and to lower costs should already have a noticeable impact on earnings. This brings the company one step closer to its goal of reaching an EBIT margin (EBIT/revenue) of 3 % in 2016.

The earnings expectations are based on the assumption that demand in the German building construction and civil engineering market will remain at the same high level. At the same time, there are no expectations yet of large increases in investments by the public sector in transportation infrastructures in this home market.

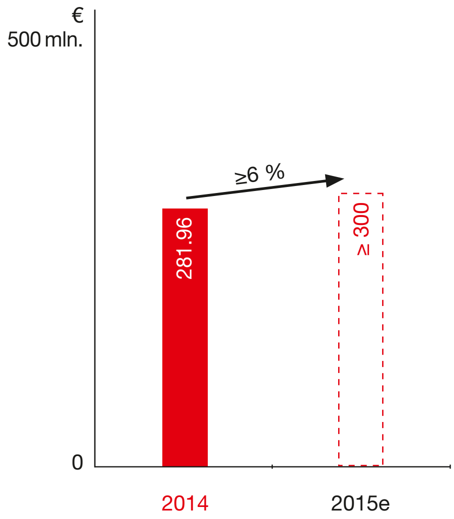
While the margins in the construction materials business should continue to improve in 2015 and the turnaround appears to have been reached in environmental engineering, a forecast is not yet possible for hydraulic engineering. The company continues to expect positive contributions from its property and facility management units and from real estate development.

The price pressure is expected to remain strong in the countries of Central and Eastern Europe, although in Slovakia or in Poland, for example, the company is capable of successful bids for larger tenders. The same can be said of the tunnelling business and of public-private partnerships, i.e. of concession projects, in the home markets, which is leading STRABAG to become more active in this area in non-European markets than before.

OUTPUT OUTLOOK



EBIT-OUTLOOK



Events after the reporting period

The material events after the reporting period are described in item 31 of the Notes.

Auditor's report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, including the accounting system, of

STRABAG SE,
Villach, Austria,

for the fiscal year from 1 January 2014 to 31 December 2014. These financial statements comprise the balance sheet as of 31 December 2014, the income statement for the fiscal year ended 31 December 2014, and the notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY AND DESCRIPTION OF TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance for the year from 1 January 2014 to 31 December 2014 in accordance with Austrian Generally Accepted Accounting Principles.

REPORT ON OTHER LEGAL REQUIREMENTS (MANAGEMENT REPORT)

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company’s position. The auditor’s report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Business Enterprise Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Business Enterprise Code) are appropriate.

Linz, 10 April 2015

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Austrian Chartered Accountant

ppa Mag. Christoph Karer
Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor‘s opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Business Enterprise Code) applies.