ON THE SAFE SIDE.

Annual Report 2019

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

KEY FIGURES

KEY FINANCIAL FIGURES

	2015	2016	2017	2018	Δ %	2019
Output volume (€ mln.)	14,289.76	13,491.03	14,620.89	16,322.88	2	16,617.97
Revenue (€ mln.)	13,123.48	12,400.46	13,508.72	15,221.83	3	15,668.57
Order backlog (€ mln.)	13,134.58	14,815.79	16,591.87	16,899.71	3	17,411.48
Employees (FTE)	73,315	71,839	72,904	75,460	2	76,919

KEY EARNINGS FIGURES

	2015	2016	2017	2018	Δ %	2019
EBITDA (€ mln.)	816.10	855.18	834.58	952.60	17	1,113.30
EBITDA margin (% of revenue)	6.2	6.9	6.2	6.3		7.1
EBIT (€ mln.)	341.04	424.91	448.36	558.21	8	602.58
EBIT adjusted (€ mln.)[1]		397.10		502.90		
EBIT margin (% of revenue)	2.6	3.4	3.3	3.7		3.8
EBIT margin adjusted (% of revenue)[1]		3.2		3.3		
EBT (€ mln.)	316.62	421.13	421.21	530.78	9	577.24
Net income (€ mln.)	182.49	282.00	292.36	362.78	4	378.56
Net income after minorities (€ mln.)	156.29	277.65	278.91	353.53	5	371.70
Net income after minorities margin (% of revenue)	1.2	2.2	2.1	2.3		2.4
Earnings per share (€)	1.52	2.71	2.72	3.45	5	3.62
Cash flow from operating activities (€ mln.)[2]	1,240.35	264.17	1,345.19	788.98	36	1,075.94
ROCE (%)	4.1	6.4	6.7	7.6		7.5
Investments in property, plant and equipment, and in intangible assets (€ mln.)	395.75	412.46	457.62	644.99	7	689.25

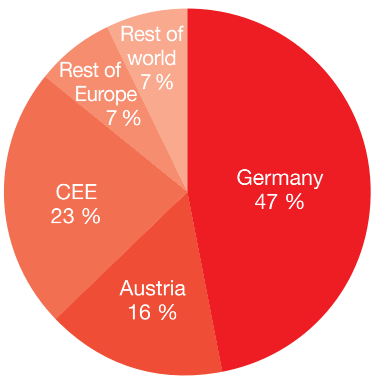
KEY BALANCE SHEET FIGURES

	2015	2016	2017	2018	Δ %	2019
Equity (€ mln.)	3,320.63	3,264.59	3,397.72	3,653.77	6	3,855.90
Equity ratio (%)[2]	31.0	31.5	30.7	31.6		31.5
Net debt (€ mln.)	-1,094.48	-449.06	-1,335.04	-1,218.28	-6	-1,143.53
Gearing ratio (%)	-33.0	-13.8	-39.3	-33.3		-29.7
Capital employed (€ mln.)	5,448.01	5,258.17	5,242.91	5,552.09	5	5,838.71
Balance sheet total (€ mln.)[2]	10,728.87	10,378.41	11,054.12	11,567.61	6	12,250.81

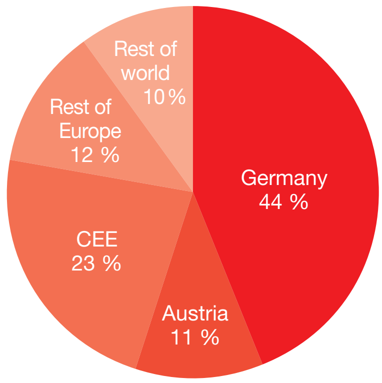
EBITDA = earnings before interest, taxes, depreciation and amortisation
EBIT = earnings before interest and taxes
EBT = earnings before taxes
ROCE = (net income + interest on debt - interest tax shield (25 %)) / (average group equity + interest-bearing debt)
Net debt = financial liabilities - non-recourse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

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

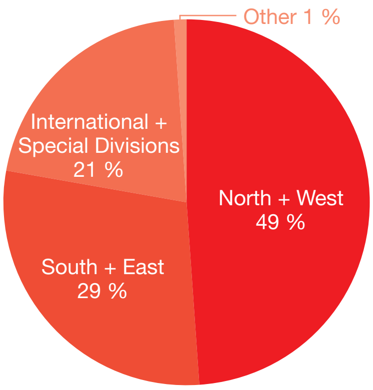
OUTPUT VOLUME BY REGION 2019



ORDER BACKLOG BY REGION 2019

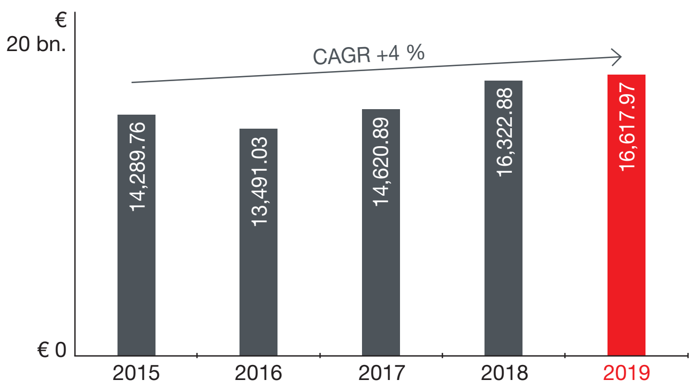


OUTPUT VOLUME BY SEGMENT 2019

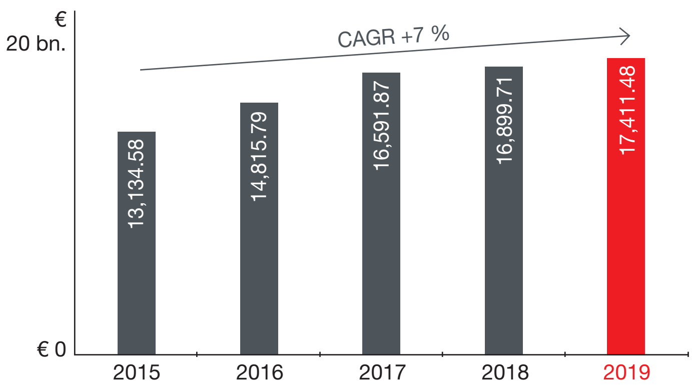


ORDER BACKLOG BY SEGMENT 2019

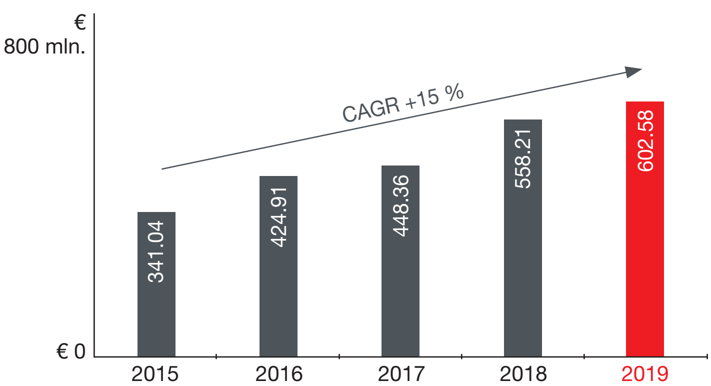
OUTPUT VOLUME



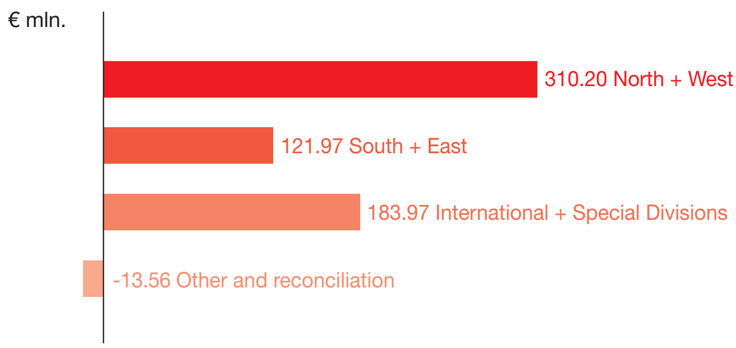
ORDER BACKLOG



EBIT



EBIT BY SEGMENT 2019



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

BETTER SAFE THAN SORRY

Ensuring the health and safety of our employees is a fundamental priority for us. The global initiative "1>2>3 Choose Safety" that was launched in 2019 is a way to sustainably anchor our clear commitment to occupational safety and health in the group.

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- Corporate Governance
- People & Workplace
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1 This section was audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, under a limited assurance audit regime.
2 This part has been audited by the financial auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz.

WHO MAKES SURE THAT NOTHING HAPPENS TO MY DADDY AT WORK?

In Austria alone, more than 120,000 people suffer an accident at work every year – that's 480 injured people per working day. Often only a fraction of a second makes the difference between coming home safe from work in the evening or not. A brief moment of not paying attention can have far-reaching consequences. We do everything within our power to ensure that our employees stay healthy and safe. Our focus is on occupational organisation, workplace design, and accident and emergency organisation. For us there is nothing more valuable than a healthy life.

Sophia is

3

years old. Her parents are current and former employees of the STRABAG Group.

OUR MODEL FOR MORE SAFETY

Safety can only be achieved as a team. Everyone – including the Management Board, leadership staff, white-collar and blue-collar, as well as the employees of our customers and partner companies – must act responsibly and proactively. Our Vision Safety model shows our understanding of how safety should be lived.

Nearly

77,000

people are at work on the construction sites, in the production plants and at the offices of the STRABAG Group every day.

Please note:

1>2>3 Choose Safety

How we make STRABAG safer every day

The numbers 1>2>3 stand for three important steps: Stop. Think. Act. With these three steps, employees are encouraged to take a moment's time out and consciously choose safety and a healthy life. Not only for oneself but also for all colleagues and co-workers. In our daily routine, these three steps make all the difference.

1. **Stop!** Take your time and assess the situation before you act. The seconds before your next move are decisive!
2. **Think!** Take a good look at the next work step, prepare it well and stand up for a safe work environment.
3. **Act!** Act responsibly and work safely.

Bezbednos

Iza
be

zza

Esco
Se

1>2>3

nságot

Entscheide Dich für
Sicherheit

Güvenliği
seç

Choose
Safety

Scegli la
Sicure

Выбирай
безопасность

eri
rnost

Rozhodn
Bezp

"1>2>3 Choose Safety" has so far been rolled out in

17

languages.

le choix de la
curité

Izaberi
Bezbe

Vælg
Sikkerhed

Válaszd a
Biztonságot

Rozhodni sa pre
Bezpečnosť

stwo

Izaberi
bezbiedn

INTER-
NATIONALLY
SAFE

The numerous, often specific instructions on occupational safety and health are mandatory for our workers, especially in those group entities involved directly in the execution of construction works. But firmly anchoring these instructions in the minds of our employees, and thus in their daily routine, requires communication at eye level. “1>2>3 Choose Safety” provides the occupational safety specialists and leadership employees with a tool kit for successful face-to-face, on-site communication – the only way to ensure successful and safe teamwork.

In 2019, we organised

>300

safety days on our construction sites, in our production plants and at our offices.

LET'S TALK ABOUT SAFETY

Our safety specialists offer comprehensive advice, materials and training. But the real experts in workplace safety are the people who work for STRABAG every day and know the risks and dangers they face. These people must be actively involved in the further development of occupational safety and the safety culture. We've managed to do just that. From the very beginning.

MORE KNOWLEDGE, MORE SAFETY

Each and every one of us must internalise the importance of occupational safety and put it on their own agenda. That's why we want all employees to become safety ambassadors.

The campaign "1>2>3 Choose Safety" has been rolled out in all group countries – so far in over

80

MORE SAFETY, MORE MOTIVATION, MORE PERFOR-MANCE

Safety at work is a key factor for long-term corporate success and a healthy corporate culture. After all, accidents and illness-related absences involve high costs for companies. We see our occupational health and safety measures primarily as our ethical duty, but they are also a way of managing our entrepreneurial success.

Safety

Our accident rate per 1,000 employees is significantly below the average value for the construction industry.

Motivation

Presenting issues of occupational safety in an authentic and believable way increases employee satisfaction.

Performance

Analysing occupational accidents demonstrably improves processes and productivity and prevents future errors.

HOW WE STAY ACTIVE AND HEALTHY

Health is more than the absence of disease. It expresses itself as personal well-being and subjective capability. We counter challenges such as a lack of exercise, an unbalanced and unhealthy diet, and habituated stress patterns with the help of an individual health strategy for all employees. Leadership staff play an especially important role in conveying a safe and healthy company culture, which we promote through specific seminars and further training.

Our comprehensive workplace health management has so far been rolled out in

10

group countries.

ABOUT THIS REPORT

For the 2019 financial year, as in the years before, STRABAG SE has drafted a **combined Annual Report** reflecting the situation of the group and its consolidated companies as at 31 December 2019. Both financial and non-financial information provide insight into the fundamental economic, ecological, social/societal and corporate governance consequences of our business activity. Most of the non-financial information is summarised in a separate section of the report – the **"Consolidated Non-Financial Report"**. We do so not only in response to the transparency demands of our most important stakeholder groups, but also to comply with Sec 267a of the Austrian Commercial Code (UGB) of the Sustainability and Diversity Improvement Act (NaDiVeG), which requires mandatory reporting on non-financial matters from large companies.

This report – together with the corresponding online information – is based on the **standards on sustainable reporting of the Global Reporting Initiative (GRI)**, though it does not claim to be in accordance with the GRI "Core" option. The Consolidated Non-Financial Report was audited by the auditor under a limited assurance audit regime (the corresponding auditor's report can be found at the end of the Consolidated Non-Financial Report).

In the 2015 financial year we launched our multistep materiality analysis in line with GRI G4, and in 2016 we reached a decisive milestone with the identification of the material aspects and the drafting of the first STRABAG materiality matrix. Detailed information about the further development of the materiality analysis, the dialogue with stakeholders, how we steer our projects, which measures we are initiating, how we determine their effectiveness and how we organise ourselves for these tasks is available in the **Consolidated Non-Financial Report** and at www.strabag.com > Strategy. To present the many aspects of sustainability more quickly and in an up-to-date manner, we have been providing detailed online reporting on this subject for several years.

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

In 2019 we began evaluating STRABAG's business activity in terms of its contribution to the United Nations **Sustainable Development Goals (SDGs)**. Corresponding references can be found in the GRI index.

GRI CONTENT INDEX

GRI standards	Disclosure number and title		Page number in the Annual Report 2019	Comments/further information on group website	Sustainable Development Goals
GRI 101: FOUNDATION 2016					
GRI 102: GENERAL DISCLOSURES 2016					
		Organisational profile			
GRI 102: General disclosures 2016	102-1	Name of the organisation	Imprint 275		
	102-2	Activities, brands, products and services	30–31; 170	www.strabag.com > Activities www.strabag.com > STRABAG SE > Our Brands	
	102-3	Location of headquarters	Imprint 275		
	102-4	Location of operations	31	www.strabag.com > Locations	
	102-5	Ownership and legal form	46; 185–186; Imprint 275	www.strabag.com > Investor Relations > Share	
	102-6	Markets served	31; 146		
	102-7	Scale of the organisation	Cover; 30		
	102-8	Information on employees and other workers	104		
	102-9	Supply chain		www.strabag.com > Strategy > Supply Chain	
	102-10	Significant changes to the organisation and its supply chain	138–145		
	102-11	Precautionary principle or approach	69; 127–133	www.strabag.com > Strategy > Strategic Approach > Environmental Responsibility	
	102-12	External initiatives		www.strabag.com > Strategy > Strategic Approach > (Download)	
	102-13	Membership of associations		www.strabag.com > Strategy > Strategic Approach > (Download)	
		Strategy			
	102-14	Statement from senior decision-maker	24–29; 79		
		Ethics and integrity			
	102-16	Values, principles, standards, and norms of behaviour	30; 52–53; 123–126	www.strabag.com > STRABAG SE > Vision and Guiding Principles	
		Governance			
	102-18	Governance structure	53–56; 96–97	www.strabag.com > Strategy > Strategic Approach > Corporate Responsibility Management	
		Stakeholder engagement			
	102-40	List of stakeholder groups	80	www.strabag.com > Strategy > Stakeholder Involvement	
	102-41	Collective bargaining agreements	104		
	102-42	Identifying and selecting stakeholders	80	www.strabag.com > Strategy > Stakeholder Involvement	

GRI standards	Disclosure number and title		Page number in the Annual Report 2019	Comments/further information on group website	Sustainable Development Goals
	102-43	Approach to stakeholder engagement	80	www.strabag.com > Strategy > Stakeholder Involvement	
	102-44	Key topics and concerns raised	81–83	www.strabag.com > Strategy > Stakeholder Involvement	
		Reporting practice			
	102-45	Entities included in the consolidated financial statements	206–212		
	102-46	Defining report content and topic boundaries	80–83	www.strabag.com > Strategy > Stakeholder Involvement	
GRI 102: General disclosures 2016	102-47	List of material topics	82–83		
	102-48	Restatements of information	19; 80–83; 138–145		
	102-49	Changes in reporting of material topics and topic boundaries	19; 80–83		
	102-50	Reporting period	19		
	102-51	Date of most recent report	19		
	102-52	Reporting cycle	19		
	102-53	Contact point for questions regarding the report	49	www.strabag.com > Investor Relations > IR Contact & Service	
	102-54	Claims of reporting in accordance with the GRI standards	19		
	102-55	GRI content index	20–23	www.strabag.com > Strategy > Strategic Approach > CR Reporting	
	102-56	External assurance	19; 134–135		
Material topics					
		Client satisfaction			
GRI 103: Management approach 2016	103-1/2/3	Disclosure on management approach to client satisfaction	84–87		
	Own indicator	Client satisfaction index	85		
		Strategic human resource development			
GRI 103: Management approach 2016	103-1/2/3	Disclosure on management approach to strategic human resource development	112–117		
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	112–113	Information about training days	SDG 8
	404-2	Programmes for upgrading employee skills and transition assistance programmes	114–117		SDG 8
	404-3	Percentage of employees receiving regular performance and career development reviews	112–113	Information about white-collar employees only (excluding blue-collar workers)	SDG 8
		Digitalisation and innovation			
GRI 103: Management approach 2016	103-1/2/3	Disclosure on management approach to digitalisation and innovation	88–93		

GRI standards	Disclosure number and title		Page number in the Annual Report 2019	Comments/further information on group website	Sustainable Development Goals
		Collection and analysis of machine data	90		
		Outfit of key equipment with machine control systems	90		
		BIM 5D® workstations	90		
		Digital workplace: Introduction of Office 365	90		
		Mobile end devices for a more flexible work design	90		
	Own indicator	Research and development funding provided by the company	90		
		Number of subdivisions with at least one person responsible for innovation	91		
		STRABAG events on the topic of innovation • Number of participants • Number of participating organisations	91		
		Publication of relevant development projects to expand the innovation activities of the company	91		
		Project risk management			
GRI 103: Management approach 2016	103-1/2/3	Disclosure on management approach to project risk management[1]	94–101		
	Own indicator	The project risk management supports the positive development of the EBIT margin.	98		
		Employment conditions			
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	105		SDG 8
		Occupational safety			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to occupational safety	106–107		
GRI 403: Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	106–107		SDG 3/8
		Health protection			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to health protection	108–109		
	Own indicator	Lost-time illness rate	108		
		Equal treatment of women and men			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to equal treatment of women and men[1]	67–69		
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	53–64; 102–105		SDG 5

1 Not a material topic defined by the GRI standards, but a topic of the strategic approach of STRABAG

GRI standards	Disclosure number and title		Page number in the Annual Report 2019	Comments/further information on group website	Sustainable Development Goals
		Human rights			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to human rights[1]	110–111		
GRI 406: Nondiscrimination 2016	406-1	Incidents of discrimination and corrective actions taken	110–111		SDG 5/8
		Materials			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to materials	127–128		
GRI 301: Materials 2016	301-1	Materials used by weight or volume	128		SDG 12
	301-2	Recycled input materials used	128	For asphalt in Germany, Austria and Poland	SDG 12
		Energy			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to energy	129–133		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	130		SDG 7/12
GRI 305: Emissions 2016	305-1	Direct GHG emissions (Scope 1)	131	CO_2 emissions (excl. other GHG)	SDG 12
	305-2	Energy indirect GHG emissions (Scope 2)	131	CO_2 emissions (excl. other GHG)	SDG 12
	Own indicator	Energy consumption and CO_2 intensity of the relevant energy consumption categories	129–130	Germany (and Austria)	SDG 7/12
		Fair competition			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to business compliance	123–126		
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	124		SDG 16
	205-3	Confirmed incidents of corruption and actions taken	124		SDG 16
		Societal engagement			
GRI 103: Management approach 2016	103-1/2/3	Disclosures on management approach to societal engagement[1]	119–122		
	Own indicator	Expenditures for core projects and initiatives in the reporting period	119		

1 Not a material topic defined by the GRI standards, but a topic of the strategic approach of STRABAG

CEO'S REVIEW

Dear shareholders, associates and friends of STRABAG SE,

During the many months of preparations for this annual report, we decided that we wanted to draw your attention to the aspects of safety and health. These aspects are a valuable commodity in our private lives: people want to stay healthy and feel safe and secure – perhaps in part because today's world seems to be turning faster than it used to. In business, however, these aspects have usually been relegated to playing a minor supporting role.

This has changed significantly as a result of the coronavirus pandemic in spring 2020, with the aspect of health being given priority focus in particular. At STRABAG, we have already been taking active measures, initiatives and projects for several years to prevent work-related health disorders and occupational illness, for example under our workplace health management system. Besides the matter of health, however, there are many other aspects of safety, security and certainty that are of immense importance in a large corporation like STRABAG: from the safety of investments made, to the reliability of commitments and pledges, to the dependability of design and construction work. Thanks to the internet and its possibilities, "data security" has a whole different meaning today than it did ten years ago. And BIM 5D® has everyone talking about "planning security", including concepts of quality, efficiency and transparency.

The people who work for us or with us want both job security as well as physical and psychological safety on the job. The people we work for want to be able to rely on our quality and our agreements. We feel committed to all these expectations and, as a leading technology partner for construction services, we also accept the challenge of actively developing new standards in the field of safety.

Safety in construction

Despite the successful path we have taken so far, we cannot afford to rest. Because: there is a lack of qualified personnel for continued growth. A constant level of around 2,500 vacancies in the group and an impending wave of retirement in our core markets make it unlikely that this bottleneck will resolve itself. There are two pillars to the further development of our company: We invest in technologies and processes that increase efficiency or relieve people of physically difficult, repetitive and dangerous work. And we invest directly in the people who work in and for the group. This includes strategic personnel development, but also continuous awareness-raising regarding occupational safety.

Nearly 77,000 people are at work for us as group employees around the world every day. Over 44,000 of them work on one of the more than 11,000 construction sites that we operate each year. To these figures we must add the people from our customers and partner companies.

"Can really nothing happen to me?" "Can nothing happen to others?" These questions should be kept in mind at every step of the way. Wheather on the construction site, in traffic or at the office: even a brief moment in our regular work routine can change our lives forever.

Because there is nothing more valuable than a healthy life, we launched the group-wide initiative "1>2>3 Choose Safety" in 2019. "1>2>3" stands for the instructions to "Stop. Think. Act." By highlighting the topic of safety in our daily routine, we are pursuing a clear goal: "Vision Zero" – reducing the number of accidents to zero. As in life, it is not possible to completely avoid risks at work, but they must be reduced whenever possible through suitable measures to the extent that injuries and illnesses can be avoided.

> "We invest in technologies and processes that increase efficiency or relieve people of physically difficult, repetitive and dangerous work. And we invest directly in the people who work in and for the group."

The most common causes for occupational accidents on construction sites were trips, slips and falls. What sounds harmless can have serious consequences – even a fall from a low height can be fatal. To help our employees remember the importance of safety at work, they were given a "tangible" reminder in the form of a "1>2>3 safety kit" filled with bandages, wipes and other useful first-aid materials that we are also presenting to you, our readers, along with this report. Our STRABAG safety officers ordered 70,000 safety kits worldwide within just the first few months – an impressive figure for a group with 77,000 employees. This gives us an idea of how serious people are about occupational safety.

Safe strategic steps

We have strategically anchored the further development of our employees in several respects. This is part of our strategic programme because our top management clearly understands that the renewed multiple-record year 2019 must not mark the end of our efforts. After all, there are a number of questions whose answers will determine the continuation of the STRABAG success story:

- How do we make our ways of working fit for the future?
- How do we increase our profitability in the long term?
- How do we increase the importance of partnership models for our business?

- How do we become even more attractive to our shareholders, our employees and our customers?
- How do we actively shape the future of construction?

STRABAG has been taking an important step toward answering these questions since 2015 with the "Innovation Days". Every two years, new technologies and developments are presented in order to promote ideas and approaches within the group and at partner companies. Since 2019, this topic has also been accompanied by a modern website at innovation.strabag.com. All of these considerations and findings then culminated in the FASTER TOGETHER 2022 strategy programme, which represents a roadmap for four years – the management period from 2019 to 2022.

FASTER stands for increased efficiency through the use of new technologies. We want to use digitalisation where it brings tangible benefits for our employees and thus also for our customers. We want to achieve a new quality of work, where less time needs to be spent on administration and more resources are available for creative activities. But FASTER also stands for the expectations we have of ourselves: we need to make the implementation of our strategic projects, programmes and initiatives even faster and thus noticeable.

TOGETHER stands for our successful principle of TEAMS WORK., which is more important today than ever before. It is and remains our motto! Because even if we invest in digital tools and services, personal coexistence will be more and not less for us. We can master the challenges only with the power of teams – only together will we find the best solutions for new tasks. The success of STRABAG can only be achieved by working together.

Secure goal achievement

But where do we actually want to go in the coming years? We have formulated our goals in concrete terms.

By 2022 STRABAG intends to

- achieve an EBIT margin of 4 %
- further strengthen its market positions in the European markets
- generate 10 % of its output volume with partnering models
- be a top employer in the core markets

In order to achieve these goals, we are relying on the STRABAG ACTION PLAN. This consists of initiatives and corporate programmes related to the aforementioned employee development ("People First"), the teamconcept partnering scheme, BIM 5D®, SMART.Construction, LEAN.Construction, the Strategic Procurement Solution (SPS) purchasing platform and the project risk management. Details on each of these topics can be found in this Annual Report within the context of the reporting outlined by the Global Reporting Initiative (GRI).

We further underpinned our ambitions at the beginning of 2020 with a personnel change, bundling the topics of digitalisation, innovation and business development and raising the responsibility for these matters to the Management Board level. The STRABAG SE Management Board was expanded accordingly from five to six members. This makes us the first company in the industry to place such a clear focus on digitalisation.

Committed to certainty and clarity

Once our goals have been achieved, we will only be able to maintain them if they have been achieved in a fair way. This is why certainty in other respects is just as important to us – in this case, the certainty of clear and unambiguous information. In an international group such as ours, the wrongdoings of individuals can have a negative impact on the entire company. In the past, STRABAG has unfortunately had some disagreeable experiences with wrong decisions made by certain individuals, many of whom acted in the belief that they were pursuing the interests of the company. The fact that our name was mentioned in connection with the construction cartel case in Austria made for some rather unpleasant headlines for us.

Not only because of these recent experiences, it is a serious and important concern for me and my colleagues on the Management Board to provide all employees with well-founded information as to what sorts of behaviour we expect in our daily routine and which behaviour will not be tolerated under any circumstances. Precise information about when, for example, a casual conversation with representatives of the competition may lead to problems with competition law and become a danger for the group is essential knowledge in today's business dealings.

Just as the world is changing, so too the necessary prerequisites for surviving in the market are constantly changing. For this reason, STRABAG in 2019 revised and expanded the Business Compliance Management System. In doing so, we have made another significant contribution to ensuring fair competition.

On the sure road to success

Another certainty is that STRABAG again had a very successful past financial year, as the new record result for all important key figures clearly shows.

Our group generated a record **output volume** for the third year in a row in the 2019 financial year. With a plus of 2 % to € 16.6 billion, the company exceeded its own forecast. This development was driven in particular by growth in the home market of Austria and in transportation infrastructures in Poland, Hungary and the Czech Republic, which more than compensated for the decline caused by the loss of a key German client in property and facility services. Performance in the remaining markets was mixed.

The **order backlog** as at 31 December 2019 grew by 3 % year-on-year to € 17.4 billion, also reaching a record level. Declines were seen in Hungary, Austria and Poland, for example, as work finished on numerous major projects in these countries. This development was contrasted by the substantial expansion of an existing large order in the United Kingdom and a significant increase in the order backlog in Germany and the Czech Republic.

The **earnings before interest and taxes** (EBIT), the most important financial indicator for us, stood at € 602.58 million, thus surpassing its previous peak not only in absolute terms but also relative to revenue. With an EBIT margin of 3.8 %, we have come a big step closer to our medium-term target of 4.0 % by 2022.

The **equity ratio** remained solid as usual with 31.5 % after 31.6 % in the previous year. Our **S&P investment grade rating** of BBB, outlook stable, has been confirmed. And we continue to report a **net cash position**.

Renewed records

Highs in output volume, order backlog and EBIT

€ 0.90

Dividend cut and conditioned due to uncertainties over the impact of the coronavirus pandemic

4.0 %

Predicted EBIT margin for 2022

For **2020**, we expect to be able to maintain an output of over € 16 billion. This assumption is well-supported by the high order backlog. From today's perspective, no significant changes in the output volume should be observed in any of the three segments North + West, South + East and International + Special Divisions.

With a planned EBIT margin of more than 3.5 % for the 2020 financial year, we remain on track to achieve the medium-term target of 4.0 %. We expect that the earnings contributions from the traditionally strong specialty business fields of real estate development and property and facility services will weaken somewhat, but that at the same time, further progress can be made in project risk management and that the strong demand in the construction sector in markets such as Poland or Germany will be reflected in market-driven building prices.

Although the new record year justifies a far higher dividend, the unforeseeable medium-term impact of the coronavirus pandemic has prompted the Management Board to propose to the Annual General Meeting on 19 June 2020 a conditional[1] dividend of € 0.90 per share. This is to ensure that the dividend payment does not unduly burden the company's liquidity. The payout ratio thus comes to 25 %, which is below the range of 30–50% of net income after minorities as defined by our dividend policy. The dividend yield is 3.0 % based on the average share price for 2019. This, combined with the attractive price development, should still have brought you, our shareholders, a substantial return on your investment in our share in 2019. The STRABAG SE share closed the year 2019 at € 31.00, an increase of 21 %. This results in a total shareholder return of 24 % for 2019 alone.

THE MOST IMPORTANT FACTS FOR OUR SHAREHOLDERS

Share price of STRABAG SE at year-end 2019	**€ 31.00**
Proposed dividend per share[1]	**€ 0.90**
Earnings per share	**€ 3.62**
Dividend yield	**3.0 %**
Ex-dividend date	**26 November 2020**
Payment date for dividend	**30 November 2020**
Annual General Meeting	**19 June 2020**

1 Entitlement to and payment of the dividend is subject to the condition precedent that the total amount of liquid assets of the company and of all companies fully consolidated in accordance with the applicable International Accounting Standards (IFRS/IAS), plus any contractually agreed but unused loans, does not fall below € 1 billion as at 31 October 2020 even if the dividend is paid out.

Confirming the **earnings improvement as sustainable** is an essential task for us on the Management Board team so that the STRABAG SE share price can continue to reflect the value of the company now and in the future. To guarantee a broad basis for attaining this goal, the management and certain members of the staff are given a long-term share of the earnings in the form of bonuses and profit percentages.

Our achievements are team achievements. Almost 77,000 people work for our company every day. My thanks go to all of them – also on behalf of my Management Board colleagues. They carry our motto TEAMS WORK. in their hearts and "1>2>3 Choose Safety" in their heads. I would also like to thank all employees from our partner companies and wish them a safe day at work as well as a safe return home. And I extend my thanks to you, our shareholders: investing in a company is not a safe thing per se. So we are all the more indebted to you for your trust in us!

Yours,

Thomas Birtel
CEO of STRABAG SE

Vienna, 29 April 2020

THE STRABAG GROUP AT A GLANCE

- OUR BUSINESS: INTEGRATE SERVICES ALONG THE CONSTRUCTION VALUE CHAIN AND ASSUME RESPONSIBILITY FOR THEM
- OUTPUT VOLUME OF € 16.6 BILLION IN 2019
- BUSINESS IN FOUR OPERATING SEGMENTS: NORTH + WEST (49 % OF THE GROUP OUTPUT VOLUME), SOUTH + EAST (29 %), INTERNATIONAL + SPECIAL DIVISIONS (21 %) AND OTHER (1 %)

Our mission statement and guiding principles

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

Thanks to the hard work and dedication of our more than 75,000 employees, we are one of the few companies capable of offering services along the entire construction value chain – from design to planning, from construction to property and facility services, from operation all the way to demolition. In this way, we generate an annual output volume of around € 16 billion. At the same time, a dense network of numerous subsidiaries in many European countries and on other continents is helping to expand our area of operation far beyond the borders of Austria and Germany. This broad diversification puts us in a position to build cost- and resource-effectively.

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

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

Commitment

Trust

Reliability

Respect

Partnership

Solidarity

Sustainability

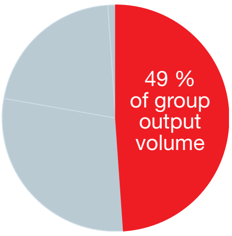
Modesty

Innovative spirit

Four segments

We provide our services in four operating segments:

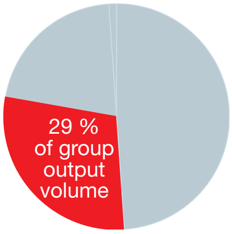
NORTH + WEST



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

	2019	2018
Revenue (€ mln.)	7,555.75	7,242.42
EBIT (€ mln.)	310.20	161.40
EBIT margin (%)	4.1	2.2
Employees (FTE)	25,386	24,222

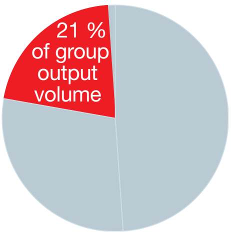
SOUTH + EAST



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

	2019	2018
Revenue (€ mln.)	4,879.50	4,521.81
EBIT (€ mln.)	121.97	142.03
EBIT margin (%)	2.5	3.1
Employees (FTE)	19,850	18,729

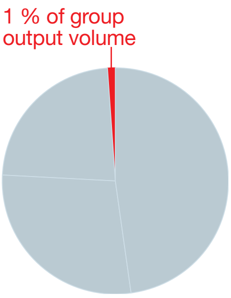
INTERNATIONAL + SPECIAL DIVISIONS



The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where the services are rendered, the construction materials business, including the company's dense network of construction materials operations but with the exception of asphalt, also belongs to this segment. The real estate business, which stretches from project development and planning to construction and operation and also includes the property and facility services business, completes the wide range of services. Additionally, most of the services in non-European markets are also bundled in the International + Special Divisions segment.

	2019	2018
Revenue (€ mln.)	3,216.67	3,437.82
EBIT (€ mln.)	183.97	198.69
EBIT margin (%)	5.7	5.8
Employees (FTE)	25,219	26,279

OTHER



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

	2019	2018
Revenue (€ mln.)	16.65	19.78
EBIT (€ mln.)	0.87	0.86
EBIT margin (%)	5.2	4.3
Employees (FTE)	6,464	6,230

STRABAG
TEAMS WORK.

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

STRATEGY

Factors influencing the business model of construction

Economic Responsibility

Investment story: four trends make the construction sector attractive

Buildings are made with the aim of being available for a very long useful life. This requires forward-looking planning, thinking and acting. It seems reasonable to conclude, therefore, that the industry would be of interest to long-term investors; after all, the fundamental demand for construction is unlikely to dry up. But you don't need to have centuries in mind for an investment in construction to pay off – the following four trends make the construction sector an attractive option for the current decade:

Trend 1 – Urbanisation: The United Nations (UN) estimates that 68 % of the world's population will be living in cities by the year 2050 – this represents an increase of the urban population by 2.5 billion people. Accompanying this growth is a higher demand for infrastructure. An example: Based on an expert opinion commissioned by the federal government, the backlog resulting from the lack of maintenance measures alone in rail infrastructure in our home market of Germany is estimated at just under € 50 billion in 2019. And according to calculations by McKinsey&Company from February 2018, Germany needs to increase its annual construction volume by about € 40 billion in order to reach its political goals for infrastructure and residential construction.

Environmental Responsibility

Trend 2 – Energy efficiency: The European Union wants to cut its greenhouse gas emissions by the year 2030 to 40 % below 1990 levels. For this reason, among others, clients are increasingly demanding that existing buildings be adapted with a view towards higher energy efficiency and lower emission levels during operation. After all, the International Energy Agency estimates that the construction sector is responsible for about 40 % of the direct and indirect CO_2 emissions.

Trend 3 – Financing environment: Low interest rates make real estate an attractive investment for several investor groups – a situation we still see to a great degree in our largest market of Germany, for example. Moreover, low interest rates are facilitating the financing of project developments. However, local overheating of property and rental prices can no longer be ruled out.

Trend 4 – Digitalisation: In contrast to sectors like the automotive industry or consumer goods industry, the degree of digitalisation in the construction sector remains relatively low. Experience has shown, however, that the digitalisation and networking of data during the life cycle of a building holds advantages for the various project participants – be it during the design, build or operate phases of the building. The increasing digitalisation of processes, therefore, allows us to expect significant productivity growth in the construction industry.

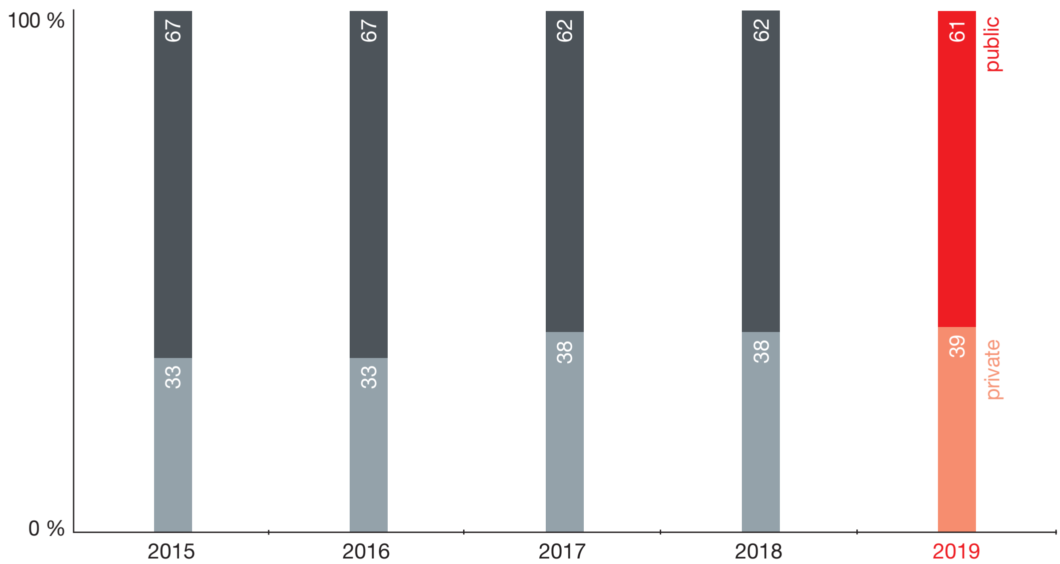
These four large trends are thus decisive for the attractiveness of the sector. But what is decisive in determining which company is awarded a contract? What do building clients look for in this regard?

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

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

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

OUR CLIENT STRUCTURE



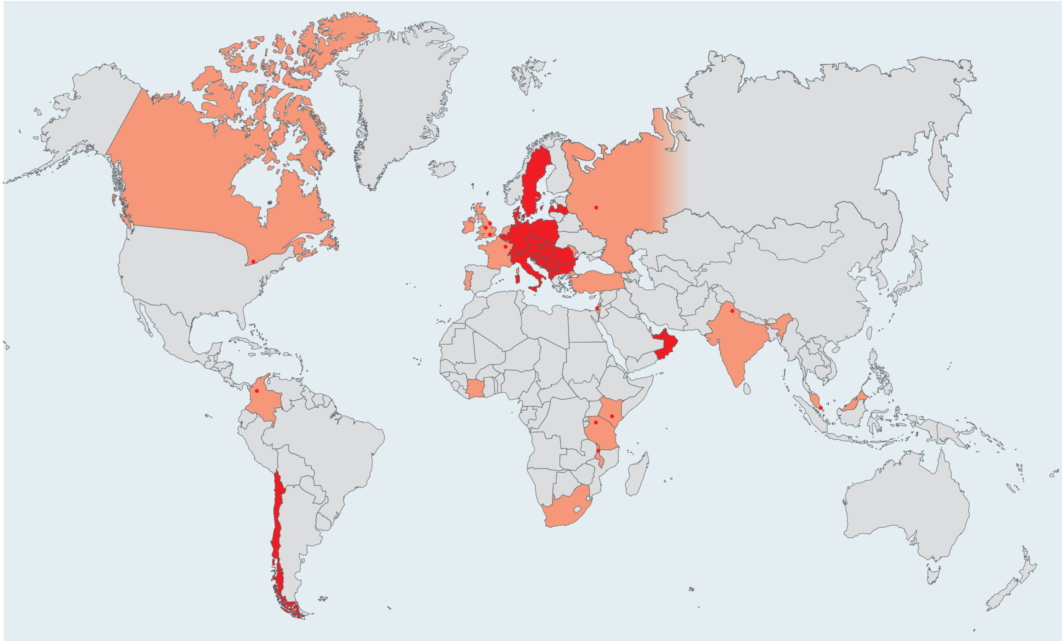
Three strategic priorities

#1 – STAYING DIVERSIFIED

The various forces driving the construction industry and its subsectors advise a corporate strategy that is built on diversity. This diversity can be seen in our employees but also in the regions and construction segments in which we operate. We therefore see ourselves as a European group that offers a broad range of construction services internationally. Selective diversification brings a number of advantages. For one, it allows us to respond quickly to opportunities in different markets. Also, the existing country network helps us in our expansion, allowing us to deploy large equipment to different regions and to pass on know-how and technologies to the local management so they are of benefit there. Moreover, we spread our risk by not concentrating our business on just a few countries (see graph "Total construction output by country").

Firmly established in our home markets of Austria and Germany – which account for 63 % of our output –, we generate an additional 23 % of our business in Central and Eastern Europe and another 7 % in other European countries. We are also active outside of Europe in projects requiring a high degree of technological know-how, currently in places such as Chile or the Middle East. We handle these international markets – they account for 7 % of our output volume – mostly as part of the direct export business.

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



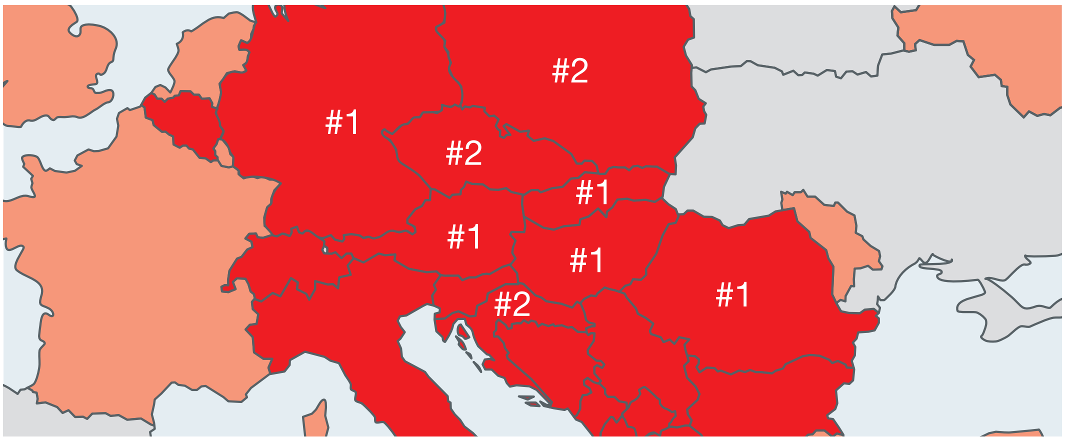
region-wide presence

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

Details: see Country report

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

STRONG MARKET POSITION



region-wide presence

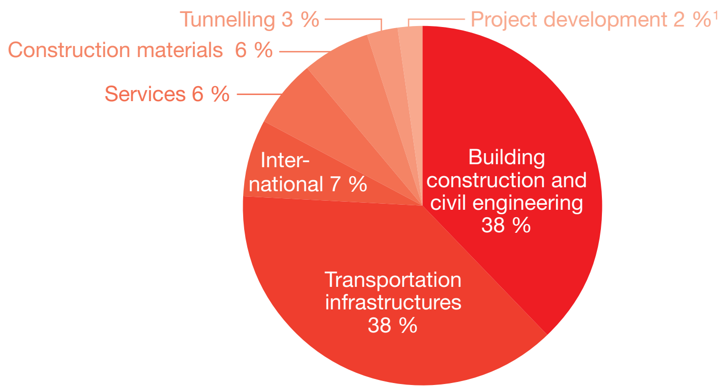
project business; in Russia the STRABAG Group operates exclusively in the western part of the country.

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

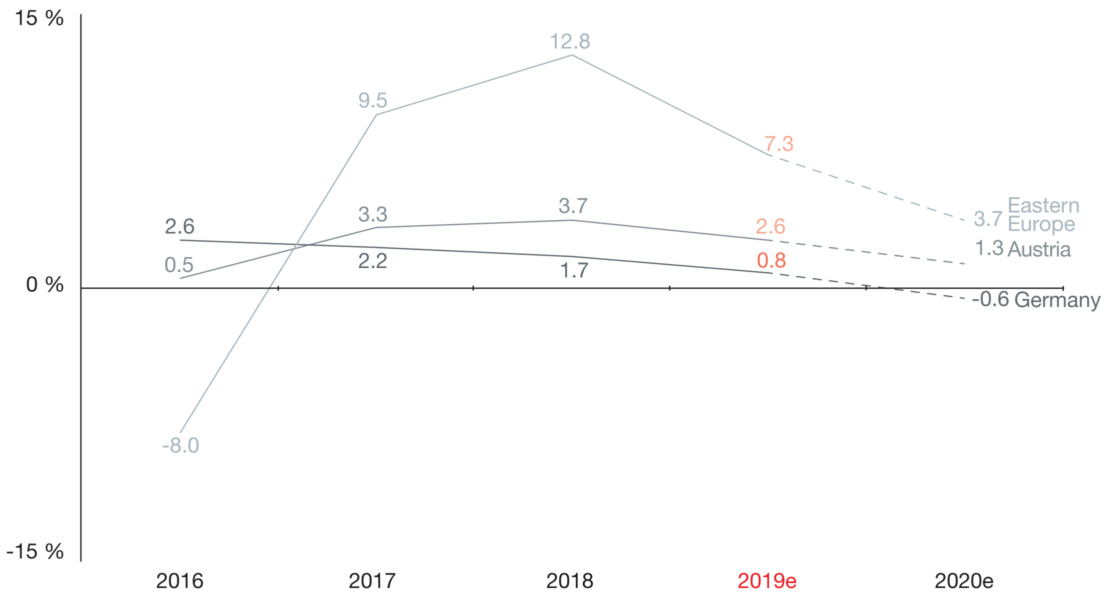
More information on our activities in the various segments is available in our Segment report

In addition to diversifying geographically, we also try to offer services along the entire construction value chain and in different construction segments. After all, the construction industry does not follow just one cycle; each segment – differentiated in part by the type of client – follows its own. In economically difficult times, for example, the public sector invests more in infrastructure as a way of stimulating the economy, and the transportation infrastructures segment booms. Lower interest rates, on the other hand, are of benefit especially in building construction. The diversification in different construction segments thus reduces risk, and the extension of the value chain balances out cyclical and seasonal effects by trend. This is why we expanded our range of services a few years ago, for example, in the field of intelligent transport systems and electronic toll solutions or in the services business, so that today around 86 % of our business comes from construction, 6 % from services, 6 % from the construction materials sector and 2 % from real estate project development and concessions. The output volume from the latter segment is low by nature, however, as it refers only to the management of a project without including its actual construction.

OUTPUT VOLUME BY SEGMENT



TOTAL CONSTRUCTION OUTPUT BY COUNTRY[2]



1 Construction activities not included
2 Source: Euroconstruct, winter 2019

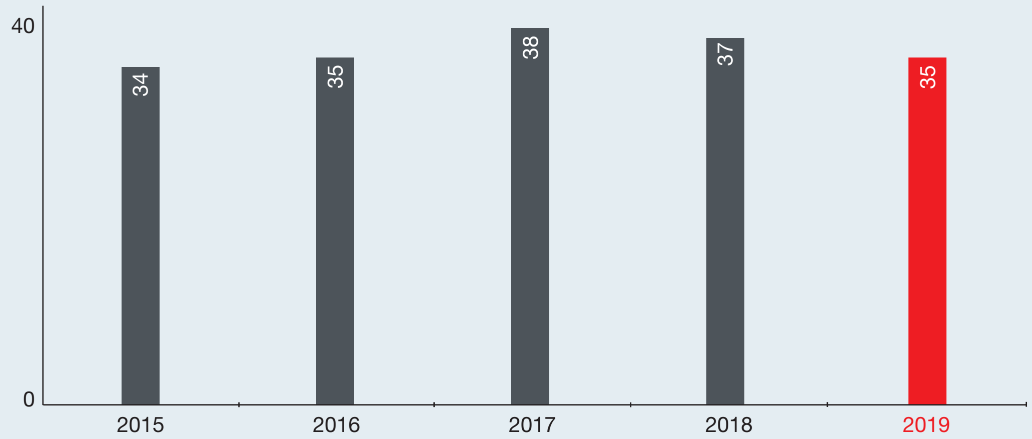
See the chapter "Client satisfaction"

Especially in economically difficult times, it is important not to depend on just a few specific markets. We therefore began to focus on diversification at an early stage – and this strategy has paid off. Germany, a market which had not been given a lot of hope ten years ago, proved to be a growth driver in recent years. Investors have sought refuge in real estate, as other investment options involve high risk without being very lucrative. Additionally, public-sector infrastructure investments have picked up speed in Germany, so that the activity in transportation infrastructure is expected to continue at a high level in the coming years.

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

PUBLIC-PRIVATE PARTNERSHIPS AS PART OF A DIVERSIFIED SERVICE PORTFOLIO

NUMBER OF PPP PROJECTS IN THE GROUP



>€ 9 billion
total investment volume

€ 554 million
equity invested

We have been working successfully with operator models for more than two decades. In the areas of building construction and infrastructure, the portfolio comprises 35 public-private partnership (PPP) projects with a **total investment volume** of € 9.3 billion (2018: € 10.2 billion). Of these, 19 projects with a total investment volume of € 465.52 million are building construction and 16 with a total investment volume of € 8.8 billion are infrastructure projects. Across all concession projects, we had a proportionate **share of equity** in the amount of € 554.12 million invested in 2019 and had committed a further € 19.61 million for a total of € 573.73 million.

In the 2019 financial year, the following developments are to be emphasised:

- Construction is still proceeding according to plan on the **"Mar 1" road construction project in Colombia**, with a degree of completion of over 50 %.
- We acquired **two school campuses** in the 3rd and 22nd districts of **Vienna** (Austria) from the **City of Vienna's** current PPP education programme comprising a total of ten locations. The project involves the financing, construction and operation of educational opportunities for 2,250 children on a total of 38,000 m² of gross floor space. The PPP contract, which is based on an availability model, has a term of 27.5 years.
- In the energy sector, construction work is progressing rapidly on the **German geothermal project (Bruck)** after the deep drilling. The project is expected to be put into operation in the fourth quarter of 2020.
- The sale of our **Irish concession investments** (Fermoy, Limerick, N17/N18), which had already been begun in 2018, was successfully completed in May 2019.

- The **A15 motorway project in the Netherlands** was refinanced in December 2019, with the STRABAG Group withdrawing from the operating company as part of the restructuring.

- In our **A2 motorway project in Poland** (AWSA), the extension work on the Poznań bypass was completed ahead of schedule at the end of the year and the third lane has been opened to traffic.

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

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

Valuation principles

How the individual projects are recognised in the balance sheet depends on the legal definition. An **intangible asset** is recognised if the concession grants the company the right to charge users a usage fee or a usage-based fee. The accounts receivable approach is used if the company has an unconditional contractual right to receive a payment (see Receivables from Concession Arrangements, item 19 in the Notes). Non-recourse debt resulting from these consolidated project companies is considered in the liabilities section of the consolidated balance sheet. A large portion of the existing PPP projects within the STRABAG Group is handled by associated group companies. These are incorporated into the consolidated financial statements using, for the most part, the **equity method**. The investment in the concession company is therefore recognised with the proportional equity.

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

Economic Responsibility

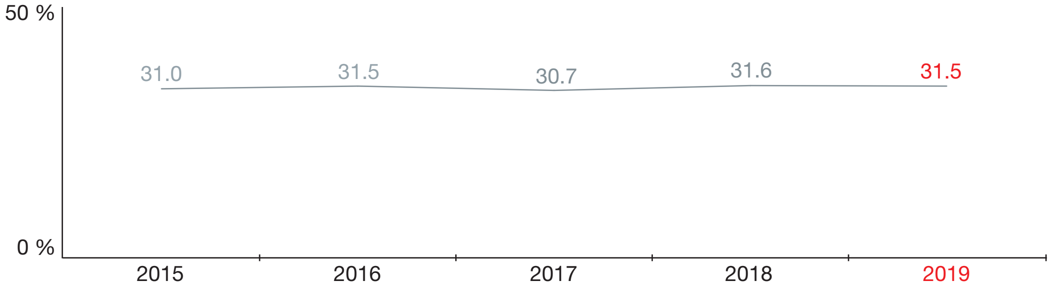
Equity ratio: 31.5 %

#2 – MAINTAINING FINANCIAL STRENGTH

Despite all differences between private and public clients, financial strength is the basic prerequisite for having our bid considered – it represents a decisive advantage in competition. We therefore see financial strength as being both the foundation as well as the framework for our business activity. Moreover, only financially strong construction companies are capable of participating in concession projects, as these must be partly co-financed with company equity. Additionally, meaningful acquisitions can be transacted more easily and quickly when there is an available budget.

This is why maintaining our financial strength is a strategic priority. We see the equity ratio as a suitable figure with which to measure STRABAG's financial stability and strength. We are satisfied with an equity ratio (group equity/total equity) above 25 %. As at 31 December 2019, this figure stood at 31.5 % – despite the own shares held by the company in the amount of 6.7 % of the share capital, the value of which is deducted from the equity.

DEVELOPMENT OF THE EQUITY RATIO



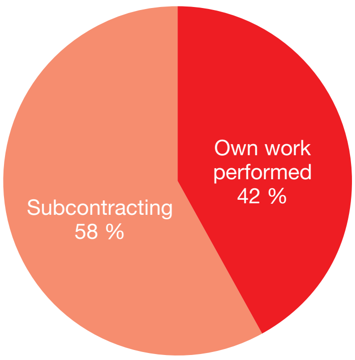
S&P rating: BBB, stable outlook

The financial strength of our company is also evaluated independently. In June 2015, the ratings agency Standard & Poor's (S&P) raised the investment grade rating for STRABAG SE by one level from BBB- to BBB. This rating was last confirmed in September 2019. S&P left the outlook at "stable". The group's financial strength – expressed in form of a high equity ratio, a net cash position of € 1,143.53 million with a balance sheet total of € 12.3 billion, and the S&P investment grade rating – allows us to ensure the long-term existence of the group and to finance at favourable conditions.

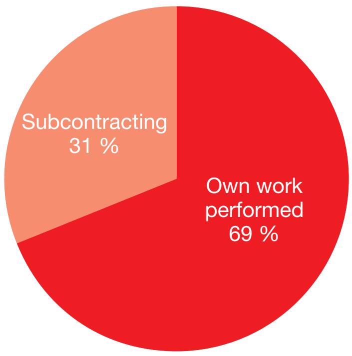
#3 – SHOWING FLEXIBILITY

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

SUBCONTRACTING BUILDING CONSTRUCTION AND CIVIL ENGINEERING



SUBCONTRACTING TRANSPORTATION INFRASTRUCTURES



OWN CONSTRUCTION MATERIALS NETWORK TO INCREASE FLEXIBILITY

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

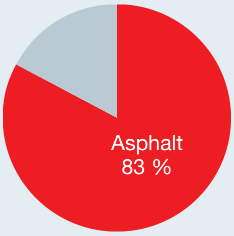
We already possess an extensive construction materials network that is especially dense in our home markets. With 273 active asphalt mixing plants[1] (2018: 269), we covered 83 % of our group asphalt needs last year (2018: 81 %). In this area, we have already enjoyed an optimal degree of self-sufficiency for several years. In terms of proprietary coverage, the other construction materials also exhibited a stable trend in 2019. Proprietary coverage with concrete remained nearly unchanged at 25 %, after 27 %,

1 Own facilities and investments

with a total of 146 active concrete mixing plants (2018: 147). In the field of stone/gravel, coverage stood at 15 % as in the previous year, while the number of active production sites fell from 150 to 148. Only in the investments in the five (2018: five) cement plants was there a strong increase in coverage from 25 % to 34 %.

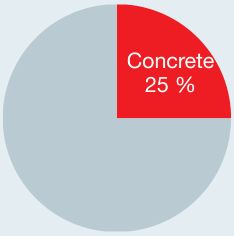
Since the 2016 financial year, Sec 267b of the Austrian Commercial Code (UGB) requires STRABAG SE to publish a consolidated report on behalf of its subsidiaries in the extractive industries concerning payments to governments. This report is available at www.strabag.com.

CONSTRUCTION MATERIAL NEEDS USING OWN RESOURCES



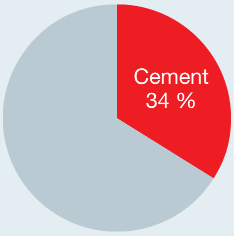
Asphalt

We produced 16.6 million tonnes of asphalt in the past financial year, compared to 16.4 million tonnes in 2018. Most of this amount was produced in Germany, Austria, Poland and the Czech Republic. Of the asphalt produced, 59 % (2018: 59 %) was sold within the group at the usual market rate. The rest was sold to third parties.



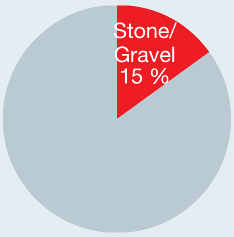
Concrete

The production of concrete – more than 70 % of which takes place in Hungary, Austria, the Czech Republic and Germany – amounted to 4.2 million m³ in 2019, compared to 4.4 million m³ in 2018. Some 28 % of the concrete produced was sold within the group (2018: 30 %)[1].



Cement

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



Stone/Gravel

The STRABAG Group produced around 32.2 million tonnes of stone and gravel in 2019, slightly more than in the previous financial year (2018: 31.8 million tonnes). Some 27 % of these resources were used by group companies (2018: 29 %)[1]. Being active in the production of stone and gravel, STRABAG is considered to be part of the extractive industries.

With the exception of asphalt, where our coverage is already very high, our aim is to continuously cover more of our construction material needs with own resources. For us, increasing our independence from construction materials suppliers is a priority. In comparison, raising the revenues from construction materials sales to third parties is not an objective per se. Nevertheless, revenues in this area reached about € 690 million in the past financial year (2018: € 660 million).

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

Our strategic programme: FASTER TOGETHER 2022

The multitude of structures and projects that we build are only possible because we can bring together the right people, materials and equipment at the right place and at the right time. This would not be possible without teamwork – across geographic boundaries and business units. That's why we continue to work in line with our corporate motto: TEAMS WORK.

To give our employees a sense of direction, we took an important step with the launch of our group-wide strategy programme FASTER TOGETHER 2022. An important element is the STRABAG Action Plan, under which interdisciplinary teams work in close cooperation with the operating units in several individual initiatives on finding new solutions together with the innovation management.

People First: As a learning organisation, we pay attention to respectful cooperation and safe working, promote a strong team culture and create attractive and future-proof jobs.

→ Chapters "General employment figures", "Occupational safety", "Health protection", "Human Rights", "Strategic human resource development" and "Employment and social fund"

teamconcept: Our partnering model has the added value for all project participants in mind. By jointly setting the construction target and through transparent construction, the risks for all parties to the contract are minimised.

→ Chapter "Client satisfaction"

BIM 5D®: The digital working method makes it possible to better design, build and operate construction projects. The gain in transparency creates cost, planning and scheduling security at a higher level.

→ Chapter "Digitalisation and Innovation"

SMART.Construction: New technologies enable future-proof construction and relieve our construction teams of unproductive routine activities. This creates space for innovative solutions.

→ Chapter "Digitalisation and Innovation"

LEAN.Construction: Together with the construction teams, construction processes and site-related activities are analysed, shaped using LEAN principles and continuously improved so that projects can be realised in a more structured and efficient manner.

→ Chapter "Client satisfaction"

Strategic Procurement Solution: In order to create a stronger presence on the market and to make purchases more strategically, we define uniform purchasing standards and are introducing a group-wide platform solution for working with our suppliers.

→ Chapter "Digitalisation and Innovation"

Project risk management: To reduce risks during the procurement and execution of construction projects, we analyse cause-and-effect mechanisms, draw conclusions and develop standards and systems with group-wide validity.

→ Chapter "Risk and opportunity management – Project risk management"

And our **innovation management** team collects, promotes and connects all the ideas and initiatives that help advance STRABAG further into the future.

→ Chapter "Digitalisation and Innovation"

In this way, we summarise those issues that we believe make STRABAG fit for the challenges ahead and help us to continually improve.

How we measure our strategy's success

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

Strategic field	Issue	Key figure/Criteria	2018	2019	Targets
Economic Responsibility	Capital market appeal	Equity ratio	31.6 %	31.5 %	≥25 %
	Capital market appeal	S&P rating	BBB	BBB	Maintain investment grade rating
	Capital market appeal	Output growth	+12 %	+2 %	2020: At least € 16.0 billion
	Capital market appeal	Dividend	38 % of net income after minorities	25 % of net income after minorities	30–50 % of net income after minorities
	Capital market appeal	EBIT margin	3.7 % 3.3 % adjusted	3.8 %	2022: EBIT margin 4.0 %
	Client satisfaction[1]	Client satisfaction (index)	1.86	1.87	2020: ≤1.87
	Digitalisation and innovation[1]	Collection and analysis of machine data	26 %	34 %	2020: >34 %
		Outfitting of key equipment with machine control systems		12%	
		BIM 5D® workstations	1,350	1,560 (+15 %)	2020: double-digit percentage growth
		Share of workplace computers with Office 365 installed	68 %	99 %	2020: 100 %
		Percentage of employees using mobile end devices	Tablets: 10.8 %	Tablets: 17.9 %	2020: >17.9 %
		Research and development funding provided by the company	€ ~ 14 million	€ ~ 17 million	Maintain at least the previous year's level
		Number of subdivisions with at least one person responsible for innovation	23 (of 118)	23 (of 119)	Increase year-on-year in relation to the number of subdivisions
		STRABAG events on the topic of innovation: Number of participants and number of participating organisations	72 participants from 22 organisational entities	> 1,000 participants from 18 organisational entities	2021: ≥1,000 participants ≥18 organisational entities
People & Workplace	Equal treatment of women and men	Diversity in governing bodies and among employees – Number of women as a percentage of employees and the management[2]	16.9 % 9.2 %	16.9 % 9.3 %	2020: >16.9 % 2020: >9.3 %
	Work safety[1]	Lost-time accident rate[3]	0.22 %	0.24 %	Vision Zero – Zero Accidents
		Accident incident rate[4]	15.9	15.9	Vision Zero – Zero Accidents
	Health protection[1]	Lost-time illness rate[5]	5.2 %	4.9 %	–
	Human rights	Number of cases of discrimination	0	1 (5 additional reported cases are currently still under review)	–
	Strategic human resource development[1]	Number of appraisal interviews held and recorded in the reporting period versus number of employees[2]	51 %	60 %	Until 2022: 80 %
		Seminar days per employee[2]	1.31	1.42	

1 Material issue as defined by the GRI standards
2 Employee numbers expressed as head count
3 Calculated as the number of working hours lost to accidents versus productive working hours
4 Calculated as the number of accidents at work per 1 million productive working hours
5 Ratio of sick leave days to working days

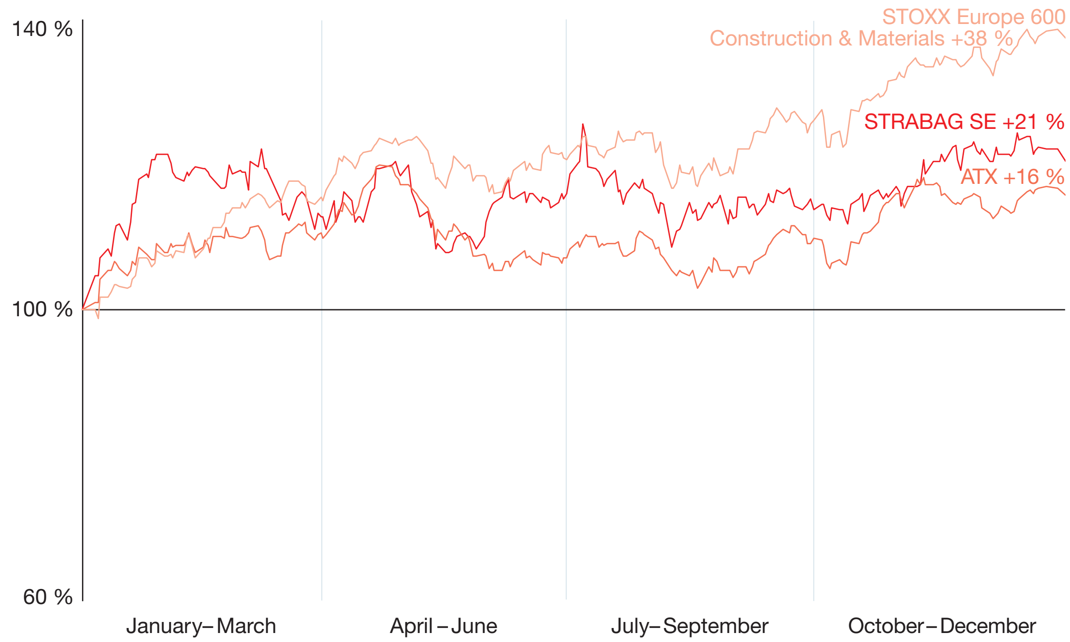
Strategic field	Issue	Key figure/Criteria	2018	2019	Targets
Corporate Citizenship	Societal engagement	Expenditures for core projects and initiatives in the reporting period	€ 3.80 million	€ 4.20 million	Promote selected initiatives in the long term
Business Compliance	**Fair competition**[1]	Training penetration rate (initial training): • E-learning course "The Right Behaviour in Day-to-Day Business" • Classroom course "Avoidance of Corruption and Anti-Competitive Violations" • Classroom course "Cartel Risks, Basics and Code of Conduct"	• 87 % • 93 % • 87 %	• 98 % • 90 % • 90 %	100 %
		Training penetration rate (refresher course): • E-learning course "The Right Behaviour in Day-to-Day Business" • Classroom course "Avoidance of Corruption and Anti-Competitive Violations" • Classroom course "Cartel Risks, Basics and Code of Conduct"	• 91 % • 95 % • 84 %	• 99 % • 92 % • 85 %	
		Number of compliance-supporting measures in the year	9	7	–
		Number of business compliance violations discovered in the year	2	2	–
Environmental Responsibility	**Materials**[1]	Recycled input materials used – Percentage of recycled asphalt used in the production of asphalt mixture	32 % (DE) 32 % (PL) 13 % (AT)	34 % (DE) 41 % (PL) 13 % (AT)	Increase the previous year's level
	Energy[1]	Energy consumption and CO_2 intensity – Vehicle fleet in Germany and Austria	Across all vehicle categories: 7.40 l/100 km and 198 g CO_2/km	Passenger cars: 6.0 l/100 km and 161 g CO_2/km; commercial vehicles: 9.2 l/100 km and 246 g CO_2/km	Increase energy efficiency by at least 1 % over the previous year
		Energy consumption and CO_2 intensity – Asphalt mixing plants in Germany	90.5 kWh/t of asphalt mixture produced; 30.8 kg CO_2/t of asphalt mixture produced	93.0 kWh/t of asphalt mixture produced; 31.8 kg CO_2/t of asphalt mixture produced	Increase energy efficiency by at least 1.3 % over the previous year
Corporate Governance	Austrian Code of Corporate Governance (ÖCGK)	Compliance with C-Rules and R-Rules	All C-Rules and R-Rules were complied with	All C-Rules and R-Rules were complied with	Comply with all C-Rules and R-Rules in the valid version of the Code and provide transparent reporting

1 Material issue as defined by the GRI standards

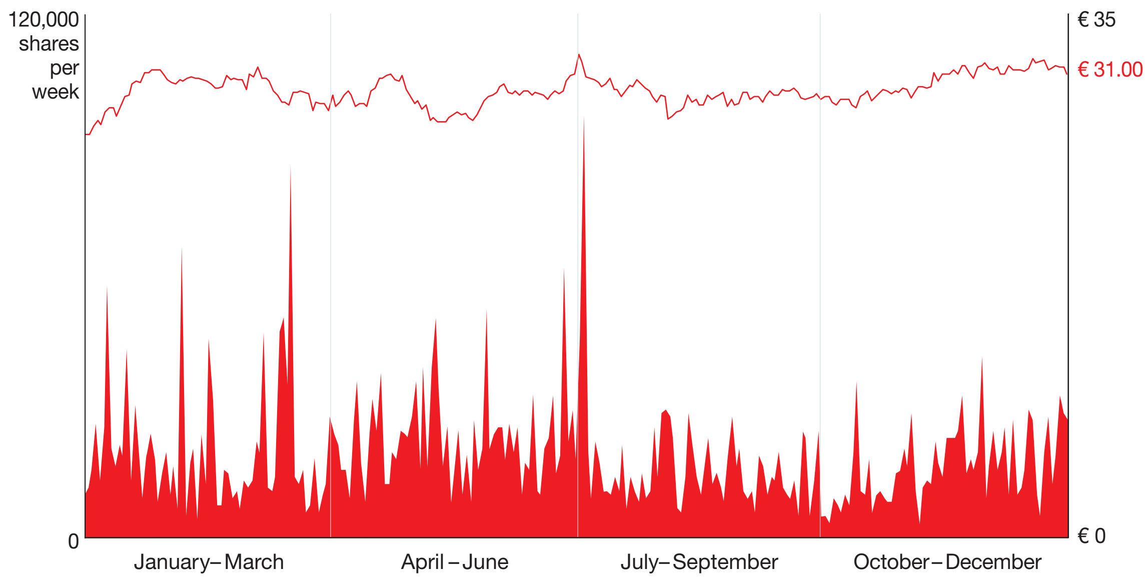
SHARES, BONDS & INVESTOR RELATIONS

The STRABAG SE share

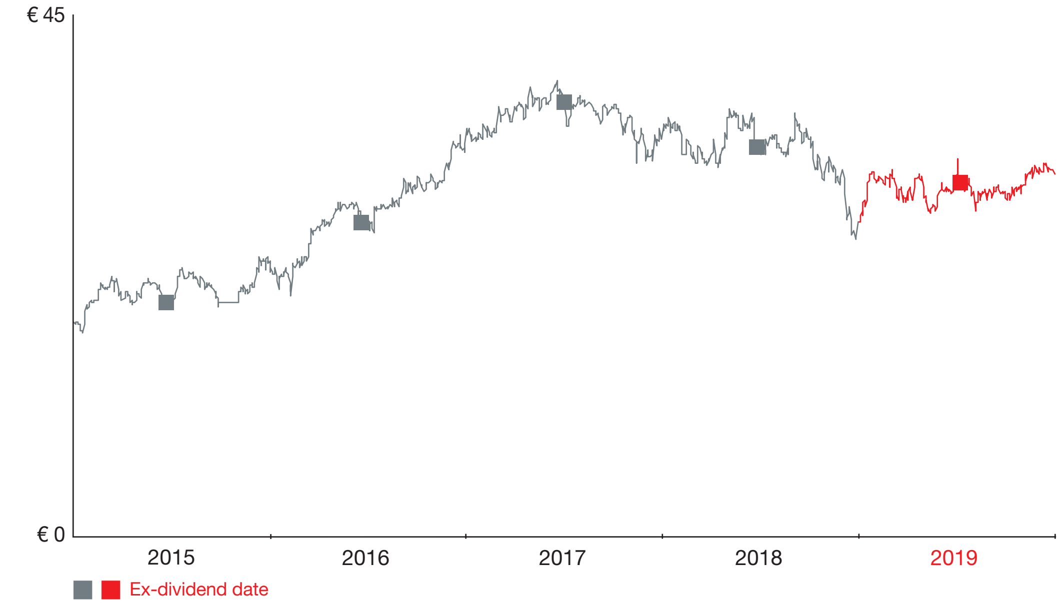
DEVELOPMENT OF THE STRABAG SE SHARE PRICE AND OF THE BENCHMARK INDEXES 2019



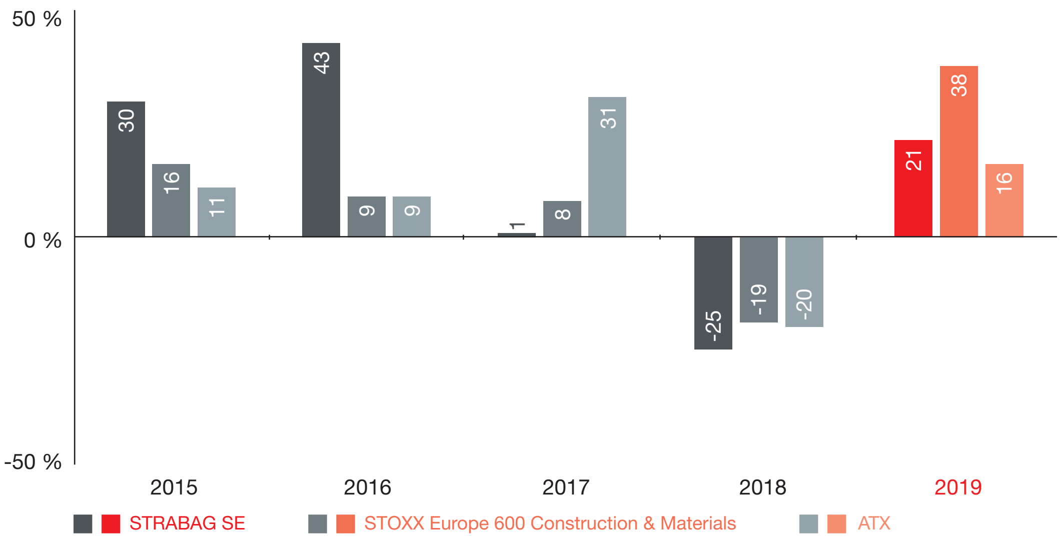
TRADE VOLUME OF STRABAG SE SHARES VERSUS SHARE PRICE 2019



LONG-TERM DEVELOPMENT OF THE STRABAG SE SHARE PRICE



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



The 2019 stock market year saw a clear upward trend on the international exchanges in the first four months, which was often interpreted as a reaction to the price corrections of the previous year. After a subsequent phase of non-directional price fluctuations that lasted for several months, the key indexes rose sharply in the fourth quarter. Overall, price movements were extremely positive on most stock exchanges in 2019, which is reflected in a 25 % increase in the world stock market index **MSCI World**. Several factors had a dampening effect on the market: global trade conflicts, the lowered growth expectations from global forecasting institutes and a number of political uncertainties, from Brexit to persistent crises in the Middle East to political and economic turmoil in several Latin American countries. Remarkably, however, these were overshadowed by the central banks' monetary policy measures.

Price increases were particularly strong in the United States, where the Fed had reversed its policy of gradually raising interest rates into an interest rate cut policy. The US benchmark **Dow Jones Industrial Average** rose by 22 %.

In Europe the continuity of the expansionary monetary policy increased confidence on the stock market despite changes in personnel at the top of the ECB. The repeated frustration throughout the year due to the uncertainties surrounding the UK's exit from the EU finally faded into the background after the clear outcome of the

STRABAG SE share price at year's end: € 31.00

British parliamentary elections of December 2019. The pan-European index **EURO STOXX 50** strengthened in 2019 as much as the benchmark US index, namely by 25 %. With strong performance in the last quarter, the Japanese **Nikkei 225** expanded its overall growth to 18 %, achieving the highest index value since the early 1990s.

A clear price increase was also observed on the Vienna Stock Exchange, with the benchmark **ATX** rising by 16 %. In contrast to many other stock exchanges, the year's high was already reached at the beginning of the second quarter. This was followed by a clear correction, which can be partly explained by the fact that the Austrian industry was particularly exposed to the effects of trade conflicts, but also by domestic turbulence.

The **STRABAG SE share** closed at € 31.00, showing an increase of 21 % after a negative performance in the previous year. STRABAG closed the first trading day in 2019 with a share price of € 26.85 – the lowest value of the year. The share peaked at € 32.30 on 3 July 2019. For comparison: the industry index **STOXX Europe 600 Construction & Materials** climbed by 38 %, clearly exceeding the performance of both the ATX and the STRABAG SE share.

KEY SHARE INDICATORS

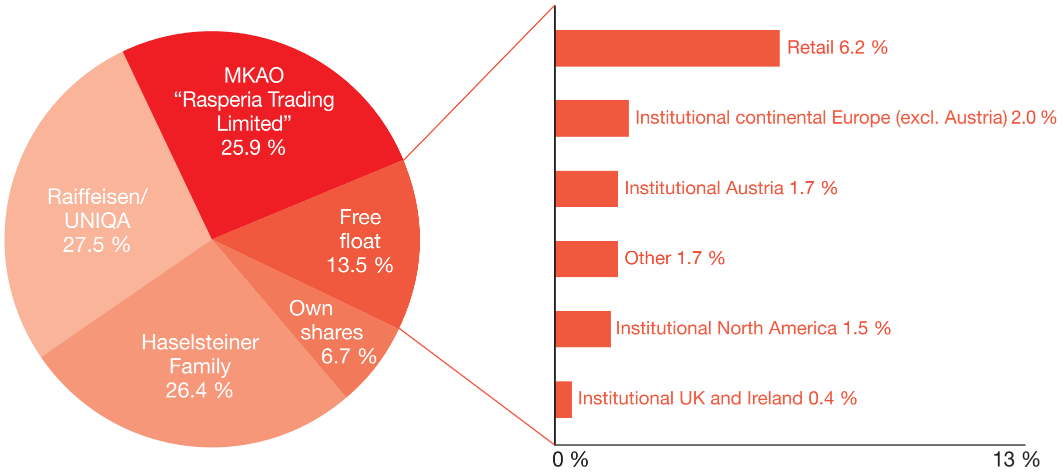
Share figures	2015	2016	2017	2018	2019
Closing price at year's end (€)	23.58	33.65	34.03	25.65	31.00
Year's high (€)	23.88	34.30	38.90	36.55	32.30
Year's low (€)	17.45	20.52	32.00	25.45	26.85
Year's average (€)	21.23	27.72	35.82	33.16	29.84
Number of outstanding bearer shares at year's end (shares)	102,599,997	102,599,997	102,599,997	102,599,997	102,599,997
Number of outstanding bearer shares, weighted (shares)	102,599,997	102,599,997	102,599,997	102,599,997	102,599,997
Market capitalisation at year's end (€ billion)	2.4	3.5	3.5	2.6	3.2
Average trade volume per day (€ million)[1]	0.6	0.6	0.8	0.7	0.6
Number of STRABAG SE shares traded (shares)[1]	7,261,792	5,230,976	5,538,568	5,532,640	4,774,282
Volume of STRABAG SE shares traded (€ billion)[1]	0.2	0.1	0.2	0.2	0.1
P/E ratio on 31 December	16	12	13	7	9
Earnings per share (€)	1.52	2.71	2.72	3.45	3.62
Book value per share (€)	29.6	31.1	32.9	35.3	37.3
Price-to-book ratio	0.8	1.1	1.0	0.7	0.8
Cash flow from operating activities per share (€)	12.1	2.6	13.1	7.2	10.5
Dividend per share (€)	0.65	0.95	1.30	1.30	0.90[2]
Dividend payout ratio (%)	43	35	48	38	25
Dividend yield (%)[3]	3.1	3.4	3.6	3.9	3.0
Share capital (€ million)	114	110	110	110	110
Weight in ATX-Prime (%)	1.34	1.7	1.22	1.23	1.24
Weight in WBI (%)	3.12	3.9	2.99	2.83	2.92

1 Double count
2 Proposed dividend
3 Calculated on the basis of the year's average share price

Shareholder structure

SHAREHOLDER STRUCTURE AS AT 1 JANUARY 2020

DISTRIBUTION OF THE FREE FLOAT BY JANUARY 2020



The **shareholder structure** of STRABAG SE did not change in the 2019 financial year. The Haselsteiner Family, Raiffeisen Group, UNIQA Group and MKAO "Rasperia Trading Limited" continue to hold the majority. To our knowledge, no investor other than the core shareholders holds more than 5 % of the company.

In December 2019, we commissioned a shareholder ID to learn more about the distribution of our **free float**. With 6.2 %, the percentage of retail investors was higher than in the previous year (2018: 5.9 %). The proportion of institutional clients declined to 5.6 % (2018: 6.1 %). The regional trend towards continental Europe (2.0%) and especially Austria (1.7%) remained nearly unchanged.

Annual General Meeting

The agenda of the 15th Annual General Meeting on 28 June 2019 had five resolution items. With 99 % of the votes cast in each case, the 2019 Annual General Meeting approved the actions of the Management Board and of the Supervisory Board, confirmed the payment of a dividend in the proposed amount of € 1.30 per no-par share for the 2018 financial year and reaffirmed the selection of the financial auditor.

ANNUAL GENERAL MEETING TAKES PLACE ON 19 JUNE 2020

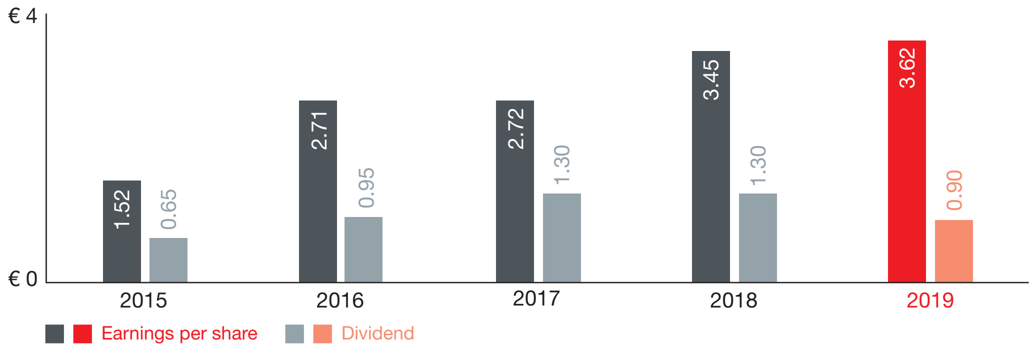
The next Annual General Meeting will again be held at Tech Gate Vienna starting at 10:00 a.m. CEST on 19 June 2020. Shareholders wishing to attend are requested to provide proof of shareholder status with their bank by 9 June 2020. Details regarding the correct procedure can be found on our website at www.strabag.com > Investor Relations > Annual General Meeting.

Dividend

Proposed dividend: € 0.90 per share

STRABAG places great value on a constant dividend policy. The Management Board is keeping to its goal of paying out 30–50 % of the net income after minorities to company shareholders in the form of a dividend once a year. The exact payout ratio is determined by the general development of the business as well as by the group's opportunities for growth. With this in mind, the Management Board of STRABAG SE will propose to the Annual General Meeting on 19 June 2020 a conditional[1] dividend of € 0.90 per share for the 2019 financial year. The payout ratio thus comes to 25 %. The dividend yield is 3.0 % based on the average price of the STRABAG SE share. The ex-dividend day has been set for 26 November 2020; the dividend payout date for 30 November 2020.

EARNINGS PER SHARE AND DIVIDEND



Bonds and bonded loans

OVERVIEW OF THE LISTED BONDS

Term	Interest %	Volume € mln.	ISIN	Exchange
2013–2020	3.00	200	AT0000A109Z8	Vienna
2015–2022	1.625	200	AT0000A1C741	Vienna

STRABAG SE (and its predecessor, FIMAG) has to date issued twelve corporate bonds, of which two are still listed. One of the bonds will mature on 21 May 2020.

S&P CONFIRMS CORPORATE CREDIT RATING OF BBB

STRABAG SE and its bonds are regularly rated by the international ratings agency Standard & Poor's (S&P). In November 2007, S&P raised the corporate credit rating for STRABAG SE from BB+ to BBB-, thus elevating STRABAG SE to "investment grade". In June 2015, S&P raised the credit rating another level to BBB with stable outlook. The rating was last confirmed in 2019. The key indicators that had led to the ratings increase continued to develop well, according to S&P. STRABAG SE's strengths and opportunities are seen above all in the stable margins in an otherwise quite cyclical market environment, the strategic access to raw materials, the strong market positions and the very good reputation in the credit markets.

1 Entitlement to and payment of the dividend is subject to the condition precedent that the total amount of liquid assets of the company and of all companies fully consolidated in accordance with the applicable International Accounting Standards (IFRS/IAS), plus any contractually agreed but unused loans, does not fall below € 1 billion as at 31 October 2020 even if the dividend is paid out.

Investor relations

Investor interest increased in 2019 despite the lower trading activity of our shares. In addition to the prescribed semi-annual report and the trading statements on the first and third quarters, we informed 76 capital market participants (2018: 63) in 46 (33) one-on-ones, telephone conferences and group talks last year. We took part in seven (seven) **roadshows** and **investor conferences** organised by Erste Group, Kepler Cheuvreux and Raiffeisen Centrobank as well as by the Vienna Stock Exchange and conducted investor talks in places such as London, Frankfurt, Warsaw, Zurich, Vienna and New York.

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

WE ARE IN CONSTANT CONTACT WITH OUR INVESTORS

Unpaid share coverage

Not only are we in constant e-mail and telephone contact with our institutional investors and analysts, we also provide extensive information to our private investors. We do so, among other things, by offering web and audio broadcasts of parts of our Annual General Meeting and investor conferences on our website, and we try to reach our private shareholders and interested parties through a variety of different channels.

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

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

- Commerzbank, Frankfurt (Norbert Kretlow)
- Deutsche Bank, Vienna (Matthias Pfeifenberger)
- Erste Group, Vienna (Daniel Lion)
- HSBC, Frankfurt (Christian Korth)
- Kepler Cheuvreux, Vienna (Torsten Sauter)
- LBBW, Stuttgart (Jens Münstermann)
- Raiffeisen Centrobank, Vienna (Markus Remis)

Additionally, a credit analyst at this bank is currently covering our bonds:

- Erste Group, Vienna (Elena Statelov)

HOW TO RECEIVE INFORMATION ABOUT STRABAG SE

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

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

STRABAG SE
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+43 1 22422-1177
@ investor.relations@strabag.com

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

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

STRABAG RECOGNISED FOR BEST FINANCIAL COMMUNICATION IN ATX PRIME

In 2019, STRABAG SE won the first prize of the Austrian Financial Communication Award in the ATX Prime segment. The company was chosen for the award because of its annual report, above all for the detailed presentation of its strategy, and for its investor relations website, which achieved almost a perfect score. In addition, analysts especially praised the credibility of the management.

The work of the Investor Relations team also received two special awards. Among the ATX Prime companies, first place in the Investor Relations category and second place in the Reporting category went to STRABAG.

Best companies awarded since 2016

The Austrian Financial Communication Award has been presented since 2016 during the annual conference of Cercle Investor Relations Austria (CIRA). The assessment is carried out by the Chair of Accounting and Auditing at the HHL Leipzig Graduate School of Management under the direction of Prof. Dr. Henning Zülch and the Hamburg-based consulting firm Kirchhoff Consult. Based on the RIC model developed in Leipzig, the quality of the financial communication is measured in the fields of "Reporting", "Investor Relations" and "Capital Markets".

Corporate Governance

CONSOLIDATED CORPORATE GOVERNANCE REPORT

General principles

CONSOLIDATED REPORT

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

COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE

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

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

The Austrian Code of Corporate Governance defines three categories of rules: L-Rules refer to legal requirements with mandatory compliance on the part of publicly listed companies in Austria. Deviation from C-Rules (comply or explain) must be explained publicly and the reasons stated. R-Rules are recommendations requiring neither disclosure nor explanation. The version of the Code that was valid for the 2019 financial year is the January 2018 version. It is available for download from the website of the Austrian Working Group for Corporate Governance (www.corporate-governance.at) and from STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Formal Obligation and Evaluation).

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

NON-COMPLIANCE WITH THE AUSTRIAN CODE OF CORPORATE GOVERNANCE[1]

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

1 January 2018 version

and its shareholders and promotes the transparency of the shareholder structure.

C-Rule 27: It is a key concern for STRABAG SE that the remuneration of the Management Board members be made according to measurable criteria in a way that is transparent and easily comprehensible. The remuneration of the Management Board is based on the specific tasks and responsibilities as well as the size and the economic situation of the company. Another factor that is considered is the competitiveness of the remuneration on the market. The variable component of the remuneration takes into account the shareholders' interest in a positive development of the company and increases the motivation of the Management Board to take measures that sustainably improve the net income in the long term. The variable remuneration is measured on the basis of the financial indicators. In contrast, general non-financial criteria do not say very much about the sustainable success and economic situation of the company. On the contrary, a differentiated definition of non-financial criteria for each business segment would be to the detriment of transparency and ease of understanding. As a result of thorough debate in the Executive Committee of the STRABAG SE Supervisory Board, the decision was made not to use non-financial criteria to calculate the remuneration of the members of the Management Board.

Boards

MANAGEMENT BOARD

Management Board composed of five members in 2019

From left to right: Klemens Haselsteiner (member since 1 January 2020), Alfred Watzl, Peter Krammer, Thomas Birtel, Christian Harder, Siegfried Wanker

Name	Year of birth	Position held	Responsible for	First appointment	End of current period of office	Supervisory board mandates or similar functions in national or foreign companies not included in the consolidated financial statements	Management and supervisory tasks at important[1] subsidiaries
Dr. Thomas Birtel	1954	CEO	Central Staff Divisions and Central Divisions Zentrale Technik, BMTI, CML and TPA Division 3L Russia	1 January 2006 (Member of the Management Board) 15 June 2013 (CEO)	31 December 2022	Deutsche Bank AG, Germany (Member of the Advisory Board) HDI-Global SE, Germany (Member of the Advisory Board) VHV Allgemeine Versicherung AG, Germany (Member of the Supervisory Board) VHV Vereinigte Hannoversche Versicherung a.G., Germany (Member of the Supervisory Board) VHV Holding AG, Germany (Member of the Supervisory Board)	Bau Holding Beteiligungs GmbH, Austria (Managing Director) Ed. Züblin AG, Germany (Chairman of the Supervisory Board) STRABAG AG, Germany (Chairman of the Supervisory Board) STRABAG AG, Austria (Chairman of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Chairman of the Supervisory Board) STRABAG Sp. z o.o., Poland (Chairman of the Supervisory Board)
Mag. Christian Harder	1968	CFO	Central Division BRVZ	1 January 2013	31 December 2022	Syrena Immobilien Holding AG, Austria (Vice Chairman of the Supervisory Board) Kreditschutzverband von 1870 (Member of the Executive Board)	AKA Alföld Koncessziós Autópálya Zrt., Hungary (Member of the Supervisory Board) Bau Holding Beteiligungs GmbH, Austria (Managing Director) Ed. Züblin AG, Germany (Member of the Supervisory Board) STRABAG AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Vice Chairman of the Supervisory Board) STRABAG BRVZ GmbH, Austria (Managing Director) STRABAG Property & Facility Services GmbH, Germany (Member of the Supervisory Board)
Dipl.-Ing. Dr. Peter Krammer	1966	Member of the Management Board	Segment South + East[2]	1 January 2010	31 December 2022	None	Ed. Züblin AG, Germany (Member of the Supervisory Board) STRABAG AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG a.s., Czech Republic (Chairman of the Supervisory Board since 30 April 2019) STRABAG Property & Facility Services GmbH, Germany (Member of the Supervisory Board)
Dipl.-Ing. Siegfried Wanker	1968	Member of the Management Board	Segment International + Special Divisions[3]	1 January 2011	31 December 2022	None	AKA Alföld Koncessziós Autópálya Zrt., Hungary (Member of the Supervisory Board) Ed. Züblin AG, Germany (Member of the Supervisory Board) STRABAG AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG a.s., Czech Republic (Chairman of the Supervisory Board until 30 April 2019) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board)
Dipl. Ing. (FH) Alfred Watzl	1970	Member of the Management Board	Segment North + West[4]	1 January 2019	31 December 2022	None	Ed. Züblin AG, Germany (Member of the Supervisory Board) STRABAG AG, Germany (Member of the Supervisory Board) STRABAG AG, Austria (Member of the Supervisory Board) STRABAG Property & Facility Services GmbH, Germany (Member of the Supervisory Board) STRABAG Sp. z o.o., Poland (Member of the Supervisory Board)

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

Dr. Thomas Birtel

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

Mag. Christian Harder

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

Dipl.-Ing. Dr. Peter Krammer

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

Dipl.-Ing. Siegfried Wanker

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

Dipl.-Ing. (FH) Alfred Watzl

Alfred Watzl studied civil engineering at the Deggendorf Institute of Technology before beginning his professional career as site manager for STRABAG Sp. z o.o., Poland, in 1999. After several different management positions at the Polish subsidiary – including technical subdivision manager for Building Construction and Civil Engineering – he was a member of the Management Board of STRABAG Sp. z o.o. with responsibility for the group's Polish activities from 2013 to 2018. Alfred Watzl has been a member of the Management Board of STRABAG SE since 1 January 2019.

Klemens Haselsteiner (since 1 January 2020)

Klemens Haselsteiner completed a bachelor's degree in business administration from DePaul University, Chicago, before starting his career in 2004 at the auditing firm KPMG in Austria. After completing his civil service and gathering work experience at a Russian industrial group, he joined the STRABAG Group in Russia in 2011. There he was entrusted with central controlling, among other things. From 2015, he was employed at the Stuttgart subdivision of the German STRABAG Group company Ed. Züblin AG – initially as commercial business unit manager for turnkey construction, as of 2018 as commercial subdivision manager. Klemens Haselsteiner has been a member of the Management Board of STRABAG SE since 1 January 2020.

Working method of the Management Board: open exchange in meetings usually every two weeks

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

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

The Management Board of STRABAG SE and its individual members conduct their business in accordance with the prevailing laws and legislation, the Articles of Association, and the Management Board's Rules of Procedure as approved by the Supervisory Board. The Rules of Procedure obligate the Management Board and its individual members to provide extensive information and reporting to the Supervisory Board. The Rules of Procedure also define an extensive catalogue of measures and legal transactions requiring approval by the Supervisory Board in addition to the legally prescribed measures. Coordination within the Management Board occurs during regular meetings held approximately every two weeks as well as in the form of the daily informal exchange of information. Matters discussed at the Management Board meetings include the current operations and the long-term company strategies. Also coordinated are any current or outstanding management measures to be implemented by the relevant Management Board members.

SUPERVISORY BOARD

Supervisory Board composed of eleven members

Name	Year of birth	Citizen of	Position held	First appointment	End of current period of office	Other supervisory board mandates or similar functions in national or foreign listed companies	Independent pursuant to Rule 53 ÖCGK
Shareholder representatives							
Dr. Alfred Gusenbauer	1960	Austria	Chairman	18 June 2010	Ends with 2020 Annual General Meeting	Gabriel Resources Ltd., Canada (Member of the Supervisory Board)	Yes
Mag. Erwin Hameseder	1956	Austria	Vice Chairman	10 September 1998	Indefinite as of 17 August 2007	AGRANA Beteiligungs-AG, Austria (Chairman) Raiffeisen Bank International AG, Austria (Chairman) Südzucker AG, Germany (2nd Vice Chairman) UNIQA Insurance Group AG, Austria (2nd Vice Chairman)	Yes
Dr. Andreas Brandstetter	1969	Austria	Member	15 June 2018	Ends with 2020 Annual General Meeting	None	Yes
Thomas Bull	1964	Germany	Member	9 February 2017	Indefinite as of 9 February 2017	None	Yes
Mag. Kerstin Gelbmann	1974	Austria	Member	18 June 2010	Ends with 2020 Annual General Meeting	Binder+Co AG, Austria (Chairwoman) SEMPER CONSTANTIA PRIVATBANK AG, Austria (Member until June 2019)	Yes
Dr. Oleg Kotkov	1957	Russia	Member	15 June 2018	Ends with 2020 Annual General Meeting	None	Yes
Delegated by the works council							
Dipl.-Ing. Andreas Batke	1962	Germany	Member	1 October 2009	Indefinite	None	Yes
Miroslav Cerveny	1959	Czech Republic	Member	1 October 2009	Indefinite	None	Yes
Magdolna P. Gyulainé	1962	Hungary	Member	1 October 2009	Indefinite	None	Yes
Georg Hinterschuster	1968	Austria	Member	13 October 2014	Indefinite	None	Yes
Wolfgang Kreis	1957	Germany	Member	1 October 2009	Indefinite	None	Yes

Shareholder representatives

Dr. Alfred Gusenbauer
Chairman of the Supervisory Board

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

Mag. Erwin Hameseder
Vice Chairman of the Supervisory Board

Erwin Hameseder received a master of law degree from the University of Vienna. From 1975 to 1987, he served as an officer in the Austrian Armed Forces, where he achieved the rank of colonel in the directorship services in 2002 and of brigadier in 2006. In 2017, he was promoted to major general in the militia of the Austrian Armed Forces. In 1987, he joined the legal department of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. From 1988 to 1994, he was responsible for investment management, from 1991 as head of the department. He was managing director of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. from 1994 to 2001 and director-general of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H (a spin-off from RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG) from 2001 to 2012. From 2007 to 2012, Erwin Hameseder also assumed the position of Chairman of the Management Board of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG. Since 4 May 2012, he has been chairman of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H. Erwin Hameseder has been a member of the Supervisory Board since 1998. In 2007, he was delegated to the Supervisory Board of STRABAG SE for an indefinite period of time by the authorised holder of registered share number 1. *Annex 1 of the 2018 Austrian Code of Corporate Governance allows periods of office of more than 15 years for Supervisory Board members who are shareholders with a direct investment in the company or who represent the interests of such a shareholder.*

Dr. Andreas Brandstetter

Andreas Brandstetter has been CEO of UNIQA Insurance Group AG since 2011. Before entering the insurance business in 1997, where he has held various leadership positions, he was head of the EU office of Österreichischer Raiffeisenverband. From 1993 to 1995, he was active in politics. Andreas Brandstetter graduated from the University of Vienna in 1994 with a doctorate degree in political science, also holds an Executive MBA from the California State University, Hayward, and completed further courses at the Stanford Graduate School of Business and the Harvard Business School. Since 2018, he has been the president of Insurance Europe, the European insurance and reinsurance federation.

Thomas Bull

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

Mag. Kerstin Gelbmann

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

Dr. Oleg Kotkov

Oleg G. Kotkov was a member of the Supervisory Board of PJSC Asian-Pacific Bank in Moscow, Russia, from 2016 to 2019 as well as adviser to the Chairman of the Supervisory Board of PJSC Asian-Pacific Bank. From 2013 to 2016, he was in charge of international projects at CJSC SPC Engineering Center for New Materials and Technologies in Moscow. From 2010 to 2013, he worked for Rusal Global Management B.V. as adviser to the International Projects Protection Department with responsibility for risk assessment and management in the International Alumina Division. From 2008 to 2010, he held the position of deputy head of the International Cooperation Directorate of the state corporation Russian Technologies. In the years from 2003 to 2007, he was military adviser at the Permanent Mission of the Russian Federation to the OSCE in Vienna, Austria. Oleg Kotkov is a graduate of the Ryazan Airborne Command Academy (1978) and the Russian Military Academy (1987). He completed 30 years of military service as an officer, including overseas assignments, and retired with the rank of colonel. He received his doctorate degree in international economics in 2003.

Delegated by the works council

Dipl.-Ing. Andreas Batke

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

Miroslav Červený

Miroslav Červený joined a predecessor company of STRABAG in the Czech Republic in 1988 as a data processing specialist, is currently chairman of the employee representative organisation of the Czech group companies and works as a work safety expert.

Magdolna P. Gyulainé

Magdolna P. Gyulainé joined a predecessor company of STRABAG in Hungary as a bookkeeper in 1981 and is currently chairwoman of the employee representative organisation of the Hungarian group companies.

Georg Hinterschuster

Georg Hinterschuster completed an apprenticeship in commercial site management at STRABAG Bau GmbH from 1984 to 1987. He then worked as group commercial manager in the engineering ground works business in St. Valentin, Austria, before taking over a commercial management task for the Transportation Infrastructures and the Building Construction & Civil Engineering segments in the Czech Republic from 1997 to 2000. From 2000 to 2008, he worked as a commercial group manager in building construction and civil engineering in Upper Austria. Hinterschuster was elected to the works council in 1991 and is currently a member of the group and central works council of STRABAG in Austria as well as a member of the STRABAG SE works council.

Wolfgang Kreis

Wolfgang Kreis joined Ed. Züblin AG as a commercial clerk in 1979. He was elected to the works council in 1987 and is currently chairman of the works council for the Karlsruhe subdivision, chairman of the general works council of Ed. Züblin AG, chairman of the STRABAG SE works council and vice chairman of the Supervisory Board of Ed. Züblin AG.

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

All members of the Supervisory Board of STRABAG SE and its committees are independent in accordance with the conditions contained within the Austrian Code of Corporate Governance (see also www.strabag.com > Investor Relations > Corporate Governance > Supervisory Board > Independence of the Supervisory Board) and have declared in writing explicitly to adhere to all conditions of the Austrian Code of Corporate Governance. New members of the Supervisory Board receive detailed information regarding the avoidance of conflicts of interest upon assumption of their activities. The independence of the Supervisory Board members is defined by the following guidelines (excerpt from the Rules of Procedure for the Supervisory Board as amended on 28 April 2014):

<u>Guidelines for the independence of Supervisory Board members of STRABAG SE (“the company”) in accordance with C-Rule 53 of the Austrian Code of Corporate Governance</u>

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

- The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board according to C-Rule 48 does not automatically mean the person is qualified as not independent.
- The Supervisory Board member shall not have been auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the Management Board of another company, in which a Management Board member of the company is a Supervisory Board member.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the aforementioned positions.

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

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

In the period under report, no contracts subject to approval by the Supervisory Board were concluded by the company with members of the Supervisory Board (C-Rule 48 of the Austrian Code of Corporate Governance).

Working methods of the Supervisory Board: Seven meetings in 2019

Details > Supervisory Board Report

In the 2019 financial year, the Supervisory Board diligently performed the duties incumbent upon it under Austrian law, the Articles of Association, the Austrian Code of Corporate Governance (ÖCGK), and the Rules of Procedure. It met for a total of seven meetings last year and so complied with the Code’s minimum requirement to meet at least once every three months (C-Rule 36). All members personally attended at least half of the meetings during their period in office, so no

Supervisory Board member failed to attend more than half of the meetings (C-Rule 58). Furthermore, there were three meetings of the Audit Committee, one meeting of the Presidential and Nomination Committee, and one meeting of the Executive Committee. Besides these regular meetings, there is a constant open discourse and exchange of opinion among the individual members of the Supervisory Board as well as between the individual members of the Supervisory Board and the Management Board. In accord with its tasks and obligations, the Audit Committee dedicated itself to monitoring the accounting procedures (including the preparation of the consolidated financial statements) and the work of the auditor (including the audit of the consolidated financial statements). During the review of the effectiveness of the internal control system and the risk management system, the Audit Committee focused especially on the anticompetitive accusations in Austria and on specific selected projects. Also reviewed and monitored were the function of the audit system and the qualification and independence of the auditor (group financial auditor), especially with respect to the additional services provided to the company being audited. The internal audit department informed the Audit Committee of the auditing plan and of material findings pursuant to C-Rule 18 of the Austrian Code of Corporate Governance.

The meeting of the Presidential and Nomination Committee was held to prepare the appointment of a new member of the Management Board. The meeting of the Executive Committee was dedicated to the new member's contract and remuneration.

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

Details > Supervisory Board Report

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

Committee	Members	Tasks
Executive Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Thomas Bull	The Executive Committee deals with all matters affecting the relations between the company and the members of the Management Board, especially matters relating to the remuneration of Management Board members but excluding decisions regarding the appointment or removal of a Management Board member or regarding the granting of stock options.
Presidential and Nomination Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Thomas Bull • Georg Hinterschuster • Wolfgang Kreis	The Presidential and Nomination Committee submits proposals to the Supervisory Board for filling new mandates or ones that become free on the Management Board, deals with issues relating to successor planning and makes decisions in urgent cases
Audit Committee	• Dr. Alfred Gusenbauer (Chairman) • Mag. Erwin Hameseder • Dr. Andreas Brandstetter • Thomas Bull • Dipl.-Ing. Andreas Batke • Georg Hinterschuster • Wolfgang Kreis	The responsibilities of the Audit Committee include the tasks assigned to it under Sec 92 Para 4a (4) of the Austrian Stock Corporation Act (AktG) as well as by Regulation (EU) No. 537/2014, namely: 1. monitoring the accounting procedures, as well as making recommendations or proposals to ensure their reliability; 2. monitoring the effectiveness of the internal control system, the internal audit system and the risk management system of the company, in particular through consideration of the report of the auditor on efficacy of the risk management system; 3. monitoring the statutory audit and the audit of the consolidated financial statements and incorporating findings and conclusions in reports to be published by the Audit Oversight Body in accordance with Sec 4 Para 2 (12) of the Austrian Audit Oversight Act (APAG); 4. assessing and monitoring the independence of the auditor (group financial auditor); in particular, the Audit Committee accepts the Annual Report of the Management Board on the non-audit-related services actually provided following its prior approval; 5. reporting to the Supervisory Board on the audit findings with a description of how the audit has contributed to the reliability of the financial reporting and of the role of the Audit Committee; 6. assessing the annual financial statements and preparing their approval, assessing the proposal for the appropriation of net income, of the management report and of the corporate governance report, as well as reporting on the audit findings to the Supervisory Board; 7. assessing the consolidated financial statements and the group management report, the Consolidated Corporate Governance Report as well as reporting on the audit findings to the Supervisory Board; 8. preparing the procedure to select the auditor (group financial auditor) in consideration of the adequacy of the fee as well as recommending the choice to the Supervisory Board; 9. assessing the report on specific requirements regarding statutory audits under Article 11 of Regulation (EU) No. 537/2014; 10. in accordance with C-Rule 81a of the Austrian Code of Corporate Governance, defining a mode of mutual communication during a meeting with the auditor.

ANNUAL GENERAL MEETING AND SHAREHOLDERS

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

Transparency through constant communication

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

CONFLICTS OF INTEREST

Conflicts of interest must be reported immediately

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

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

Diversity concept

Seeing and judging things from different perspectives helps to comprehensively identify the risks of a situation or decision. This is one reason why STRABAG is so interested in diversity with regard to **age, sex, and educational and professional background** especially – but not exclusively – among its directors and officers.

On 31 December 2019, the Supervisory Board included two women and six non-Austrian nationals. The members of the Supervisory Board were between 45 and 63 years old as of the reporting date. With their expertise, they cover the fields of law, business management, taxes, engineering, accounting and information technology. They also have experience working in various sectors of construction, industry, banking, insurance and public administration.

At the end of 2019, the Management Board of STRABAG SE consisted of men between 49 and 65 years of age of which two – including the CEO – are not Austrian. The members of the Management Board bring together managerial and engineering know-how and have many years of experience within the company, among the competition and in related industries.

Several mechanisms govern **appointments to the Supervisory Board**:

- The registered shares No. 1 and No. 2 are each associated with the right to nominate one person to the Supervisory Board of STRABAG SE.

- Four further members are selected per vote by the Annual General Meeting. They are usually proposed by shareholders' representatives to the Supervisory Board, which in turn passes a draft resolution to the Annual General Meeting.

- The employee representatives delegate five persons to the Supervisory Board.

The Supervisory Board is responsible for **appointments to the Management Board**. The Supervisory Board's Presidential and Nomination Committee makes proposals for filling vacant seats on the Management Board and deals with issues relating to successor planning. It submits a recommendation to the Supervisory Board after comparing the qualifications and experience of suitable candidates to a previously defined job description. The selection of a Management Board member is then made in the Supervisory Board.

Prerequisites for an appointment to the Management Board and Supervisory Board of STRABAG SE include the right expertise and personal qualifications as well as sufficient years of experience in management positions. The Management Board can best fulfil its management function and the Supervisory Board its supervisory and consulting functions with the broadest possible spectrum of skills and experience. This is achieved through diversity in terms of internationalism, educational and professional background, the representation of both sexes to an appropriate degree, and the age structure.

The job profile for a position on the Management Board calls for a minimum of ten years of experience in the construction industry or a related sector and preferably at least five years of management experience within the group. The board should consist of a good balance of members from both technical and commercial backgrounds. New appointees may be no older than 65 years of age.

The current nomination process has so far effectively addressed these requirements, with the result of a certain level of diversity on the boards. Through its draft resolutions to the Annual General Meeting, and through its decisions based on Presidential and Nomination Committee recommendations, the Supervisory Board helps to maintain the diversity of the Supervisory Board and the Management Board. This contribution to diversity is considered separately on a case-by-case basis. To allow a review of the implementation of the diversity criteria, short CVs of the current members of the Management Board and Supervisory Board are published in the Consolidated Corporate Governance Report.

The Supervisory Board supports the efforts being made by the group to raise the **percentage of women** in the company and in management and endeavours to increase the percentage of women on the Supervisory Board. The aim is to have at least three women on the Supervisory Board in the medium term.

At this time, there still seems to be no point in imposing a voluntary self-obligation for a certain percentage of women on the Management Board: Management positions within the group are filled primarily internally, and currently women remain underrepresented in management. The Supervisory Board is convinced that, in the medium term, successful measures to promote women's careers will result in a higher percentage of women in management, which will end up being reflected at the higher hierarchy levels.

Remuneration report

REMUNERATION OF THE MANAGEMENT BOARD

REGULAR INCOME OF THE MANAGEMENT BOARD

T€

Name	**Fixed**		**Variable**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Birtel	762	703	1,463	1,192	2,224	1,895
Harder	512	472	1,000	845	1,512	1,317
Krammer	512	472	1,000	845	1,512	1,317
Wanker	512	472	1,000	845	1,512	1,317
Watzl	510	-	1,000	-	1,510	-
Truntschnig	-	472	-	845	-	1,317
Total	**2,807**	**2,591**	**5,463**	**4,572**	**8,269**	**7,163**

The total income of the Management Board members in the 2019 financial year amounted to € 8.27 million (2018: € 7.16 million). The payments are based on a long-term, multi-year remuneration plan which, in addition to a fixed base salary, foresees a variable portion dependent on the achievement of specific earnings and profitability targets for the STRABAG Group calculated using cost accounting methodology. A bonus is basically a fixed percentage of the net income after minorities according to cost accounting, whereby a bonus is only granted from a minimum net income figure of € 100 million. The variable portion of the remuneration can amount to a maximum of 200 % of the fixed salary. When certain operating margins of the cost-accounted net income are reached, each member of the Management Board receives a minimum bonus – regardless of the absolute amount of the figure. Depending on the amount of the operating margin, a minimum bonus up to a maximum of twice the base salary can be achieved. Furthermore, on the basis of sustainable, long-term, multi-year performance criteria, 25 % of the bonuses are retained and deposited in a personal clearing account of the members of the Management Board. Any balance in the personal clearing account is paid out following expiration of the Management Board contract; however, any amount in excess of an annual fixed amount in the personal clearing account will be paid out in the year that this amount is exceeded.

Long-term, multi-year remuneration plans

The members of the Management Board also have the right to a company car. A private liability policy covers the legal liability of the members of the Management Board with regard to third-party personal injury, property damage or financial losses. Accident insurance provides coverage in the event of death or disability. The board members are also covered by a legal expense insurance in the event of claims resulting from administrative or criminal violations. The existing directors and officers (D&O) insurance covers damage claims resulting from financial losses for third parties or the company as the result of neglect of duty on the part of the Management Board members during their service as officers of the company. The company bears the costs for these insurance policies.

The members of the Management Board are subject to a competition clause for the period of their service. If a member of the Management Board is dismissed without cause, the fixed base salary is paid for the full term of the contract, while the bonus is only due for the duration of the activity. The management contracts of all members of the Management Board are limited in duration; the current term of office runs from 1 January 2019 to 31 December 2022.

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

No stock option programme

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

REMUNERATION SYSTEM FOR MANAGEMENT EMPLOYEES

Across the group, the three management levels directly below the Management Board are also remunerated with a fixed base salary plus a variable income portion. For these management employees, the variable income is also based on the earnings attributable to them as calculated under cost accounting methods. The variable portion of the income can amount to a maximum of 200 % of the fixed salary. On the basis of sustainable and long-term performance criteria, 25 % of the bonuses are also retained and deposited in a personal clearing account that may accrue a maximum of 200 % of the fixed salary depending on the management level. Any balance in the personal clearing account is paid out upon retirement, at the latest, or when the employee leaves the company at the company's request. With contracts of limited duration for the management level directly below the Management Board, the balance is paid out upon contract expiration in two instalments; however, any amount in excess of an annual fixed amount in the personal clearing account will be paid out in the year that this amount is exceeded.

SUPERVISORY BOARD REMUNERATION

REMUNERATION OF THE SUPERVISORY BOARD

€	2019	2018
Alfred Gusenbauer	60,000	60,000
Erwin Hameseder	30,000	30,000
Andreas Brandstetter	18,000	9,814
Thomas Bull	18,000	18,000
Kerstin Gelbmann	18,000	18,000
Oleg G. Kotkov	18,000	9,814
Hannes Bogner	-	8,186
William R. Spiegelberger	-	8,186
Total	**162,000**	**162,000**

The compensation for members of the Supervisory Board amounts to € 18,000 for regular members of the Supervisory Board, € 30,000 for the Vice Chairman and € 60,000 for the Chairman. Members of the Supervisory Board who are elected to or who leave the board during a financial year are remunerated in accordance with the actual period of their membership on the Supervisory Board pro rata temporis. Changes to the amount of the annual compensation of the members of the Supervisory Board elected or nominated by the shareholders, as well as on any additional remuneration for special tasks and obligations performed, require a resolution to be passed by the Annual General Meeting.

In additional to their annual compensation, the Supervisory Board members also receive cash compensation for expenses. The members of the Supervisory Board are further covered by a company D&O (directors and officers) liability insurance – it covers the personal liability of the Supervisory Board members in the event of careless neglect of duty during their service as directors of the company – up to a certain maximum amount. In 2019, no other remuneration was paid to the members of the Supervisory Board. There also were no other transactions with members of the Supervisory Board.

DIRECTORS' DEALINGS

No transactions subject to disclosure obligation in 2019

Proprietary transactions with STRABAG SE shares and/or bonds by members of the company's boards, by persons or companies who maintain a close relationship to the board members, and by other management-level employees with group-wide responsibilities are reported as required by law and continually posted on the website of STRABAG SE (www.strabag.com > Investor Relations > Corporate Governance > Directors' Dealings) as well as on the website of the Austrian Financial Market Authority (www.fma.gv.at > Companies > Issuers > Directors' Dealings). In 2019, no proprietary transactions with STRABAG SE shares and/or bonds were made by members of the aforementioned group of people. The following persons from the aforementioned group held shares and/or bonds of STRABAG SE on 31 December 2019:

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

Measures for the advancement of women[1]

People & Workplace

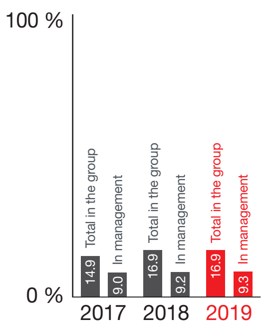
Material issue according to GRI

The construction industry employs predominantly men in the technical professions. Women are therefore underrepresented at all hierarchy levels. Among other things the shortage of skilled personnel, however, requires the sector to build on female labour in the future more strongly than before. STRABAG SE is also convinced that diversity sustainably increases the success of the company. STRABAG SE understands diversity to include different nationalities, cultures and educational backgrounds, a balanced age structure and men and women working together. Diversity needs fertile ground in which to grow – a working environment that is free from discrimination, harassment and retaliation. STRABAG has in place a system of ombudspersons and actively takes measures to allow diversity to thrive, for example with respect to the promotion and inclusion of women.

RULES, RESPONSIBILITIES AND DUE DILIGENCE

Since 2012, an internal team has been hard at work to elaborate and implement measures to promote women and their careers within the group. The team came together for two meetings in 2019 and the number of members was raised from four to six so that the working group now has gender parity. The Management Board of STRABAG SE is aware that the company must continue existing initiatives and remain open to new ones in order to raise the percentage of women in higher qualified positions.

SHARE OF WOMEN IN THE GROUP[2]



OBJECTIVES AND INDICATORS

To maintain our competitiveness and to benefit from the diversity of different points of view, STRABAG in 2013 set itself the goal to annually increase the global percentage of women in the group – i.e. to ensure a higher level of representation of women in the group. By signing the UN Women's Empowerment Principles, then-CEO of STRABAG SE Hans Peter Haselsteiner demonstrated the company's commitment to this goal.

In 2019, the number of women as a percentage of employees within the entire group amounted to 16.9 % (2018: 16.9 %). Women make up 9.3 % (2018: 9.2 %) of the group management – i.e. persons with a management position as defined by Sec 80 of the Austrian Stock Corporation Act (AktG). Currently there are no women on the five-member Management Board of STRABAG SE. It is noteworthy, however, that two women sit on the eleven-member Supervisory Board of the

1 This section deals with the management approach to the material issue "Equal treatment of women and men" in the materiality matrix.
2 As of 2018, the employee numbers are expressed as head count; previously as FTE

company: Kerstin Gelbmann and Magdolna P. Gyulainé. Women therefore made up about 18 % of the Supervisory Board and accounted for 20 % of the members delegated by the works council. As the percentage of women both at STRABAG SE and within the group as a whole is under 20 %, a mandatory quota for the Supervisory Board as laid out in Sec 86 Para 7 of the Austrian Stock Corporation Act is not applicable.

PROJECTS AND INITIATIVES

Group directive for mobile work

If we can interest more women in a career in construction and/or with STRABAG, then we will have laid the foundation for a higher representation of women at the management levels. The activities to date to increase the number of female employees and to promote the careers of women within the STRABAG Group focus on three areas:

- **Targeted marketing:** STRABAG uses both the masculine and feminine forms in its texts and job announcements in order to target female students and graduates and so secure a higher percentage of female applicants especially from the technical universities. Student surveys testify to the effectiveness of these measures and that women with a technical education in particular rank STRABAG high up in the list of attractive employers. According to the Universum Student Survey for 2019, STRABAG ranked in 5th place (2018: 10th) among women and 15th place (2018: 16th) among men studying in the engineering and IT fields in Austria. Some of our activities target potential female employees even earlier on, namely at school age: Several of the group's organisational units in Germany and Austria regularly organise events on "Töchtertag" ("Take Your Daughter to Work Day") or Girls' Day.

- **Compatibility of career and family:** Especially with regard to high potentials and top performers, STRABAG is in competition with other construction companies for workers that are flexible and as mobile as possible. But if you want flexibility, you have to offer flexibility. STRABAG is therefore increasing its attractiveness as an employer through a better compatibility of family and career. Employees who are sent abroad, for example, have the possibility of taking their families with them. In 2014, a set of guidelines and a process were developed for parental leave, part-time work for parents and return management. The corresponding pilot project to put this family-friendly idea into practice was launched in Austria in 2015 and in Germany in 2016. Another way to promote the compatibility of career and family is mobile working (home office). A framework in this regard was defined in 2018 in a group directive with an initial period of validity of two years.

Already 25 % women in the high-potential management pool

- **Career opportunities:** There are no salary differences in the company between men and women who perform comparable work and have the same level of education. Based on the results of internal surveys, workshops and analyses, STRABAG is also working towards adequately considering women in promotion and further education by specifically focusing on qualifications and using gender-neutral job descriptions. Attention is therefore given to the adequate representation of women within the management of high potentials and in the mentoring programme that was established in 2018. Moreover, the results of all measures in this regard are constantly being evaluated. When it comes to developing management employees, STRABAG SE sees joint measures for men and women as the most promising way. In addition to the events organised for members of the high-potential management pool, which is already around 25 % female, the group supports its female employees especially in their career planning and in further education. The group academy, for example, also offers seminars designed especially for women. Among the trade-specific training offers for all employees, those on IT and business management registered an above-average participation by women. Coaching also plays an important role, with women in management positions being able to choose between personal coaching and mentoring as well as so-called eBusiness coaching in order to explore career prospects. As networking helps boost career opportunities, a STRABAG intranet platform offers female employees the opportunity to network with each other – an offer that was used by 301 female employees (2018: 300).

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

Sustainability

High priority, long-term perspective

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

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

Continuous development of the corporate governance system

Self-evaluation of the Supervisory Board

STRABAG strives to constantly improve its corporate governance system in the interests of the company and all stakeholders. In the year under review, the Supervisory Board again performed a self-evaluation of its activity pursuant to C-Rule 36 of the Austrian Code of Corporate Governance. At its meeting on 19 December 2019, the Supervisory Board examined in detail the efficiency of its work, especially of its organisation and working methods, which were largely evaluated as positively as in the years before. The evaluation corresponded in many areas with the one from the previous year, though some items were seen more critically and others more positively. The board again seized the opportunity to make concrete proposals on how to raise efficiency.

In addition to the self-evaluation, members of the Supervisory Board also submit suggestions during the year on how the Supervisory Board can work professionally. One example is the increase to two strategy discussions per year, which was already implemented in 2019.

Risk management and audit

RISK MANAGEMENT

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

Business Compliance

INTERNAL AUDIT REPORT

The STRABAG Group's internal audit department is a neutral and independent authority which again conducted approximately 180 (2018: around 190) internal audits in all group divisions worldwide in the 2019 financial year. In accordance with the rules of the Austrian Code of Corporate Governance, the internal audit department is set up as a staff unit of the Management Board of STRABAG SE and so enjoys the greatest possible amount of independence.

Internal audit as part of risk management

The internal audit department – after planning the audits independently and making continual adaptations to risk assessment – conducts process-independent and neutral audits across all of the group's divisions and regions both nationally and abroad. Given its technical and commercial competence, the internal audit department is an important element of the group's internal control systems. The internal audits serve to monitor the effectiveness of the risk management and control and to evaluate the management and monitoring processes. The comprehensive approach, the use of uniform auditing standards and the neutral reporting further contribute to the standardisation of processes and structures.

The routine and special audits serve to recognise and avoid risks, to reveal opportunities, and to constantly monitor proper conduct and compliance with the group's value and business compliance system. In 2019, the internal audit department again audited both individual projects as well as entire organisational units. The audits covered the group's subdivisions as well as the most important contracts and orders of the year. The internal audit team also forms part of the company's task force looking into the suspicion of illegal price-fixing in construction projects in Austria.

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

FINANCIAL AUDIT

The Annual General Meeting of STRABAG SE on 28 June 2019, upon proposal of the Supervisory Board, designated KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as auditor of the financial statements and of the consolidated financial statements for the 2019 financial year. The expenses for KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in the 2019 financial year amounted to T€ 691 excl. VAT (2018: T€ 679 excl. VAT) for the auditing of the separate and consolidated financial statements as well as T€ 591 excl. VAT (2018: T€ 570 excl. VAT) for the auditing of financial statements at subsidiaries of STRABAG SE. For additional consulting services, it received a fee of T€ 78 excl. VAT (2018: T€ 29 excl. VAT).

EXTERNAL EVALUATION

In keeping with C-Rule 62 of the Austrian Code of Corporate Governance, STRABAG SE regularly subjects its compliance with the Code to an external evaluation every three years.

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

The last evaluation, for the 2019 financial year, was performed in 2020 by Schindler Rechtsanwälte GmbH, Vienna. The evaluation revealed no indications that the declarations provided by the Management and Supervisory Board members regarding observation of and compliance with the C-Rules of the Austrian Code of Corporate Governance were untrue. The C-Rules of the Code were complied with – inasmuch as these were included in the formal obligation of STRABAG SE. Some rules did not apply to STRABAG SE during the evaluation period. The complete report including the results of the evaluation is available at www.strabag.com > Investor Relations > Corporate Governance > Formal Obligation and Evaluation. The next external evaluation will be conducted in 2023 for the 2022 financial year.

Corporate governance reports of publicly listed subsidiaries

No subsidiaries were required to prepare and issue a corporate governance report during the year under report.

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel	**Mag. Christian Harder**
Klemens Haselsteiner	**Dipl.-Ing. Dr. Peter Krammer**
Dipl.-Ing. Siegfried Wanker	**Dipl.-Ing. (FH) Alfred Watzl**

SUPERVISORY BOARD REPORT

Dr. Alfred Gusenbauer

Dear shareholders,
associates and friends of STRABAG SE,

STRABAG SE stayed on its course of success in 2019, again reporting several records among the key economic indicators. This is not only a consequence of the positive economic situation. It is also a consequence of persistent and decisive measures by the leadership employees with regard to project risk management, with a resulting further improvement of the selection, processing and calculation of the offers and of the project.

The Supervisory Board is convinced that the constant promotion of risk awareness is an important factor for success. For the benefit of all shareholders, it will therefore promote the constant evaluation of risk management as part of its monitoring duties and will ensure that this is implemented accordingly by the Management Board – with the support of the Supervisory Board.

Open exchange of information and opinion in seven Supervisory Board meetings

In the 2019 financial year, the Supervisory Board duly fulfilled the responsibilities assigned to it by law, by the Articles of Association, by the Austrian Code of Corporate Governance (ÖCGK) and by the Rules of Procedure. The Supervisory Board convened seven times and regularly advised the Management Board in its management function and reviewed and monitored its management agenda. The Audit Committee met for three sessions in 2019. A meeting of the Presidential and Nomination Committee was held on 26 April 2019 to prepare the nomination of a new member of the Management Board. At the meeting of the Executive Committee on 26 April 2019, the Management

Board contractand remuneration of Klemens Haselsteiner were the subject of discussion.

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

The exchange of information in 2019 also took place outside of the regular board and committee meetings. During the Supervisory Board meetings, the Management Board regularly and extensively informed the Supervisory Board as to the market situation, the business development and the company's situation. Open discussions in each session further enhanced the extensive exchange of information and opinions. As a result, the Supervisory Board was constantly informed about STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, the investment and project development plans, and large-scale projects and it had a complete overview of the business development. The Supervisory Board monitored and questioned the corporate planning and its foundations and also analysed unplanned developments together with the Management Board.

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

SUPERVISORY BOARD MEETING 1: PLANNING FOR 2019 INCLUDING INVESTMENTS AND FINANCIAL SITUATION

The first Supervisory Board meeting on 18 February 2019 dealt with the report on the current situation, the management report as of 31 December 2018, including the planning for 2019, as well as investments and the financial situation in 2018. All topics were discussed in detail with the Management Board and were approved where a resolution was required. The Supervisory Board also dealt with the financial planning for 2019 as well as the medium-term planning for the period 2020–2022 and the investment budget for the rejuvenation of the equipment fleet.

SUPERVISORY BOARD MEETING 2: 2018 ANNUAL FINANCIAL STATEMENTS

The second meeting of the Supervisory Board on 26 April 2019 served to prepare the 2019 Annual General Meeting. The Management Board and the Supervisory Board dealt with the annual financial statements, the management report, the Consolidated Corporate Governance Report, the consolidated non-financial report, the consolidated report on payments to governments, the consolidated financial statements, and the group management report of STRABAG SE for 2018. The Audit Committee reported on the audit of the annual financial statements, the consolidated financial statements, the management reports and the Consolidated Corporate Governance Report. The Audit Committee also reported to the Supervisory Board on the results of the financial audit in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process. There were no objections to the audit by the financial auditor and all questions of the Audit Committee could be answered satisfactorily. The Supervisory Board thereupon acknowledged completion of the 2018 financial report. The Management Board's proposal for the appropriation of net income was also reviewed, with a recommendation for its acceptance by the Annual General Meeting. Also discussed and approved were the Supervisory Board report as well as the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor. These issues also were on the agenda of the first meeting of the Audit Committee held earlier that same day.

At this meeting, the Supervisory Board also decided to include a further strategy discussion at the respective Supervisory Board meeting in December. In addition, the Supervisory Board, acting on the proposal of the Presidential and Nomination Committee, appointed Klemens Haselsteiner as a further member of the Management Board of STRABAG SE effective 1 January 2020 by circular resolution following the second Supervisory Board meeting.

SUPERVISORY BOARD MEETING 3: STATUS REPORT ON THE SPECIAL TOPIC "ALTO MAIPO"

The subject of the third Supervisory Board meeting on 28 June 2019 was a detailed status report by the Management Board on the Alto Maipo project in Chile, the largest single project in the group's order backlog for a long time.

SUPERVISORY BOARD MEETING 4: STRATEGY DISCUSSION

The fourth Supervisory Board meeting held on 19 July 2019 reported on the positive 15th Annual General Meeting of 28 June 2019. The Management Board also explained to the Supervisory Board the current situation of the group and the status of the investigations in connection with the cartel allegations made in Austria against STRABAG AG. The strategy discussion also took up an extensive part of the meeting. The second session of the Audit Committee, which preceded this meeting, dealt with the report by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, on the evaluation of the risk management system and adopted a resolution on the audit approach of the financial statements as at 31 December 2019. A report was also heard from internal audit department.

SUPERVISORY BOARD MEETING 5: REPORTING OF THE MANAGEMENT BOARD AND TRANSACTIONS REQUIRING APPROVAL

The subject of the Supervisory Board meeting on 12 September 2019 was the report by the Management Board on the situation of the company and on the financial planning. The Supervisory Board also approved the participation in the tender for two large public-private partnership projects outside Europe. The Management Board reported in detail on the status of the investigations into the cartel allegations in Austria. In its third meeting on 12 September 2019, the

Audit Committee dealt with the IFRS Management Board reporting and the reports on projects in northern Europe.

SUPERVISORY BOARD MEETING 5A: CARTEL ALLEGATIONS IN AUSTRIA

The meeting on 24 October 2019 dealt exclusively with the cartel allegations against STRABAG AG, in particular the status of this matter and a report by the group compliance coordinator.

SUPERVISORY BOARD MEETING 6: REPORTING ON VARIOUS TOPICS

In the last Supervisory Board meeting of the year on 19 December 2019, the Management Board submitted the annual report on the measures to combat corruption in the company in accordance with Rule C-18a ÖCGK. The Supervisory Board presented and discussed the results of its annual self-evaluation. The Management Board informed about the current situation of the company and the financial planning for 2019. The topics also included the planning for 2020, the medium-term planning for 2021–2023 and the investment budget for the 2020 equipment fleet. The reporting further covered the Alto Maipo project in Chile and the Austrian cartel case. The Supervisory Board approved participation in the tender for two concession projects in Europe.

Consolidated financial statements awarded unqualified audit opinion

In accordance with C-Rule 18 of the Austrian Code of Corporate Governance, the internal auditing unit reported to the Audit Committee on the auditing plan and on any material findings. The Audit Committee also monitored the accounting procedures (including group accounting) and the financial audit and convinced itself of the effectiveness of the internal control system, the risk management system and the audit system. The Audit Committee also reviewed and monitored the independence of the financial auditor and group financial auditor, especially as regards the additional services provided to the audited company.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the annual financial statements and the management report of STRABAG SE for the 2019 financial year. The findings of the audit did not give rise to any issues of concern and the financial auditor awarded an unqualified audit opinion.

The consolidated financial statements and the group management report of STRABAG SE for the 2019 financial year were prepared by the Management Board under application of Sec 245a of the Austrian Commercial Code (UGB) in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that were applicable at the end of the reporting period. These were also reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified audit opinion.

The auditor's and group financial auditor's reports were presented to the Supervisory Board. In the presence of the financial auditor, the Audit Committee thereupon reviewed the 2019 annual financial statements and the management report including the proposal for the appropriation of net income and the Consolidated Corporate Governance Report as well as the additional report of the financial auditor to the Audit Committee as required by Article 11 of Regulation (EU) No. 537/2014, and prepared the approval of the annual financial statements as well as the acknowledgement of the 2019 consolidated financial statements and group management report by the Supervisory Board. The Audit Committee also duly performed its obligations in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and reported to the Supervisory Board on the result of the financial audit. The report presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

The Consolidated Corporate Governance Report was audited externally by Schindler Rechtsanwälte GmbH, Vienna. This audit did not give rise to any issues of concern. This was taken note of by the Audit Committee and the Supervisory Board.

The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 23 April 2020, it declared its agreement with the 2019 annual financial statements and consolidated financial statements and approved – and so adopted – the 2019 annual financial statements. The Management Board and the Supervisory Board have agreed on an identical proposal for appropriation of balance sheet profit. The Supervisory Board proposed appointing KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor for the 2020 financial year, in accordance with the proposal of the Audit Committee. Also presented at the meeting of 23 April 2020 were the consolidated report on payments to governments pursuant to Sec 267c of the Austrian Commercial Code (UGB) in connection with Sec 243d UGB, the consolidated non-financial report pursuant to Sec 267a UGB in connection with Sec 243b UGB as well as the report on the non-audit services provided by the auditor. The reports were reviewed by the Supervisory Board and taken note of without cause for complaint.

Word of thanks to Management Board and all employees

The Supervisory Board thanks the entire Management Board of STRABAG SE and all employees for their valuable contribution in the past financial year.

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

Vienna, 23 April 2020

Consolidated Non-Financial Report

ABOUT THIS CONSOLIDATED NON-FINANCIAL REPORT

As a large corporation[1], STRABAG SE falls under the reporting obligation of the Sustainability and Diversity Improvement Act (NaDiVeG) that took effect in Austria on 6 December 2016. Since the 2017 financial year, in keeping with Sec 267a of the Austrian Commercial Code (UGB), STRABAG produces a separate Consolidated Non-Financial Report that comprises the non-financial reporting of all subsidiaries of the STRABAG Group. The stakeholder dialogue and the materiality analysis serve to identify certain issues which influence the business activity of the group, which encourage or delay the attainment of the strategic priorities, or which are seen as relevant by stakeholders and influence their decisions.

The following material issues, which were identified as part of the stakeholder dialogue and the materiality analysis, relate to the minimum environmental, social and employment concerns, respect for human rights and the fight against corruption and bribery, as defined in Sec 267a UGB, and, from the point of view of the Management Board, reflect the issues that are required to understand the impact of the company's activities:

- Client satisfaction
- Digitalisation and innovation
- Occupational safety
- Health protection
- Strategic human resource development
- Fair competition
- Materials
- Energy

This report was not prepared in accordance with an international framework but is based on the **Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards)[2]**. Please refer to the GRI indicators used in the GRI content index. All of the key issues identified in the stakeholder dialogue and the materiality analysis as well as their management approaches are presented in this consolidated non-financial report.

Building on the basis of a responsible corporate strategy, STRABAG takes into consideration the impact of its activities in its core business and along the supply chain. Our business model comprises all areas of the construction industry and covers the entire construction value chain. Our intention is to bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price. This requires working closely together with various actors in our supply chain, who cover a large proportion of the added value. Details about our activities, our brands and subsidiaries, and our supply chain can be found at www.strabag.com > Activities, www.strabag.com > STRABAG SE > Our Brands and www.strabag.com > Strategy > Supply Chain.

1 Large limited companies that are public-interest entities and have more than 500 employees on an annual average.
2 Conformity with the requirements of the "core option" is sought.

OUR STRATEGIC APPROACH

We operate across Europe as well as on other continents and offer services along the entire construction value chain. The impacts of our business activities, therefore, are many. And it is our intention to assume responsibility for these impacts. By considering the needs of people, the environment and society in strategic decisions, we therefore **ensure** the **long-term existence** of our company.

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

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

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

For us, upholding our earnings responsibility towards our shareholders and employees is in accord with demonstrating environmental awareness and, as a member of society, promoting its prosperity. Our comprehensive, certified energy management system helps us to increase our efficiency and save resources through the reduction of CO_2 emissions (Environmental Responsibility), while at the same time achieving cost reductions that are reflected in the earnings (Economic Responsibility). We train our employees with regard to the consequences of and measures against corruption and anti-competitive violations (Business Compliance), but also to increase their methodological and professional skills and to ensure their safety (People & Workplace). The tight mesh of these fields shows quite clearly that close cooperation is necessary across the various group organisations and with our external partners in order to successfully deal with these tasks. We use this strategic approach as a framework for structuring our **reporting**. In each field, we report on the most important issues, explain why we consider them to be relevant, and clarify the strategic importance they have for the STRABAG Group.

STAKEHOLDER DIALOGUE

Further information on the methodology can be found in the chapter “Materiality matrix”.

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

Dialogue formats used by us include online and print media, face-to-face events in the form of workshops, and written surveys. In 2016, we complemented the **dialogue formats** that had already existed in our daily work by initiating a stakeholder dialogue at the group level as outlined by the Global Reporting Initiative (GRI). Here external representatives from our most important stakeholder groups and our CEO came together to discuss and prioritise the issues of strategic relevance for STRABAG. Besides our clients, suppliers and investors, our invitation was also answered by representatives from universities and the media as well as by people living in direct proximity to our projects. Just as valuable for us was the participation of representatives from environmental organisations and human rights groups.

See chapter “Digitalisation and innovation”

We want to repeat this successful format in 2020. Among other things, the impact of our business activities, already assessed by STRABAG in 2019, is to be assessed by the stakeholders and integrated into the materiality matrix.

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

The stakeholder dialogues allow us to include new points of view in our strategic considerations and to incorporate additional aspects into the catalogue of the most urgent topics for the future. The different forms of stakeholder dialogue enabled us to identify a number of factors, such as the necessity to focus more strongly on innovative solutions, that need to be developed in close coordination with our partners.

MATERIALITY ANALYSIS

Detailed information: www.strabag.com > Strategy > Stakeholder Involvement

Given the many issues of relevance for our organisation, we want to focus in our reporting and our daily work on those issues which, considering among other things our economic, environmental and societal impact, are of material importance both from STRABAG's own point of view as well as from the viewpoint of our stakeholders. To identify the material issues, we conduct an annual materiality analysis involving a multistep process applied in whole or in parts. The process involves the internal and external stakeholders in order to assess the relevance of the issues from various perspectives and involves addressing the impact of our business.

An important milestone in the materiality analysis was reached in 2015 with the identification of 23 central issues, out of more than 100 sustainability-relevant aspects, that are especially relevant for the group's future development. We then expanded on the assessment of our own experts and CR representatives by including, on the one hand, the wishes and needs expressed by our stakeholder groups during order acquisition or investor dialogues and, on the other hand, political specifications, legal requirements, and industry and market trends. The results of this first analysis were reviewed, discussed, complemented and prioritised throughout 2016 at various internal and external dialogue events with selected representatives of the most important stakeholder groups together with the CEO (see chapter "Stakeholder dialogue"). In 2016, following review and approval by the STRABAG SE Management Board, we published our first materiality matrix based on the GRI guidelines reflecting the material issues[1] and showing the assessment of the STRABAG management and the relevant internal and external stakeholders.

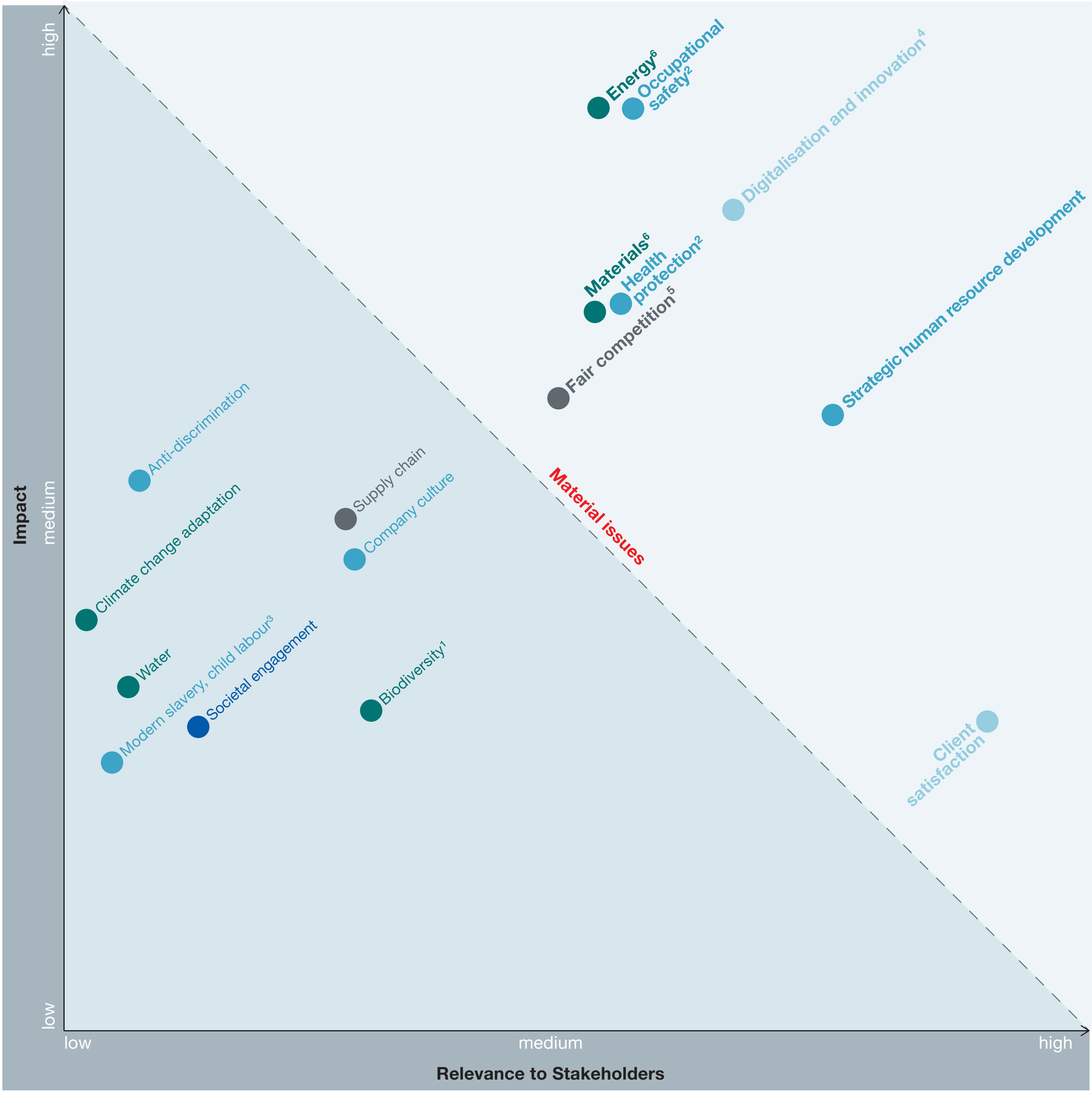
In 2017, the annual review conducted by the STRABAG SE Management Board defined "resource management" as an additional material issue. This was further specified as of 2019 by including the previously separate issues of "energy and emissions" as well as "material use".

In 2019, the materiality matrix was expanded to include the dimension of impact, which will be plotted for each topic on the Y axis of the materiality matrix in the future. The respective relevance of the topics from the view of the external and internal stakeholders on one axis and from the view of STRABAG management on the other axis, which were previously shown separately, have been brought together with equal weighting and will be shown on the X axis in the future.

The evaluation of the impact of the respective topics and their integration into the materiality matrix resulted in changes in the STRABAG materiality matrix. The previously important topic of "project risk management" will no longer be represented in the materiality matrix in the future, as it is only indirectly related to non-financial topics. It continues to be dealt with in the non-financial report, however. Information on the subject "Equality between women and men", which had previously been assigned to the material issue "Employment conditions", can be found in the Consolidated Corporate Governance Report. All other changes can be found in the footnotes to the figure showing the materiality matrix.

1 Definition of material issues according to GRI: Topics and indicators that reflect the organisation's significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders.

MATERIALITY MATRIX



1 First-time: Inclusion of the topic of “Biodiversity”; relevance was initially assessed by management, the assessment of relevance by the remaining stakeholders is planned for 2020

2 Inclusion of “Occupational safety” and “Health protection” as separate topics (previously under “Employment conditions”)

3 Inclusion of “Modern slavery” as a separate topic (previously under “Employment conditions”); relevance was assessed analogue to the topic of “Child labour”, with assessment by the stakeholders in 2020

4 “Digitalisation” and “Innovation” are now treated as a single topic (previously stated separately)

5 “Business compliance” was renamed to “Fair competition”

6 Previously included under “Resource management”

For eight issues that are of material importance for our competitiveness and long-term existence, a management approach was developed by the person responsible within the group. The management approach makes clear how we ensure priority treatment within the group ("Rules, responsibilities and due diligence"), which figures we develop as key performance indicators ("Objectives and indicators") and what sorts of measures we set to reach our targets ("Projects and initiatives"). The management approaches presented in this report are:

- Client satisfaction
- Digitalisation and innovation
- Occupational safety
- Health protection
- Strategic human resource development
- Fair competition
- Materials
- Energy

We also report on the following topics:

- Project risk management
- Human rights (modern slavery, child labour, anti-discrimination)
- Employment and social fund
- Societal engagement

The following information on the issues stipulated by the Sustainability and Diversity Improvement Act (NaDiVeG) can be found in this report:

Environmental concerns	Fight against corruption and bribery
• Materials • Energy	• Fair competition
Respect for human rights	**Social and employment concerns**
• Modern slavery • Child labour • Anti-discrimination	• Strategic human resource development • Occupational safety • Health protection • Societal engagement • Employment and social fund
Additional material issues	**Voluntary information**
• Client satisfaction • Digitalisation and innovation	• Project risk management

CLIENT SATISFACTION

Long-term, sustainable success is our goal. This is why the demands and **expectations** of our **clients** are at the heart of each and every project. We create added value for our clients by our specialised entities integrating the most diverse services and assuming responsibility for them. Our intention is to bring together people, materials and machinery at the right place and at the right time in order to realise even complex construction projects – on schedule, of the highest quality and at the best price. In line with this central message of our vision, the issue of client satisfaction was given top priority in the stakeholder dialogue from both an internal and external perspective. Under our strategy, we assign client satisfaction to the strategic field of "Economic Responsibility". Because **on-time delivery, quality and cost** are all decisive factors for the economic success of each individual project and of the entire company. There is good reason why reliability and partnership form part of our guiding principles – and why the latter is a central value of our current strategic programme FASTER TOGETHER 2022.

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

Rules, responsibilities and due diligence

As part of our efforts to increase client satisfaction, the management in the group entities, during the operational corporate planning and assessment, establishes, implements and evaluates specific targets, structures, tools and measures under consideration of the relevant markets and business fields. The systematic measurement and evaluation of client satisfaction is laid out in the STRABAG Management Manual. The **central division TPA** oversees all coordination, reporting, and monitoring through the use of internal audits.

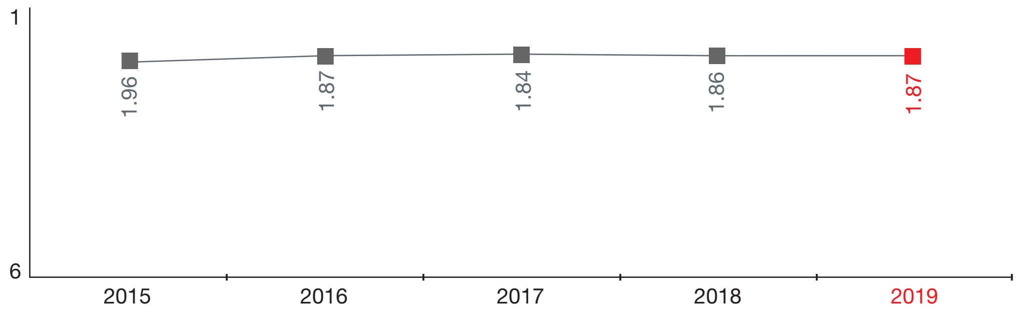
Objectives and indicators

The overarching objective defined by the Management Board is to increase client satisfaction in order to win and maintain the highest possible share of regular customers. Specifically, the FASTER TOGETHER 2022 strategy programme stipulates that 10 % of the group's output volume is to be generated in projects performed under partnering models.

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

We were again able to meet our customers' expectations in the 2015–2019 observation period:

RESULTS OF THE CLIENT SURVEY (ALL GROUP COUNTRIES)[1]



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

Projects and initiatives

The results of a study completed in late 2018 on the subject of "Measuring client satisfaction" in cooperation with Graz University of Technology (TU Graz) were used in 2019 to design a new feedback questionnaire for written customer surveys in construction projects. At the same time, the experience gained with an online survey tool was used to develop an application-based process for survey and evaluation. The available concepts provide for the group-wide use of the internal application STRAthek, which was revised in 2019. The aim is to start the customer surveys from this application, where all project data for the specific order are maintained so that the process of a project is digitally mapped as consistently as possible. The conversion of the group-wide system for measuring client satisfaction is scheduled for January 2021 depending on the results of appropriate pilot projects.

1 The degree of fulfilment is the arithmetic mean of the customer ratings for the segments North + West and South + East for the five aspects stated above.

STRABAG LEAN.Construction: Analyse. Understand. Improve. Build.

More than 500 LEAN.Construction training courses in the group in 2019

Matthias Rathammer (right) performs a multi-moment analysis together with a colleague from sewer engineering

More than 300 group employees support the construction teams during planning and on-site to realise the projects more easily and more efficiently – thereby also contributing to client satisfaction. Different LEAN.Construction methods are used in the process. Here are two examples:

- **Pull planning** is used to determine the construction process in the team (internal and external project participants) from the completion date of a construction project back to the first step on the construction site. Possible interface and construction site problems are continuously visualised using takt control boards, discussed in time, and solved accordingly.

- It pays to look more closely at our own processes and to analyse them. One possibility for determining the actual state of a project is to apply a **multi-moment analysis**. The entire construction team benefits from the results because it allows them to discuss optimisation potentials and develop possible solutions.

PUTTING THEORY INTO PRACTICE

Matthias Rathammer is a LEAN expert in sewer engineering who has spent the past three years pursuing the topic of LEAN.Construction in the STRABAG Group. To reduce waste in the long term, he visits construction sites and maps existing processes and work steps. The many individual parts of the work process are visualised as a whole to better see the interfaces and connections in the work routines.

An employee who inspects manholes to document the sewer system asked Rathammer for support. For a manhole inspection, the surveyor drives to the manhole by car, opens the lid and lowers the camera to perform the inspection. If the manhole is located away from the roadway, however, and not accessible by motor vehicle, the inspection requires an additional worker. The multi-moment analysis proposed by Rathammer quickly yielded a solution: Over the winter, the colleague in question had an additional swivel arm installed into the inspection vehicle which can now be used to conduct the surveys of manholes situated away from the paved road. And the second worker can now be better employed at a different site.

Building in partnership. teamconcept

teamconcept is a partnering scheme with a clear goal: realising complex construction projects without stress, with commitment and in partnership. For this purpose, client and contractor form a team much earlier than in a classic construction project. Together they include the interests of all project participants even before the start, creating a clear framework, with binding rules and common goals. This creates security and helps to jointly keep the costs under control. At STRABAG, we believe in trust through transparency and communication. Our incentive: cost, scheduling and quality advantages for our customers as well as a conflict-free work routine for our employees.

THE CLIENT PERSPECTIVE

In an interview with Markus Lentzler, managing director of the Hamburg-based shopping centre developer ECE:

Markus Lentzler of ECE (right) and Jens Quade, subdivision manager at ZÜBLIN, regularly visit the MesseCity Köln construction site together.

Why did you decide to realise the MesseCity Köln project under the teamconcept method?

MesseCity Köln is a highly complex project of enormous size. And the teamconcept scheme has proven itself useful in the design and construction of large and complex projects. Over the last ten years, we have already developed projects worth a total of about € 1.5 billion together with ZÜBLIN and STRABAG International under the partnering model, so it only made sense for us to choose the teamconcept method for this project.

What are the most important benefits of teamconcept for the construction process?

Most projects in Germany are usually awarded after the building permission application. But we knew early on that the prices would be going up soon, so we jointly started looking around the subcontractor market with a very rudimentary design. That helped to optimise the construction time and brought us a level of price security.

How do the employees respond to the new way of working?

Before we had this concept, we basically always worked at a flat rate. When the contract was concluded, everybody went their own way. Under teamconcept, there are clearly assigned risks but also opportunities. From my point of view, there is no better method for large and complex construction projects than teamconcept.

DIGITALISATION AND INNOVATION

We are currently experiencing unprecedented change in all areas of business and society – and it is happening at a remarkable pace. STRABAG, as a technology group for construction services, will therefore have to develop innovative solutions in order to remain competitive in the long term. As a driver of accelerated change, digitalisation must be applied wherever it creates added value for repetitive processes on the construction site or to implement complex construction projects of the highest quality.

The first step is to recognise the scope and, ideally, the implications of the changes. Because in the future entrepreneurial success will depend even more on the ability to recognise trends at an early stage and to equip development activities with the appropriate means and expertise. Our innovation activity must therefore be strategically steered accordingly.

Strategically steering innovation

Digitalisation is currently one of the most important issues within the context of innovation at STRABAG. The digitalisation of flows of information changes traditional construction processes because it connects **people**, **machines** and **things** (Internet of Things). Components that gather and send data can be built into nearly everything, even into construction materials, construction machinery and construction parts, to provide information during the construction of buildings or to send status updates during their operation. This makes it possible to make processes transparent and to optimise them from almost anywhere – whether from the office or the construction site. Using model-based renderings that present the information in an extremely compact and easily understandable form, people are able to work together in real time from different locations no matter where they are.

Self-learning algorithms will support the decision-making in ever more complex processes – decisions made not only by management but also by robots. Robots can already lay bricks, perform freeform welding operations and "print" structures, structural elements and construction parts using cementitious pastes. Still, robots won't be replacing human workers any time soon; even in the future, people will continue to put their skills to good use and will have to operate the machines on our construction sites. At the same time, we see the opportunity that digitalisation gives us to let machines perform routine or dangerous tasks so that people can spend more time looking for creative solutions to problems.

For STRABAG, the trend towards digitalisation means that **all material business processes** – design, construction, production, operation and administration – must be **gradually adapted** to this new way of processing information. We are introducing digitalisation in the design-and-build process and are using the "digital twins" in all phases of construction because we want to remain competitive and viable as an attractive employer and construction partner. We expect that the connectedness of all project participants will lead to increased quality and efficiency as well as better time and cost planning. This means that we must also look at the processes of our suppliers and examine possible intersections.

In keeping with our corporate value of partnership, we have therefore begun to offer BIM 5D® training (Building Information Modelling) to our external partner companies so that we can develop the standards of the future together. We also provide our partner companies with group tools for use, for example to digitally manage logistics chains across several value creation stages. A first example is model-based calculations in transportation infrastructures, carried out as part of pilot projects, which showed significant efficiency gains in the calculation process. Today, we are already able to derive volumes directly from the models, to link the models with the estimation and scheduling in an integrated manner, and so react very quickly to changes in the real construction site situation. In building construction and civil engineering, all major structural shell projects are already being developed on the basis of BIM 5D®, with the volumes determined directly from the model and made available during construction.

The trend towards **integrated end-to-end solutions** is increasingly taking hold in the construction sector as well. Clients want benefit, rather than things and individual functions. This results in complex changes. The function of buildings and transportation infrastructure is increasingly seen over the entire life cycle – in terms of technology, profitability and environmental impact. Customers are also demanding an assessment of the environmental impact of the relevant construction-related processes and the use of structured communication platforms. Examples include the tenders by Deutsche Bahn

Production costs usually still decide over award

and the Austrian motorway operator ASFINAG (Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft). Yet **production costs** still **decide** over most contract awards. This price competition can be countered not only through increased efficiency but also by applying innovative solutions and the necessary adapted contract models. When customers evaluate a building, for example, they are increasingly looking at the full lifecycle costs, taking into account not only the cost of construction but also of operation. Furthermore, the foreseeable regulation of greenhouse gas emissions, among other things, will make it necessary to reduce the environmental impact and expand the flexibility of use of the buildings. This requires the use of structured communication platforms to make available the necessary data. We must therefore put ourselves in a position to design and build ever more complex buildings – buildings thar offer a high level of comfort and well-being with a minimal impact on health and the environment.

In the meantime, policymakers have also recognised the role of the resource-intensive construction sector when it comes to tackling challenges such as **climate change** and **resource scarcity**. There is a considerable need for energy-efficient residential and commercial buildings and, considering the increasing traffic volume, for modern transportation infrastructures. This finds expression in extensive national and EU subsidy programmes and announces large investment volumes.

All of these needs are in line with how a company active along the entire construction value chain sees itself and its role in providing services such as planning, the mining and refining of raw materials, the production of prefabricated parts, and the construction of buildings and their operation. Whereas in the past these services were usually only included at the construction stage – which is quite late in the game –, in the future they will be integrated earlier and more extensively during the design phase. But "frontloaded design", which involves comprehensive planning early in the project's life cycle, also means that the people, information, means and materials necessary to carry out a project are made available promptly, fully and comprehensibly. This is why we offer our clients the **STRABAG teamconcept contract model** which commits all participants to the project as early as possible.

Initially, an organisation's desire to innovate stands in conflict with the aim to successfully do business using tried-and-tested technologies, methods and products for as long as possible. Because innovation stands for a process leading to novelties. That requires changing routines, overcoming resistance and adapting the organisation. For innovations to become successful, they must be introduced into the organisation's structure as prudently as possible and under consideration of the varied interests of the different stakeholder groups – including shareholders, clients and employees. Allowing a balanced **freedom to try out** new ideas makes it possible to better estimate and manage risks; moreover, such freedom is often crucial for new solutions, it motivates employees and it is seen as especially attractive among job applicants.

Rules, responsibilities and due diligence

One **STRABAG SE Management Board member**, Peter Krammer, had previously acted as a sponsor of innovation and digitalisation within the group. With the beginning of the 2020 financial year, the topics of digitalisation, innovation and business development will be handled by a new Management Board position to be filled by Klemens Haselsteiner.

Additionally, the **group directive for a BPM organisation** (business process management) regulates the management of those business processes requiring central IT support. Local BPM representatives were appointed to serve as speakers for their respective divisions. The BPM evaluation board set up within the BPM organisation, consisting of representatives from the operating business and the service operations, is responsible for the evaluation of the submitted project ideas.

These entities are supported by the **innovation management** team – which will report to the new board position. How to recognise relevant trends is as much a part of a well thought-out systematic development of new or more potent solutions as is the use of public funding, which, in addition to economic incentives, also strengthens the professional exchange resulting from the development partnerships. Target group-oriented innovation communication via print and online media accompanies and encourages developers, decision-makers and in part also the public from the development process through to implementation and roll-out. **Innovation managers** at the **divisions and central divisions** collect general development proposals and approve their realisation in line with the strategic alignment of their business field.

Objectives and indicators

Improved work procedures through more efficient design and new processes

STRABAG is actively driving forward the digital transformation of construction site processes and is also working on the resulting new (digital) business models. The company is convinced that the focus here must be on the expectations of the customers and the more efficient design of existing processes.

A focus of this process optimisation is on a higher penetration of digital methods such as BIM 5D®, another is on the development of more efficient and more collaborative digitally supported ways of working with customers and partner companies. To this end, we are investing in the **continuous qualification** of our existing employees and are strengthening our teams with the right specialists. The indicators therefore refer to the digital penetration on the construction site and at the workplace – because the digital transformation influences not only the object of construction and the people involved, it also changes the processes within the group organisation:

- **Collection and analysis of machine data starting with 2019:** Increasingly higher expectations are being placed on quality and performance documentation and on a more sustainable use of environmental resources. For this reason, we increased our use of telematics systems with key equipment in 2019 to record and analyse their movement and operation. At the end of 2018, around 26 % of the key equipment was outfitted with **telematics systems**. In 2019, we already achieved a rate of 34 %.

  Objective: continued annual increase of this rate

- In 2019, we outfitted the key equipment with **machine control systems** for power control and recording for the first time. At the end of 2019, we achieved a high starting value with a rate of 12 % of the operating equipment.

- **BIM 5D® workstations:** STRABAG is gradually upgrading its CAD workstations for use with BIM 5D® technology in building construction and civil engineering, transportation and infrastructure projects. The number of BIM-capable workstations has been growing continually and in 2019 reached 1,560 across the entire group. That corresponds to a year-on-year increase of 15 %.

  Objective: double-digit growth in 2020.

- **Digital workplace:** STRABAG is investing in the digital workplace and is driving ahead the digital transformation with cloud applications. The complete penetration of an organisation with state-of-the-art working tools is a fundamental requirement for flexible and efficient collaboration. A first step is the STRABAG-wide introduction of Office 365. The conversion to Office 365 reached 99 % at the end of 2019 (2018: 68 %).

  Objective: completion of conversion to Office 365 for all workplaces in 2020

- **Mobile end devices for a more flexible work design:** Digitalisation is changing the work routine – for example, with a shift towards mobile working. Provided with end devices such as tablets, employees can benefit from the more flexible work design that digitalisation makes possible. The percentage of employees using tablets for work purposes in 2019 stood at 18 % (2018: 11 %).

The following further indicators help STRABAG to measure its innovation activities:

- **Provision of research and development funding** by the company: € ~17 million (2018: € ~14 million)

  Objective: maintain at least the previous year's level

- Number of subdivisions with at least one **person responsible** for innovation: 23 out of 119 subdivisions (2018: 23 out of 118 subdivisions)

  Objective: increase the ratio of innovation managers per subdivision to total number of subdivisions in the group next year

- Number of **participants at STRABAG events** on the topic of innovation: Over 1,000 people from 18 organisational units attended the 3rd STRABAG Innovation Day in Stuttgart in

September 2019. A total of 44 innovations were shown – from an app for the first 3D concrete printing tests to a fluorescent asphalt that makes road markings more visible and traffic routes safer.

Objective: maintain at least the previous year's level

- **Reports on relevant development projects** to strengthen the group's innovation activities via the new STRABAG innovation magazine "Fore-Site" and the website innovation.strabag.com

  Objective: increase circulation and reach a wider readership

Projects and initiatives

innovation.strabag.com

On average, more than **100 development projects** are carried out in the group every year, which cover the entire construction value chain. In general, a clear trend can be seen to data-driven design, construction and operation. Our subsidiary EFKON AG is developing software and hardware with which traffic data can be captured and analysed more comprehensively. Model-based working, e.g. for design and construction logistics, can be complemented through tools such as data glasses – and thereby expands our possibilities for assessing the complex facts quickly and extensively. Our new website set up in 2019 features reports on the most important works in this area and serves to network management, clients, investors and our employees.

The **digital transformation of the production process** is a strategic focus of our group, recorded as a field of action in our strategic programme FASTER TOGETHER 2022. With its software and hardware products, new ways of working, new fields of action and applications, digitalisation offers rapidly growing and constantly changing framework conditions on the market.

We continued to drive the **development of BIM 5D®** during the 2019 financial year. On the one hand, we are gaining experience when we apply our know-how of digital building in specific projects. On the other hand, we are engaged in research projects to help us apply BIM.5D® in all relevant construction phases if possible. The "eEmbedded" project, for example, aims at using BIM methods already during the design phase. The focus here is on energy considerations and the integration of the planned building into the surroundings.

The training offer in this regard was also further expanded in 2019. In addition to the established BIM 5D® training at our company locations in Stuttgart and Vienna, the BIM management training was successfully completed by the first participants in autumn. The internal programme, the only training of its kind, will be further expanded and continually developed in scope and depth in 2020 in order to prepare future STRABAG BIM managers even better for their role. In 2020, the programme will be offered in English for the first time.

The group project **BIM 2020 Roadmap in Transportation Infrastructures**, which is structurally based on the 2020 Roadmap by the German Ministry of Transport and Digital Infrastructure, is now in its second project year. Due to good progress in terms of content and increased demand from within the group, the project was expanded at the beginning of 2019 to include four **countries in Central and Eastern Europe**. The integration of Poland, Hungary, the Czech Republic and Slovakia into the project activities means that, in addition to Austria and Germany, other STRABAG markets are now centrally represented in the overall project.

The national **BIM competence centre** founded in Germany in the third quarter of 2019 underscores the relevance of digitalisation in the construction industry. With its active participation, STRABAG assumes a leading role in the development of a nationwide standard for the use of BIM.

Increasing efficiency requires the digitalisation of the construction sites. The construction sites of tomorrow will be connected and automated. Drones are already common on job sites, and the connectivity of intelligent construction machines has already been fundamentally implemented. The **Connected Construction Site** group project is an important STRABAG lighthouse project in the digitalisation of construction sites in transportation infrastructures. The focus is on concrete, application-based solutions to efficiently support the digital and seamless interaction of all project participants. In order to continue to achieve these goals in the future, the Connected Construction Site project programme, which ended at the end of 2018, was continued in 2019 under the title Connected Construction Site 2.0 with an agile project approach.

In 2018, STRABAG established the business unit **3D Mapping Services** as the organisation for a new business field. The entity offers services with innovative measuring systems for object surveying, such as drones and mobile laser scanning, internally and on the external market. The entire value chain – from data capture to 3D data analysis – will be depicted digitally.

See chapter "Client satisfaction"

To support the research and development activities, the company established a professional in-house **funding management** in early 2019 with the goal of subsidising the necessary development tasks through the public sector as much as possible. The services offered jointly by the service entities TPA and Zentrale Technik include the systematic identification of funding possibilities for development projects as well as applicant support at all stages, from request submission to project execution. In 2019, a total of 17 projects were carried out with public funding in the group, with the support of this new entity.

Networking tools include the STRABAG in-house platform connect, which allows our employees to exchange ideas and propose solutions quickly across organisational and geographic boundaries, and TEAMS, a new tool offered in Office 365 that has already achieved a high rate of penetration throughout the group. An especially active community is the LEAN.Construction community. Here improvements resulting from the use of LEAN methods are shared with other interested persons in the group.

STRABAG has been an active member of the European Network of Construction Companies for Research and Development (**ENCORD**) since 2004 and has held the chair of the network since 2018 and of the general secretariat since the beginning of 2019. STRABAG also is a member of the European Technology Construction Platform (**ECTP**).

SPS – the digitalisation of purchasing at the STRABAG Group

The close cooperation with suppliers, subcontractors and service providers is crucial for STRABAG. The group project **SPS (Strategic Procurement Solution)** digitally maps the supplier processes in purchasing using platform functionalities. The aim is to simplify the process by linking all those involved in purchasing even more closely. The portal for the modular shopping solution was put into operation at the end of 2019 and will be gradually expanded in terms of functions and use within the group.

SUPPLIER ADMINISTRATION – ADVANTAGES ALREADY TODAY

Targeted inquiries to suppliers

Supplier administration is being rolled out as the first function module. This enables suppliers to use the STRABAG Portal for Suppliers to adapt their own master data immediately if necessary, thereby ensuring that their basic information available to all group units is up to date. They can now map their own service portfolio even more precisely on the basis of a uniform product group structure with extended features in order to receive requests for cooperation in a more targeted manner. Thanks to a centralised certificate management system, starting with project-independent certificates, our suppliers no longer have to send the same certificates multiple times for multiple STRABAG units and projects. We ensure that any uncertainties with the supplier are resolved immediately and that the supplier is available to potential clients within STRABAG. The roll-out of supplier administration began in Germany at the end of 2019 with existing suppliers and will be expanded to new suppliers in 2020. Other group countries will follow successively, starting with Austria.

DIGITAL PURCHASING – TOMORROW'S ADVANTAGES

See SMART.Construction group project

In the future, suppliers will receive requests from STRABAG through the supplier portal. In addition to an active distribution to a project and service-specific selected group of suppliers, further possibilities for initiating business relationships and purchasing will be possible, for example tender research or subscriptions by the supplier as well as auctions and marketplace functionalities. Tenders will be downloadable and editable in all common exchange formats to enable all suppliers to process them directly. The standardisation and parameterisation of our service descriptions is a prerequisite for STRABAG to exchange data content with its suppliers in an intelligent and digitally usable manner in the future. The integration of framework agreements and catalogue-based call orders completes the outlook for digital purchasing at STRABAG.

The development of this digital, continuous purchasing will begin in Germany. Other group units and countries will be gradually involved in order to harmonise commonalities and to recognise and take into account imperative specific features at an early stage.

With the digitalisation of our purchasing process on the basis of standardisation, we not only strengthen the trust of our suppliers in STRABAG as a reliable partner but also lay the foundation for the intelligent streamlining of our processes through automation. This allows both STRABAG and its suppliers to concentrate on the most important task: finding the optimal solution together for our clients.

RISK AND OPPORTUNITY MANAGEMENT – PROJECT RISK MANAGEMENT

Why manage risks and opportunities?

Don't focus only on the macroeconomic development, but also – and above all – scrutinise a construction company's risk management system.

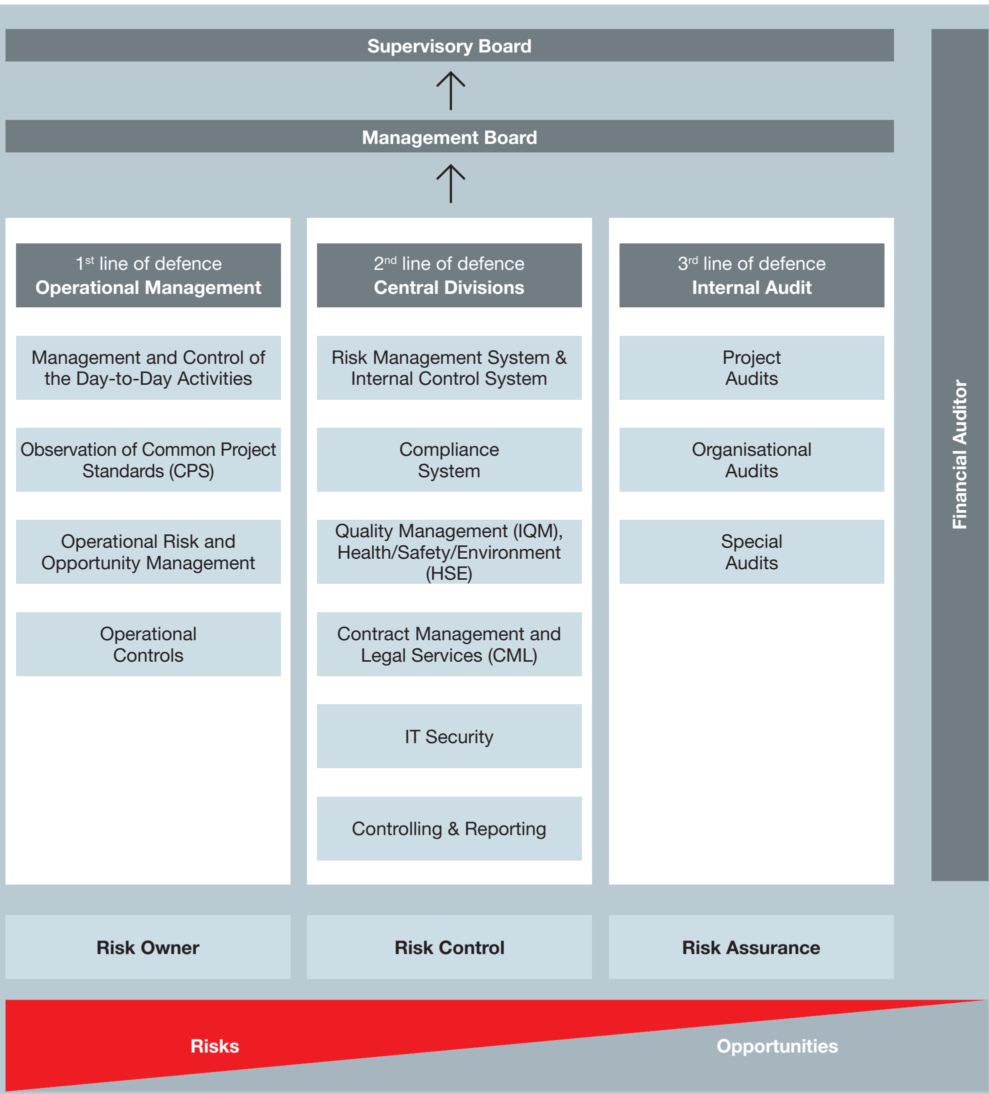
The STRABAG Group encounters many different risks and opportunities in the course of its business activities. These risks are systematically identified and assessed using a proactive risk management system and managed consistently and in a goal-oriented manner through an appropriate risk management policy. This risk management policy is an integral part of the management system and describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories.

When capital market participants or suppliers scrutinise a company in the construction sector, the forecasts for the macroeconomic development of the individual markets are usually of great importance to them. Of course, our business is influenced by economic growth and public spending; at least as important, however, is a construction company's risk management. After all, the large number of unique projects translates into an increased risk potential. Keeping this under control requires a focused organisational structure with clearly defined responsibilities and effective instruments for an active risk and opportunity management. An end-to-end risk and opportunity management system also is a competitive advantage that is difficult for the competition to copy – it can only be established over the long term.

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

Rules, responsibilities and due diligence

To ensure a responsible and proactive approach to risks and opportunities, we integrated a comprehensive **risk management system** (RMS) with an **internal control system** (ICS) in our management system on the basis of the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organisations of the Treadway Commission). Risk management is a **core activity of the management** with responsibility at the corresponding management level. The organisation and responsibilities for the risk management are determined according to the three lines of defence approach supported by the European Confederation of Institutes of Internal Auditing (ECIIA). This end-to-end corporate governance model applies to all disciplines of risk management and establishes clear roles and responsibilities for risk management to ensure a functioning and efficient control and monitoring framework.



Organisation of risk management following ECIIA: Guidance on the 8th EU Company Law Directive, Article 41

The **first line of defence** is the operational management, which has responsibility for identifying, analysing, assessing, managing and monitoring risks and opportunities. As **risk owner**, the operational management is responsible for establishing preventive measures to avoid or mitigate risks, for taking advantage of opportunities that arise in the day-to-day business and for ensuring that all activities coincide with the company objectives.

The **second line of defence** supports the operational management in **risk control** as well as in further developing the risk management system and the internal control system. This includes the central functions for risk management, compliance, quality management, health/safety/environment (HSE), IT security, and controlling & reporting. The central divisions establish standards, methods and processes for the risk management along with related standards and guidelines, manage and monitor their implementation in the operational areas, report periodically to the company management and review the level of sophistication and further development of the management system.

The **third line of defence** comprises the internal audit department as an objective and independent audit and consulting entity for **risk assurance**. The internal audit department supports the company management, the operational management and the monitoring entities in early risk recognition and reviews the effectiveness of the measures established to minimise or avoid risk.

Complementing the above, the **financial auditor**, as part of its annual audit activities, assesses the effectiveness and efficacy of the risk management system and the internal control system and so supports the ongoing monitoring of the efficiency of the three lines of defence. The essential success factors of our integrated governance system are explained below:

#1 – MANAGEMENT SYSTEM WITH ASSOCIATED POLICIES AND RULES

The management system of the STRABAG Group is described with the associated policies in the Management Manual and is documented with superordinate and subordinate rules. The rules apply across the group and have been translated and communicated in all relevant group languages.

#2 – ORGANISATIONAL STRUCTURE WITH CENTRAL ENTITIES

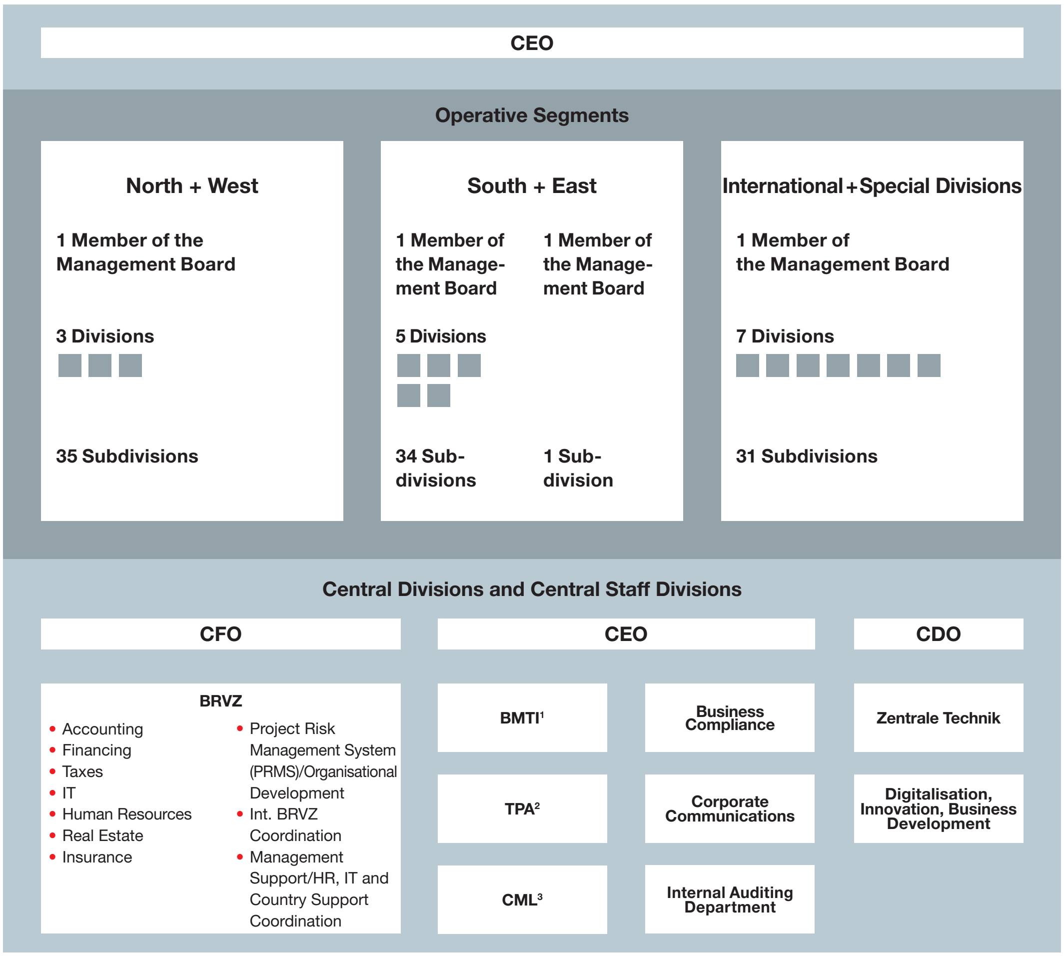
The management of the risks and opportunities receives significant support from the group's organisational structure. The uniformity of the organisation creates economies of scale and results in efficient controlling and reporting. Under the roof of the parent company STRABAG SE, a number of legally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

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

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

The **central divisions** handle the group's internal services in areas such as accounting, financing, taxes, IT, human resources, real estate, insurance, project risk management system and organisational development, equipment and vehicle management, quality management, safety/health/environment and energy management, technical consultation, quality assurance, digitalisation/innovation/business development, prequalification, contract management and legal services. As competence centres, they support the operating units so these can concentrate on their core business and deliver their services to the clients in an efficient manner. The central staff divisions are responsible for internal audit and communications and report directly to the CEO.

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



1 BMTI: equipment and vehicle management

2 TPA: quality management, technical consultation, quality assurance, innovation management, safety/health/environment and energy management

3 CML: prequalification, contract management and legal services

Last updated: 1 January 2020

#3 – PROJECT SELECTION AND INTERNAL PRICE COMMISSION

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

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

Thomas Birtel, CEO of STRABAG SE

#4 – MANAGEMENT INFORMATION SYSTEM

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

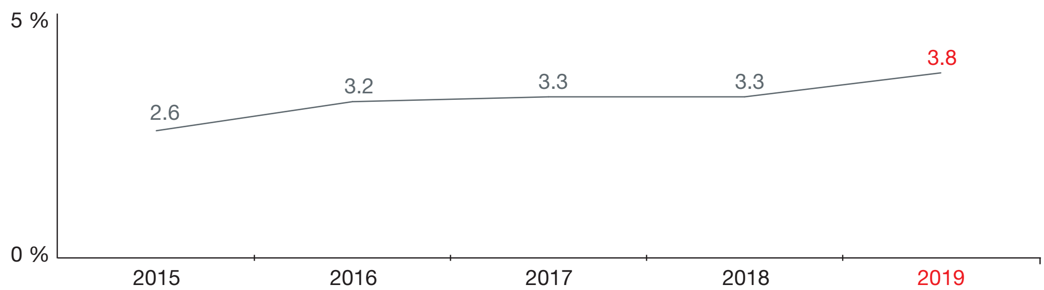
Objectives and indicators

A primary objective is the **long-term existence of our company**, which we strive to ensure by maintaining our focus on cost efficiency and the disciplined use of capital. To reach this overriding objective, we set ourselves the following specific goals:

REACH AND SUSTAIN THE DEFINED EBIT MARGIN TARGET

The **EBIT margin** is our **most important financial indicator**. The margin is especially crucial for our investors. Given our policy of paying out 30–50 % of the net income after minorities in the form of a dividend, our investors are especially interested in seeing a sustained achievement of the EBIT margin target.

DEVELOPMENT OF EBIT MARGIN[1]



We have set ourselves the goal of achieving an EBIT margin (EBIT/revenue) of 4 % by 2022. With 3.8 %, we took a big step in that direction in 2019.

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

CONSTANTLY INCREASE THE EFFICIENCY OF THE PROJECT RISK MANAGEMENT SYSTEM

To maintain the EBIT margin at the level attained, and raise it if possible, we must consistently and sustainably reduce the flop rate by constantly improving the efficiency of our project risk management. We have implemented a risk management system (RMS) with an integrated internal control system (ICS) across the group to help us in the early identification, accurate assessment, effective management, and transparent end-to-end monitoring of significant project risks and opportunities. We periodically review the efficiency and effectiveness of the systems, processes and controls for early recognition of all material risks and related countermeasures in order to deflect impending damage to the company and rule out any potential threat to its existence. Weak points that are identified in the process are transparently documented and immediately rectified.

For the monitoring of the overriding objective, several **indicators** are periodically measured and tracked on the basis of multi-year comparisons. These indicators include:

- Financial figures
- Project and organisational figures
- Economic and industry situation
- Market position and competition
- Client situation
- Services offered
- Management quality

However, the effectiveness and efficacy of the risk management system cannot be measured or assessed on the basis of an isolated observation of individual risk parameters. Many different indicators must be observed in the context of various influencing and correlating factors.

We are working on developing a more uniform, group-wide understanding of risk and a standardised, end-to-end method for the identification, categorisation, assessment and tracking of risks and opportunities. On this basis, the documented project risks and opportunities can be aggregated over the long term and the associated risk indicators can be ascertained. Using cause/effect analyses, we also evaluate the degree to which this allows us to derive correlations or dependencies that could serve as early-warning indicators to deliver important information for the management of risks and opportunities.

ENSURE COST EFFICIENCY AND DISCIPLINED USE OF CAPITAL

To reach an EBIT margin of 4.0 %, it will not be necessary for the market – i.e. the macroeconomic environment – to change. Besides our increased efforts to improve the project risk management, we are maintaining our focus on **cost efficiency and the disciplined use of capital**. We are currently working to consolidate the efficiency improvements achieved so far with regard to the organisational and strategic position of the group. Advice and support in this regard comes from the **central division Project Risk Management System/Organisational Development/International BRVZ Coordination** that was created in 2015. The main tasks of this team include the development of organisational indicators and benchmarks for efficiency improvement as well as the consultation and support in organisational development measures at individual company entities.

Projects and initiatives

Also see the chapter "Our strategic approach"

Based on the strategic principles for the management of risks and opportunities, the measures we are taking include the following:

MEASURES TO STRENGTHEN THE PROJECT RISK MANAGEMENT SYSTEM

The STRABAG Group's risk management system was improved through the following changes and enhancements in the 2019 financial year:

- Implementation of improvement processes with regard to the minimum standards with groupwide validity for the procurement and execution of construction projects (common project standards) on the basis of an evaluation of the core processes of "selection" and "price commission", including, but not limited to:
  - Extension of the matrix of reporting thresholds
  - Expanded rules and stricter requirements for the preparation and implementation of selection and price commission among large-scale and megaprojects
  - Deregulation and de-bureaucratisation in the region-wide business through extension of the problem-solving and decision-making ability for operating units when establishing specifications for selection and price commission for smaller projects (< € 5 million)
- Extension of the common project standards through rules and regulations specific to the respective business units and countries
- Improvement of the project data management in the areas of data structuring, archiving, functionalities and interfaces to support the decision-making processes during the project procurement phase
- Implementation of workshops on the use of the evolved catalogue of possible causes, based on the common project standards, for the categorisation of material positive and negative earnings causes
- Further analysis of cause-and-effect relationships
- Improvement and extension of the data management for the gradual establishment of a knowledge database complemented by analysis and assessment options for the promotion of a needs-based exchange of experience among the project participants
- Improvement of system interfaces to avoid redundant data capture and to improve quality and transparency in data management and the determination of key performance indicators

In the 2019 financial year, we also continued the following developments which are either in the evaluation and conception phase or are finding implementation in subprojects:

- Further standardisation of decision-making foundations for a more efficient selection and price commission in the project procurement phase (including implementation of a standardised risk assessment for megaprojects and development of an app for management with easy access to project data)
- Improvement of the quality of project data management (in part through status-dependent mandatory fields and system-based plausibility checks including operator guidance) as the basis for operational decision-making processes with system-supported updating of project information during project execution and implementation of a standardised project review
- Extension of the standardised reporting through project management tools for the early recognition of opportunities and errors (including comparison of target/actual quantities for main works)
- Development and introduction of an IT tool for the standardised, systemic end-to-end documentation and tracking of risks and opportunities
- Derivation of indicators and the development of efficient early-warning systems on the basis of the periodically analysed lessons learned and experiences in order to avoid errors or the repetition of errors
- Stabilisation of the efficiency improvements initiated by the STRABAG 2013ff task force through the development and complementation of suitable organisational indicators as a decision-making basis for sustained structural optimisations

- Gradual implementation of a modular controlling portal as a central point of entry for the project and organisational controlling

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

DIGITALISATION TO PROVIDE NEW TOOLS FOR THE REDUCTION OF CONSTRUCTION RISKS

Also see chapter "Digitalisation and innovation"

The new tools being used in **BIM 5D®** processes facilitate, among other things, regular consistency reviews of the construction designs, a model-based quantity, cost and performance assessment, and schedule planning, and, on this basis, an end-to-end rendering of the construction sequence with digitally linked processes and consistent data across the entire life cycle of a building. This can help uncover and correct errors at an early stage, thus minimising the risks in a construction project, the roots of which are often found in the design phase. The digitally retrievable data can then be used for different analyses (including building analyses and simulations, sustainability studies or building certification). The digital tools also promote an efficient and transparent working relationship with clients, designers and partner companies.

GENERAL EMPLOYMENT FIGURES

Around the world, just under 77,000 people are putting their expertise and skill into practice at our more than 700 workplace and construction sites. Our employees work with combined effort and commitment to complete their projects on time and in the desired quality. For this task to succeed day after day, STRABAG, in its function as employer, must ensure fair and equitable employment conditions by guaranteeing work safety and health, promoting the equal treatment of women and men, and observing human rights at all locations.

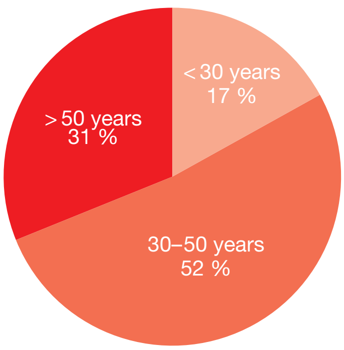
Figures[1]

NUMBER OF EMPLOYEES IN 2019 BY SEGMENT AND COUNTRY[2]

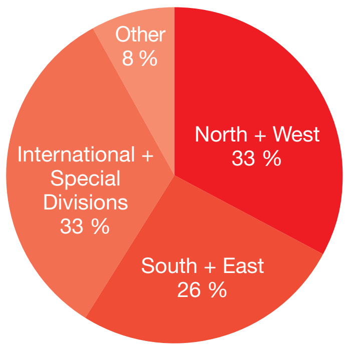
	North + West	South + East	International + Special Divisions	Other	Group
Germany	19,078	538	6,900	2,616	**29,132**
Austria	102	7,708	2,472	1,242	**11,524**
Americas	6	3	7,603	1	**7,613**
Poland	4,648	4	821	713	**6,186**
Czech Republic	57	2,759	701	399	**3,916**
Hungary	4	1,993	532	361	**2,890**
Middle East	12	11	2,681	0	**2,704**
Slovakia	0	1,255	360	216	**1,831**
Rest of Europe	179	758	567	24	**1,528**
Romania	100	1,033	207	184	**1,524**
Serbia	0	1,189	40	163	**1,392**
Croatia	1	879	61	137	**1,078**
Africa	9	1	1,053	0	**1,063**
Asia	0	18	917	0	**935**
Switzerland	68	703	4	105	**880**
Russia	0	531	30	99	**660**
Benelux	495	8	43	56	**602**
Sweden	345	0	62	29	**436**
Bulgaria	0	312	27	62	**401**
Denmark	278	0	0	16	**294**
Italy	4	14	130	23	**171**
Slovenia	0	133	8	18	**159**
Total	**25,386**	**19,850**	**25,219**	**6,464**	**76,919**

Balanced age structure

EMPLOYEE AGE STRUCTURE 2019[3]

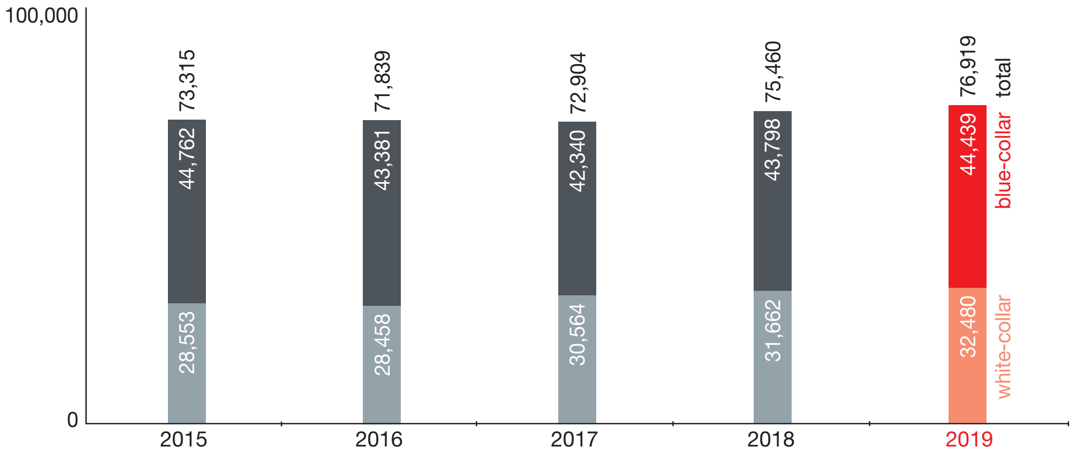


EMPLOYEES BY SEGMENT 2019[2]

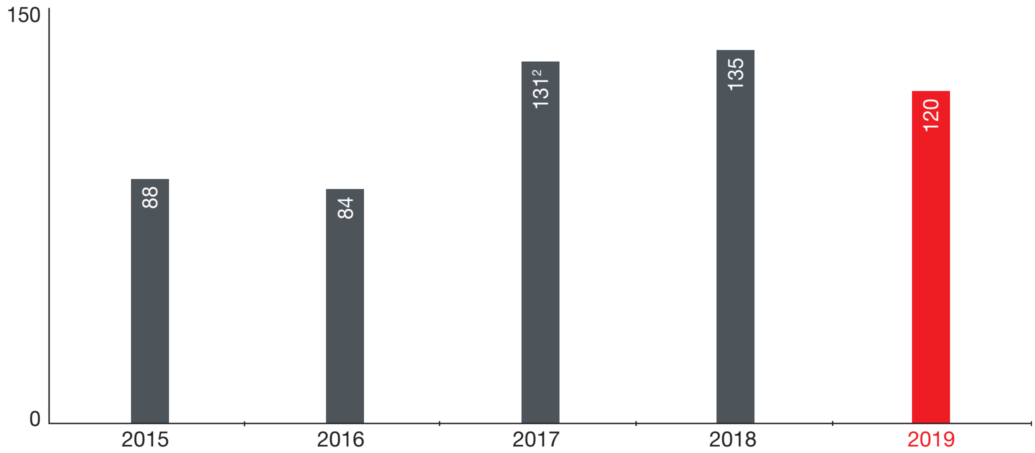


1 The employee numbers shown in this chapter were determined by including all associated group companies and represent annual average values.
2 Employee numbers expressed as FTE
3 Employee numbers expressed as head count

DEVELOPMENT OF EMPLOYEE FIGURE[1]

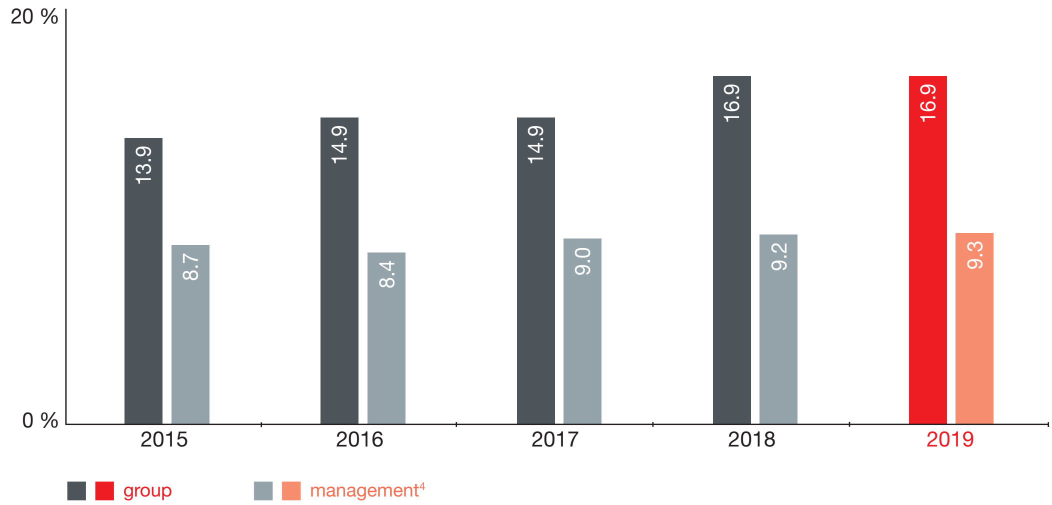


NUMBER OF NATIONALITIES WITHIN THE GROUP



For more about the promotion of women in the group, see the Consolidated Corporate Governance Report

PERCENTAGE OF WOMEN IN THE GROUP AND IN MANAGEMENT[3]



1 Employee numbers expressed as FTE
2 The increase in 2017 results, among other things, from the first inclusion of employee data from Chile and the Middle East.
3 As of 2018, the employee numbers are expressed as head count; previously as FTE
4 Definition of management: hierarchy levels from business unit management on up

DETAILED EMPLOYMENT INFORMATION[1]

GRI standards 2016 disclosure number	Reporting requirements	Disclosures	2019	2018
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender	Total permanent:	70,645 (86 %)	70,279 (87 %)
		Total temporary:	11,668 (14 %)	10,662 (13 %)
		Women permanent:	11,664 (84 %)	11,583 (85 %)
		Women temporary:	2,212 (16 %)	2,064 (15 %)
		Men permanent:	58,981 (86 %)	58,696 (87 %)
		Men temporary:	9,456 (14 %)	8,598 (13 %)
	b. Total number of employees by employment contract (permanent and temporary), by region	Germany permanent:	28,839 (88 %)	30,182 (90 %)
		Austria permanent:	12,119 (99 %)	11,744 (99 %)
		CEE[2] permanent:	16,219 (80 %)	15,456 (81 %)
		Rest of Europe permanent:	3,682 (92 %)	3,652 (93 %)
		Rest of world permanent:	9,786 (76 %)	9,245 (72 %)
		Germany temporary:	4,066 (12 %)	3,198 (10 %)
		Austria temporary:	101 (1 %)	84 (1 %)
		CEE[2] temporary:	4,058 (20 %)	3,606 (19 %)
		Rest of Europe temporary:	310 (8 %)	267 (7 %)
		Rest of world temporary:	3,133 (24 %)	3,507 (28 %)
	c. Total number of employees by employment type (full-time and part-time), by gender	Total full-time:	73,789 (90 %)	72,115 (89 %)
		Total part-time:	8,524 (10 %)	8,826 (11 %)
		Women full-time:	8,863 (64 %)	8,329 (61 %)
		Women part-time:	5,013 (36 %)	5,318 (39 %)
		Men full-time:	64,926 (95 %)	63,786 (95 %)
		Men part-time:	3,511 (5 %)	3,508 (5 %)
	d. Whether a significant portion of the organisation's activities are performed by workers who are not employees	Only in individual cases are portions of the organisation's activities performed by workers who are not employees.		
	e. Any significant variations in the numbers reported in disclosure 102-8-a, 102-8-b, and 102-8-c	No significant variations in the number of employees could be determined.		
	f. An explanation of how the data have been compiled, including any assumptions made	The information required for the GRI disclosures was taken from the HR master data of the ERP system at the group headquarters as well as from group organisational units with other ERP systems through standardised monthly reporting.		
102-41	Percentage of total employees covered by collective bargaining agreements	The national requirements are kept at all subsidiaries.	96 %	94 %
401-1	New employee hires and employee turnover a. Total number and rate of new employee hires during the reporting period, by age group, gender and region	See following tables		

1 Employee numbers expressed as head count
2 CEE = Central and Eastern Europe

GRI standards 2016 disclosure number	Reporting requirements	Disclosures	2019	2018
	b. Total number and rate of employee turnover during the reporting period, by age group, gender and region	See following tables		

A. NEW HIRES IN 2019[1, 2]

	Age group									Total	Employee hire rate
	< 30 years			30–50 years			> 50 years				
	M	F	Total	M	F	Total	M	F	Total		%
Germany	370	110	**480**	639	145	**784**	251	52	**303**	**1,567**	5.4
Austria	435	82	**517**	478	151	**629**	102	34	**136**	**1,282**	10.6
CEE	147	54	**201**	363	88	**451**	110	11	**121**	**773**	4.8
Rest of Europe	72	18	**90**	129	20	**149**	46	5	**51**	**290**	7.9
Rest of world	87	15	**102**	265	20	**285**	64	3	**67**	**454**	4.6
Total	**1,111**	**279**	**1,390**	**1,874**	**424**	**2,298**	**573**	**105**	**678**	**4,366**	**6.2**

NEW HIRES IN 2018[1, 2]

	Age group									Total	Employee hire rate
	< 30 years			30–50 years			> 50 years				
	M	F	Total	M	F	Total	M	F	Total		%
Germany	613	121	**734**	763	145	**908**	264	42	**306**	**1,948**	5.8
Austria	416	59	**475**	465	158	**623**	104	36	**140**	**1,238**	10.5
CEE	229	56	**285**	412	79	**491**	139	12	**151**	**927**	4.9
Rest of Europe	94	14	**108**	149	22	**171**	70	4	**74**	**353**	9.0
Rest of world	364	36	**400**	1,126	43	**1,169**	275	8	**283**	**1,852**	14.5
Total	**1,716**	**286**	**2,002**	**2,915**	**447**	**3,362**	**852**	**102**	**954**	**6,318**	**7.8**

B. DEPARTURES 2019[1, 2]

	Age group									Total	Employee departure rate %
	< 30 years			30–50 years			> 50 years				
	M	F	Total	M	F	Total	M	F	Total		
Germany	229	62	**291**	452	160	**612**	460	124	**584**	**1,487**	5.2
Austria	167	33	**200**	231	123	**354**	161	60	**221**	**775**	6.4
CEE	101	21	**122**	287	82	**369**	221	30	**251**	**742**	4.6
Rest of Europe	55	12	**67**	132	27	**159**	88	18	**106**	**332**	9.0
Rest of world	264	11	**275**	1,052	29	**1,081**	334	9	**343**	**1,699**	17.4
Total	**816**	**139**	**955**	**2,154**	**421**	**2,575**	**1,264**	**241**	**1,505**	**5,035**	**7.1**

B. DEPARTURES 2018[1, 2]

	Age group									Total	Employee departure rate %
	< 30 years			30–50 years			> 50 years				
	M	F	Total	M	F	Total	M	F	Total		
Germany	213	45	**258**	374	84	**458**	434	69	**503**	**1,219**	3.7
Austria	152	37	**189**	222	116	**338**	141	45	**186**	**713**	6.0
CEE	124	33	**157**	380	92	**472**	232	43	**275**	**904**	4.7
Rest of Europe	48	7	**55**	117	22	**139**	78	10	**88**	**282**	7.2
Rest of world	299	17	**316**	661	29	**690**	152	5	**157**	**1,163**	9.1
Total	**836**	**139**	**975**	**1,754**	**343**	**2,097**	**1,037**	**172**	**1,209**	**4,281**	**5.3**

1 Excluding temporary employments
2 Employee numbers expressed as head count

OCCUPATIONAL SAFETY

The accident risk is higher in the building and construction trade than in other branches of industry. Certain situations on the construction site involve the risk of falls, and work takes place near traffic and is performed using heavy machinery. Unique risks result, for example, because workers have to climb ladders and scaffolding and are subjected to extreme temperatures, UV radiation, noise, vibrations and dust. Construction work also involves a certain amount of physical exertion, such as lifting heavy loads.

Technical developments have helped to reduce the risks over the past few years, so that the number of accidents in the construction industry is also on the decline. According to BG BAU, the German occupational insurance association for the construction trade, the accident rate in Germany per 1,000 employees fell from approx. 67 cases in 2010 to approx. 53 in 2018.[1] For comparison: the accident rate per 1,000 employees was 29 in our group in 2019.

Rules, responsibilities and due diligence

The group-wide organisation of topics related to Health, Safety and the Environment (HSE) has been handled by a special coordinator since 2017. Additionally, an HSE committee was established where management, the staff departments for occupational safety, and employee representatives work together on the conception and implementation of new activities in this field.

An HSE Group Directive was drafted and approved by the Management Board for implementation in 2020 in order to establish uniform minimum standards with regard to occupational safety in all group countries. This includes the standardisation, among other things, of organisational structures, accident reporting processes, accident investigations and personal protective equipment. We use group-wide certified occupational health and safety management systems, including BS OHSAS 18001 and the successor standard ISO 45001 (which will replace 18001 by March 2021 at the latest) and/or SCC, to control the major accident and health risks.

Objectives and indicators

STF hazards (slips, trips and falls) are the most common cause of accidents at work, responsible for around one third of all incidents. Our primary goal is therefore the continuous reduction of STF accidents on construction sites. The lost-time accident rate and the accident incident rate are indicators that help us to make our work measurable:

The **lost-time accident rate** – calculated as the number of working hours lost to accidents versus productive working hours – stood at 0.24 % in the group in 2019, with 0.37 % among blue-collar and 0.05 % among white-collar workers (2018: 0.22 % in the group, 0.33 % blue-collar, 0.07 % white-collar). The **accident incident rate** – calculated as the number of accidents at work per 1 million productive working hours – was overall comparable to that of last year with 15.9 in the group, 23.9 among blue-collar workers and 4.3 among white-collar workers (2018: 15.9 in the group, 22.5 blue-collar, 5.8 white-collar). Regrettably there were five fatalities through workplace accidents in 2019 (2018: two).

LOST-TIME ACCIDENT RATE

	2015	2016	2017	2018	2019
Blue-collar	0.34	0.36	0.36	0.33	0.37
White-collar	0.07	0.07	0.05	0.07	0.05
Total	**0.24**	**0.25**	**0.24**	**0.22**	**0.24**

1 https://publikationen.dguv.de/widgets/pdf/download/article/3673 (retrieved 7 January 2020)

ACCIDENT INCIDENT RATE[1]

	2015	2016	2017	2018	2019
Blue-collar	24.5	25.0	25.5	22.5	23.9
White-collar	5.6	5.2	4.8	5.8	4.3
Total	**17.6**	**17.6**	**17.4**	**15.9**	**15.9**

Projects and initiatives

Over 70,000 of our own employees, not to mention the many more workers from our customers and partner companies, are at work for us around the world every day on the construction site or at the office. For all of them, there is nothing more valuable than a healthy life.

In order to raise everyone's awareness for occupational safety and health protection and to make our work consistently safer, STRABAG rolled out a group-wide initiative in 2019. We set ourselves a clear objective, formulated in the message "Vision Zero – Zero Accidents". This objective requires everyone to make an equal personal contribution. Because safety can only be achieved as a team. Our guiding principle therefore is: **"1>2>3 Choose Safety"**. This applies to all employees, leaders and managers. Everyone is invited to participate. As part of this initiative, regional activities on special occupational safety issues were implemented in the many countries in which the STRABAG Group operates.

The numbers 1>2>3 stand for three important steps:

1>Stop! Take your time and assess the situation before you act. The seconds before your next move are decisive!

2>Think! Take a good look at the next work step, prepare it well and stand up for a safe work environment.

3>Act! Act responsibly and work safely.

Starting with Germany and Austria, the group also pursued the following projects and launched the following initiatives in the 2019 financial year:

- Special safety days were held on the construction and job sites and at the production facilities in all countries across the group, demonstrating the commitment at all employee and management levels.
- The smartphone app for site inspections, which was rolled out in the German-speaking countries starting in 2018, was used more than 13,500 times by employees in leadership positions at more than 3,000 construction and job sites. Additional smartphone apps for construction site teams and the HSE specialists were completed in all local languages and will be available from 2020.
- Site inspections documenting the commitment of the project participants are mandatory at all management levels. The inspections provide analysable data on the safety conditions on-site. The analysis provides information about potential for improvement and so indicates starting points for further activities.
- A new version of the 2020 German-language HSE calendar was designed. The calendar contains instructions on the subject of occupational safety on construction sites.
- In 2019, a group directive was drawn up for the harmonisation of occupational safety. Minimum standards are being defined to replace the previous different management directives in the individual countries. These are to be implemented in all countries in which the group operates. This includes, among other things, the mobile apps for site inspection. Another focus will be uniform standards for the investigation of occupational accidents. The group directive will come into force in 2020.

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

HEALTH PROTECTION

Maintaining the health and productivity of our employees is a central concern for us and inevitable for the long-term success of the company. Health is not merely the “absence of disease” (source: WHO). Health is a state of individual well-being and subjectively felt productivity.

The general public usually associates construction sector work with hard physical labour. But psychological stress can also be an issue. In the construction sector, the main documented stress factors are time and price pressure, unwanted interruptions during work, and long working hours.[1] Strengthening psycho-social health through stress prevention and stress management therefore is one of our most important fields of action in **workplace health management (WHM)**. Our measures, initiatives and projects always aim at the preventive reduction of work-related health disorders and occupational illness on the construction site and in the office.

Rules, responsibilities and due diligence

WHM rolled out in ten countries as of 2019

The legal provisions for work safety and health protection form the basis for us as a minimum requirement. Apart from this, we have set ourselves the goal of systematically, specifically and sustainably promoting the health of our employees and to firmly anchor WHM within the group. Building on measures from the areas of work safety, health protection and ongoing activities of workplace health promotion, we therefore rolled out a WHM system across ten countries: Germany, Austria, Switzerland, Poland, the Czech Republic, Slovakia, Croatia, Hungary, Serbia and – since 2019 – Slovenia. Through management at the group level, the matter can be coordinated and systematically disseminated in the individual countries by national WHM coordinators and a national WHM committee consisting of management, occupational safety, HR consultants and employee representatives (Germany/Austria). The measures at the individual business locations are implemented and spread by the WHM coordinators with the help of dedicated colleagues.

Objectives and indicators

It is our objective to maintain the health and productivity of our employees. The aim of the measures is to improve the working conditions and strengthen the personal workplace resources of all employees and members of the management. We use the **lost-time illness rate**[2] to observe our progress in reaching this goal. In 2019, it stood at 4.9 % in the group, with 5.8 % among blue-collar and 3.6 % among white-collar workers (2018: 5.2 % in the group, 6.8 % blue-collar, 3.7 % white-collar).

LOST-TIME ILLNESS RATE

	2015	2016	2017	2018	2019
Blue-collar	6.5	6.7	6.6	6.8	5.8
White-collar	3.6	3.6	3.6	3.7	3.6
Total	**5.0**	**5.1**	**5.1**	**5.2**	**4.9**

1 Source: Psychische Belastung von Bauleitern, Bayerisches Landesamt fur Gesundheit und Lebensmittelsicherheit, 2006
2 Ratio of sick leave days to working days

Projects and initiatives

The cooperation between WHM, work safety and the occupational medical services foresees, among other things, the organisation and expansion of health campaigns at business locations and construction sites. Prevention measures, including hearing and vision exams, pulmonary function tests, spinal screenings, and custom health campaigns, expand the offer for our blue-collar workers. WHM also offers a broad range of targeted measures for our office locations. Besides eye, stress and preventive examinations, the offer includes different health courses such as back training, lectures and workshops related to the main issues of exercise, nutrition and stress prevention.

In response to the survey conducted in 2017 on the subject of psychological stress at the workplace, various health-promoting offers were launched in the white-collar field in Germany. Employees can, for example, register via an online health portal and take advantage of an extensive video training fitness programme. External Employee Consulting (EEC) is another initiative that was established in cooperation with an independent external institute as a confidential point of contact for persons under psychological strain.

One way in which we are working to counter the most important stress factors cited by our blue-collar workers, such as heat, cold and damp, but also time pressure or weekend and night shifts, is to continually improve the facilities of the break areas. We also offer the opportunity for dialogue between workers and their supervisors in order to devise joint solutions to reduce stress and strain at work.

Leadership employees play an especially important role in presenting a company culture of health promotion. Special two-day seminars, such as “Success through Healthy Leadership”, teach our management employees how they can individually strengthen their own resources and how to implement healthy leadership. These seminars were attended by 188 leadership employees in 2019 (2018: 153). Our non-management employees also have a wide range of health-promotion measures available to them. The “Fit4Work” seminar, which has been offered since 2015, explains how an individual health strategy can counter challenges such as lack of exercise, an unbalanced and unhealthy diet, and habituated stress patterns. To date, around 730 employees have taken part in the stated WHM activities.

Information on the COVID-19 (“coronavirus”) pandemic declared by the World Health Organization on 11 March 2020 and on the measures taken can be found in the consolidated financial statements of STRABAG SE for the 2019 financial year.

HUMAN RIGHTS

By providing construction services in structurally weak regions, we are making an important contribution to infrastructure expansion and job creation in those places. Some of our projects are located in countries that have received international criticism for their human rights situation. Due to the different standards regarding the protection of human rights in the various countries in which we do business, and because of the complexity of the supply and value chains, the protection of human rights requires intense effort on our part. Human rights include, among other things, the prohibition of discrimination in respect of employment and occupation, the prohibition of slavery and human trafficking, and the prohibition of child labour.

Rules, responsibilities and due diligence

The STRABAG SE Code of Conduct precisely establishes the system of values to which the STRABAG Group and all its employees are committed; it forms an integral part of the employment documents for all group employees. STRABAG SE also expects its stakeholders (especially suppliers and subcontractors) to act in accordance with the Code of Conduct.

See chapter "Fair competition"

In the Code of Conduct, STRABAG SE expressly commits to equal opportunities regardless of race, nationality, gender, sexual orientation, religion, disability or age and to a working environment free from discrimination, harassment or reprisals. Rejecting illegal forms of employment is not just an internal group principle; the observation of this principle is also mandatory for all business partners and compliance is to be reviewed within the legal possibilities. In case of violation, a contract may not be concluded or must be terminated. The management is responsible for compliance with this rule. Potential human rights violations, such as discrimination at the workplace, can be reported via an online whistleblowing system or to the stated contact persons (ombudspersons).

Objectives and indicators

The creation and maintenance of employment conditions that are in compliance with the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and with the United Nations' Universal Declaration of Human Rights are an essential goal of the STRABAG Group's value system. Particularly relevant here are:

For more information about the whistleblowing system, see the chapter "Fair competition"

- the prohibition of discrimination in respect of employment and occupation
- the prohibition of slavery and human trafficking
- the prohibition of child labour

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

- number of cases of discrimination[1] discovered in the financial year (cases of discrimination are assigned to the year in which they were conclusively discovered): 1

  In the past financial year, the ombudspersons were contacted a total of twelve times (mostly for cases of workplace bullying). In five cases, the investigation was still ongoing at the end of 2019.

1 This includes reported cases of racism, workplace bullying and stalking.

Projects and initiatives

The “Principles of employment conditions and human rights” were added to the Code of Conduct as a complementary annex, available as a separate document under www.strabag.com > Strategy > Strategic Approach > Business Compliance. All employees were informed of and asked to observe and comply with these principles, which were also incorporated into the existing general terms and conditions or comparable agreements. Additionally, a statement pursuant to the UK Modern Slavery Act was published under www.strabag.com > Strategy > Strategic Approach > Business Compliance.

The subject of diversity and of equal treatment of women and men is dealt with in the Consolidated Corporate Governance Report.

STRATEGIC HUMAN RESOURCE DEVELOPMENT

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

Rules, responsibilities and due diligence

Human Resource Development (HRD) is a group-wide organisational unit tasked with providing the best possible support to all parts of the STRABAG SE Group in all matters of human resource development. For a successful human resource development strategy, HRD elaborates and implements guidelines and standards for the search, selection, qualification, promotion and development of leadership and employees.

The responsibilities and tasks are governed by a group directive for the HRD employees. Their tasks include:

- HR marketing and recruiting
- HR consulting
- Training
- Talent management

Objectives and indicators

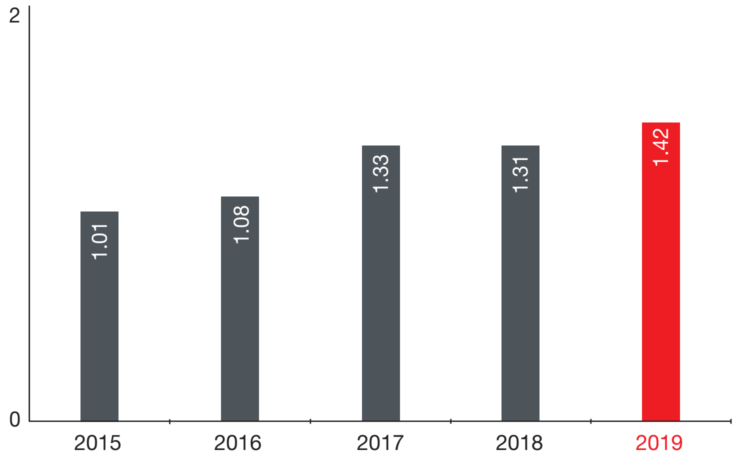
To counter the lack of skilled labour, we aim to promote and optimise the needs-oriented professional and personal development and qualification of our employees. In this way, we can guarantee our clients the on-time, professional realisation of their projects.

Training needs are to be ascertained mainly during the appraisal interviews. This essential employee management tool, which is to be conducted by supervisors at least once annually, is an opportunity for mutual feedback. It supports leadership and employees in

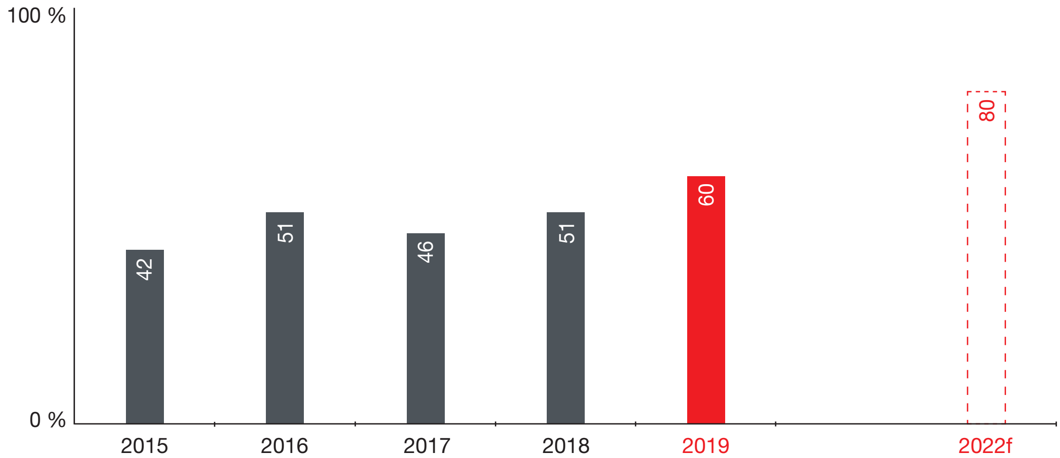
- strengthening their personal identification with the tasks and with the company,
- intensifying cooperation through a culture of open dialogue,
- discussing and recognising the performance of the past period and
- defining future tasks and goals as well as development steps together.

The preparation and documentation of the interviews were digitised last year. In 2019, structured employee appraisal interviews were held with 60 % (2018: 51 %) of all white-collar employees in the group. We are aiming for 80 % by the year 2022. The training needs identified in the interviews are worked on individually in the form of seminars. In the reporting period, there were 1.42 training days per employee (2018: 1.31).

TRAINING DAYS PER EMPLOYEE



NUMBER OF APPRAISAL INTERVIEWS HELD AND RECORDED IN THE REPORTING PERIOD VERSUS NUMBER OF EMPLOYEES



Projects and initiatives

Measures and projects relating to the above-mentioned tasks are implemented on a continuous basis:

HR MARKETING

We are constantly working to position the group as an attractive employer on the labour market to make a sustained contribution to covering the future demand for skilled experts and leadership employees. For this reason, we put a lot of our energy into addressing the target groups. Our focus is on school-age students as much as on university students and recent graduates. In order to reach prospective employees, our human resource marketing activities include participating in **job fairs**, presenting our company at educational institutions, organising company tours, offering internships and work placement, and sponsoring bachelor and master theses. We are proud of our successful partnerships with more than 175 educational institutions in 2019. Additionally, we have our own profiles on **social media platforms**, such as Facebook, Instagram, LinkedIn, Xing and YouTube, in order to be more accessible for interested persons. Our Facebook page has so far been liked by over 45,000 people, and more than 120,000 people follow us on LinkedIn. The Instagram account created in May 2018 for the young target group counted nearly 12,000 subscribers by the end of 2019.

We also actively participate in **employer certification programmes** aimed at graduates, trainees and apprentices to help us ascertain possibilities for improvement. In 2019, our trainee programme was again certified by the job exchange Absolventa and by the fairness in training initiative Fair Company and received the Fair Trainee Programme certification from Absolventa. The certification is awarded on the basis of employee surveys regarding specific factors such as employee satisfaction. The company must then fulfil certain criteria to receive the recognition.

RECRUITING

The recruiting and subsequent integration of human resources is designed to systematically, professionally and quickly cover the human resource demand at the individual organisational units with qualified new employees.

HR CONSULTING

HR consultants are the first points of contact for all human resource development and certain decentral human resource administration tasks at the divisions. They advise employees about career opportunities within the group or coordinate with the employee supervisors to recommend training for their further development. For management-level employees, we have developed a special training and further education offer as part of our management development programme, consisting of a mix of classroom workshops, web-based training and content for self-organised learning. All offers can be individually combined and are available in German and in English. The offer is updated annually and is constantly being expanded.

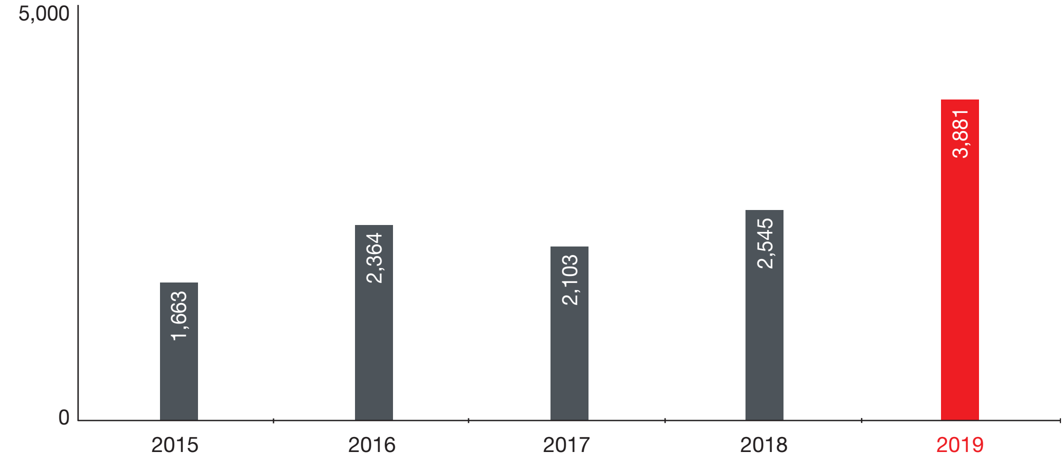
TRAINING

The STRABAG Group Academy offers internal further education options for all blue-collar and white-collar workers in the group. The planning and systematic use of training and educational measures is the responsibility of the respective organisational Unit. Together with their supervisors, employees can choose from among the various qualification offerings.

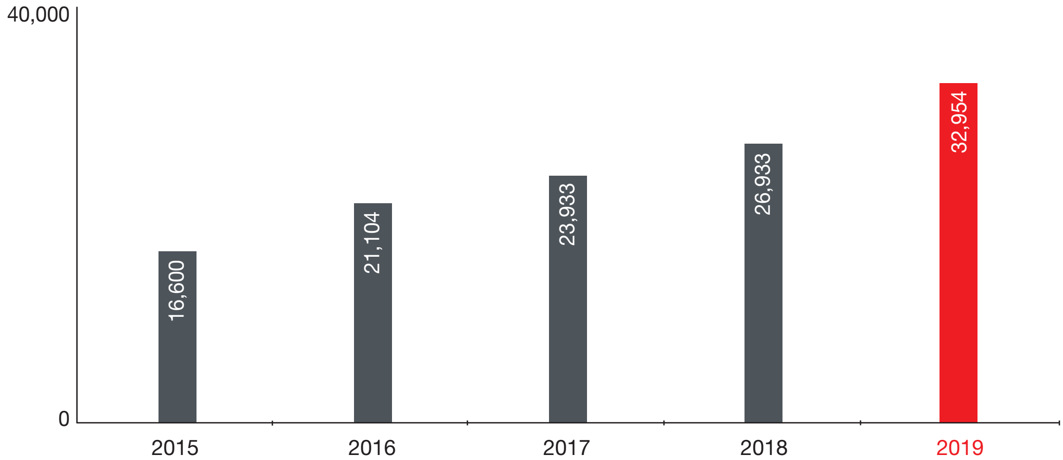
At the Group Academy, employees can find **specially developed training offers** in the categories of technology, law, business management, IT, personality and leadership. The trainers are internal and external experts who pass on their expertise to the participants. In 2019, we offered 3,881 training and further education sessions (2018: 2,545) with 32,954 participants (2018: 26,253). More than 38,400 persons (2018: >26,100) successfully completed an e-learning course, for example on the subjects of compliance, cybercrime, occupational safety and data protection.

Since autumn 2019, we have also offered our employees access to over 14,000 German- or English-language courses from external content provider LinkedIn Learning. The goal is to provide a varied, web-based and easily accessible learning offer to support the motivation for further training. The combination of existing training programmes and mobile extras promotes a dynamic learning culture and enables new formats such as **blended learning** – an integrated form of learning that combines traditional face-to-face training and modern e-learning. Additionally, all employees have the possibility to make proposals for new training offers using the internal knowledge management tool. Beyond the appraisal interview, they and their managers, depending on their position, also receive recommendations for a selection of seminar options. The Group Academy offers regular modular **qualifications** to reinforce and deepen the training of people in key positions.

NUMBER OF TRAININGS



NUMBER OF PARTICIPANTS



To counter the shortage of skilled labour, STRABAG invests in the training and education of its **apprentices and trainees**[1]. For dedicated young people who have completed an apprenticeship, the door to a career at STRABAG is wide open.

Our main apprenticeship careers in **Austria** are bricklayer, ground engineering specialist, formwork carpenter and paver. But we also offer training as construction plant mechanic, electrical engineering technician, facilities and building technician, mechatronics technician, metal technician, sheet metal worker as well as plasterer and drywall finisher to complement our team. In Austria, STRABAG continually offers apprenticeship placements at around 50 locations nationwide. A special feature of STRABAG's offer is the possibility for apprentices of the main trades to attend the group's own apprentice academy BASIC-ADVANCED during the winter months. At two locations in Austria, specially trained STRABAG forepersons and site managers work with our apprentices to reinforce their practical and theoretical knowledge.

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

Increase of apprentice and trainee numbers planned

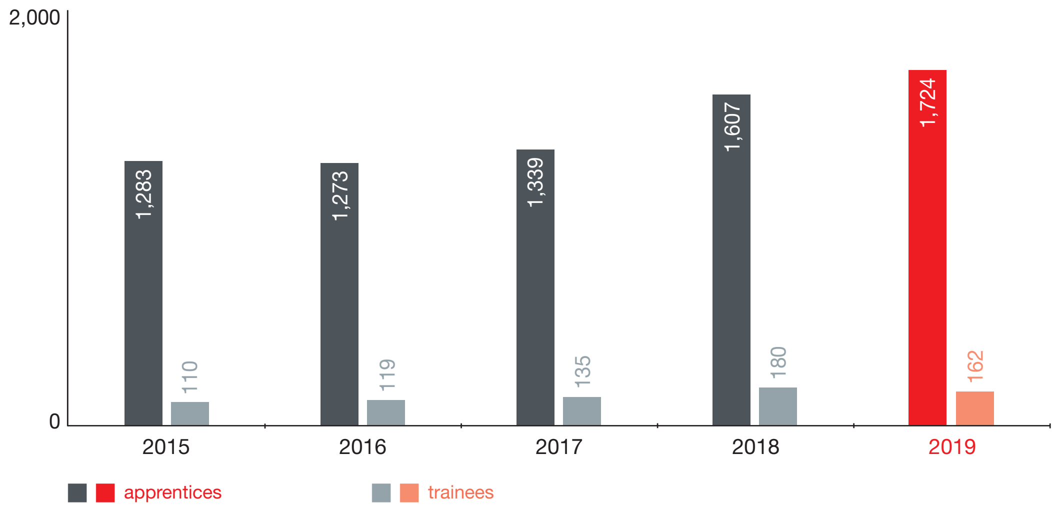
In Germany, Austria and Switzerland, a total of 517 (2018: 516) blue-collar apprentices were taken on in 2019. A significant increase of the apprentice and trainee numbers is planned in Germany and in Austria in the years to come. More information about the apprentice professions and work placement positions is available at karriere.strabag.com.

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

162 trainees at work for us

It is our aim to recognise, promote and develop young talents. In the competition for the best employees, STRABAG therefore offers a practical familiarisation programme for graduates with little professional experience holding selected bachelor and/or master degrees from academic universities as well as from universities of applied sciences. The aim of our trainee programmes is to best prepare the graduates for the requirements of their future position in the group. In 2019, the STRABAG Group had 134 technical and 28 commercial **trainees** (FTE) working for it, thereof 116 men and 46 women.

NUMBER OF APPRENTICES AND TRAINEES (FTE)



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

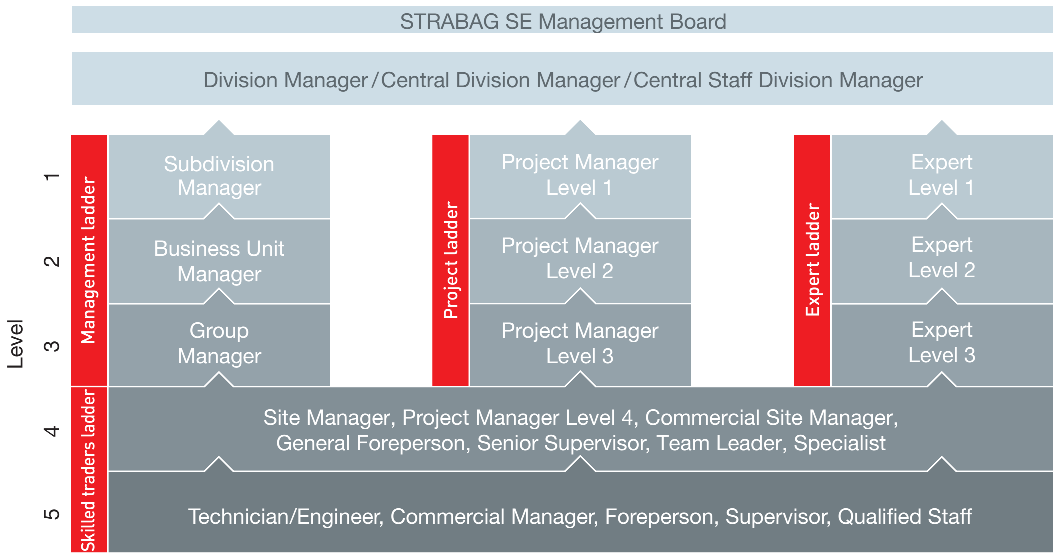
Regular feedback interviews help focus on the trainee's individual development. With instruction from experienced specialists and management employees, the trainees pass through different organisational divisions and are introduced to various areas of business and responsibility. Both the commercial as well as the technical programme include mandatory sessions, for example on the construction site. Specific training activities are used to develop the applicant's personal and professional skills. An individual training schedule is developed for each trainee.

TALENT MANAGEMENT

The purpose of talent management is to recognise, develop and bind high-performers and high-potential employees in the interest of filling (key) positions with young talent possessing the best possible qualifications from within our own ranks. Based on our career model, internal parameters are applied to identify high-potential employees, provide them with individual support, and deploy them in the right positions. Besides the management ladder, which focuses on general management tasks, two other career paths are available: The expert careers are characterised by a high degree of technical expertise in a specialty field. Project managers can fall back on their years of experience in the field of project management and are responsible for complex construction projects.

Individual activities such as a development centre, special training programmes or job rotation schemes are offered to help develop the recognised potential. Coaching – support from external professional consultants to successfully master professional challenges – and mentoring – the professional partnership between an experienced manager and a specialist or manager in training, characterised by the communication of experience and active feedback – are increasingly included in the individual development plans of the talents. The goal-oriented recognition and promotion of high potential employees should ultimately create a stronger bond to the company, which in the long term serves to ensure quality, continuity and performance within the group.

CAREER MODELS



EMPLOYMENT AND SOCIAL FUND

In order to help employees who are experiencing **financial difficulties** through **no fault of their own**, e.g. as a result of accidents, illness, natural disasters, etc., the STRABAG Group set up a private foundation called the "Arbeits- und Sozialfonds" ("Employment and Social Fund") almost 20 years ago. When it was established, the foundation was endowed with about € 3.60 million, an amount which by the year 2013 had been raised to about € 10.20 million in response to the rising number of employees. The application for financial assistance can be submitted by the affected employees, by their supervisors or by an employee representative.

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

SOCIETAL ENGAGEMENT

Focus on cultural and social projects as well as on team sports

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

Rules, responsibilities and due diligence

If and in which form we lend substantial support is decided by the STRABAG SE Management Board according to eligibility criteria such as:

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

Objectives and indicators

We do not extend our social commitment indiscriminately, but instead support selected initiatives over the long term in order to make a lasting contribution. One of the indicators that measures our commitment is the contribution we make to the core projects and initiatives mentioned below. In 2019, this amounted to € 4.20 million (2018: € 3.80 million).

Projects and initiatives

CONCORDIA SOCIAL PROJECTS

With STRABAG's help, CONCORDIA supports people in need.

In the social sphere, we are especially committed to helping children and youth in Eastern and South-East Europe by giving them an opportunity for an education and the chance for a better future. This also helps to secure the future of our company in these markets. An important contribution is made to CONCORDIA:

CONCORDIA is an internationally active, independent charity organisation for children, youth, the elderly, and families in need. From its start in 1991 as a social project for street children in Bucharest, CONCORDIA has grown into an organisation which today helps more than 9,000 children, youth and families in Romania, Bulgaria and the Republic of Moldova.

The new CONCORDIA day and social centre in Sofia, Bulgaria

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

In the Republic of Moldova, CONCORDIA also attends to the needs of around 6,000 people who have to live in extreme poverty. All over the country, CONCORDIA's social centres and soup kitchens provide elderly people and children in need with the essentials they require every day. STRABAG has been a partner of CONCORDIA for years, helping to build living facilities for (orphaned) children, setting up social centres and soup kitchens, and offering continuous support of the organisation's activities.

Supported by STRABAG, CONCORDIA also provides assistance to children from low-income families in Austria and helps unaccompanied minor refugees take their first steps towards integration. Since 2016, an annual fundraising concert by Tyrolean Festival Erl on behalf of the CONCORDIA children's projects has been a regular part of the joint effort by STRABAG and CONCORDIA to help people in need.

With STRABAG's help, a new CONCORDIA day and social centre was built in the Orlandovtsi neighbourhood of Sofia, Bulgaria, for children from very poor families. The centre, which opened in October 2019, provides hot meals, medical care, help for school and opportunities for meaningful leisure activities. The staff also help parents find a job and offer literacy courses.

More information: www.concordia.or.at

TYROLEAN FESTIVAL ERL

Tyrolean Festival Erl was founded in 1997 and has been held in the illustrious Passion Play town of Erl in Austria every year since 1998. STRABAG has been a supporting partner from the beginning. To guarantee the long-term viability of this important cultural venue, the "Tiroler Festspiele Erl Gemeinnützige Privatstiftung" was established in 2017 with STRABAG SE as one of the foundation's sponsors.

Tyrolean Festival Erl has become a respected fixture in the cultural life of Tyrol and internationally. In the 2018/2019 season, some 30,000 visitors were again treated to top-class opera, concert and chamber music evenings. The focus in the summer is on Wagnerian opera, complemented by other opera productions as well as by classical and contemporary concert repertoire. All year round, the unique acoustics in the new festival theatre also do justice to the works of Mozart, Bach, Italian composers and bel canto.

An attractive winter season programme was added to the summer programme in 2012 when performances became possible in the STRABAG-built festival theatre. Further events were added to the festival programme in 2017 with the piano days and the Thanksgiving concert series.

More information: www.tiroler-festspiele.at

The festival theatre in Erl, Austria

ENSEMBLE:PORCIA

Ensemble:Porcia is the most important cultural institution in the small town of Spittal an der Drau in Upper Carinthia and has been adding life to the city and the region every summer for the past 59 years. In 2019, Ensemble:Porcia drew more than 13,500 visitors to the beautiful Renaissance-era Porcia Castle. Here the theatre troupe puts on comedies from the repertoire of all European languages, including classic comedies from Shakespeare, Nestroy and Feydeau as well as world premieres.

With around 40 performers and artistic staff, supported by a backstage team and a youthful front office, Ensemble:Porcia provides employment for more than 70 people in the summer. Large performances are held in the courtyard of Porcia Castle, while the smaller underground Salamanca Gallery features modern comedies and art exhibitions organised in cooperation with STRABAG Kunstforum for a synthesis of the visual with the performing arts. The Carinthian PorciaTheatre Wagon that tours through the country is another unique cultural institution on the local and national stage made possible with STRABAG's support. In the summer of 2019, the theatre wagon performed on tour in front of about 7,700 people during 52 performances at town squares, in castle courtyards, in village streets, at retirement homes, in schools and in the middle of nature on mountain tops or by lakeshores. The theatre wagon also stops in once a year at the STRABAG head office in Vienna.

More information: www.ensemble-porcia.at

STRABAG KUNSTFORUM

STRABAG Kunstforum has long been in the service of arts patronage – as organiser of the STRABAG Artaward International, with the exhibitions at the STRABAG Artlounge and through the establishment and maintenance of the permanent collections at more than 60 offices throughout Europe. The STRABAG Artaward has been presented since 1994 in Austria and since 2009 as an international art sponsorship award for artists in the fields of painting and drawing. Winners receive the opportunity to present their works at an individual exhibition in the STRABAG Artlounge. STRABAG Kunstforum also gives artists access to the art studio at the STRABAG head office in Vienna as a place that promotes the creativity, artistic productivity and exchange within the art scene.

For the years 2018–2020, the award is open to artists from Austria and Germany. In 2019, the prominent members of the STRABAG Artaward International jury selected Amoako Boafo as the winner from out of 663 submissions. The artist, a native of Ghana who resides in Vienna, has since become a rising star on the international art scene and was regarded as the great newcomer at Art Basel Miami Beach in early December. Also awarded at the STRABAG Artaward International 2019 were Johannes Daniel (Germany), Soli Kiani (Austria), Maria Legat (Austria) and Markus Saile (Germany).

In addition to the focus on young up-and-comers, two established artists whose works have been part of the STRABAG Artcollection for many years were also honoured in 2019 on the occasion of a milestone birthday: Roman Scheidl celebrated his 70th birthday with a comprehensive retrospective of his colourful artistic universe of paintings, ink drawings and film. And Wolfgang Hollegha, one of the most renowned representatives of abstract painting in Austria, honoured the STRABAG Kunstforum on his 90th birthday with a selection of works spanning six decades.

All temporary exhibitions at the STRABAG headquarters as well as the permanent exhibition of Bruno Gironcoli at the Gironcoli-Kristall, Vienna, are open to employees and the general public during regular office hours. Admission is free. The exhibition at the Gironcolli-Kristall can also be accompanied by a Hearonymus audio guide.

With over 3,500 works of art comprising the STRABAG Artcollection, STRABAG Kunstforum strives to promote the dialogue between art and everyday life and to give artists a platform where they can continue their work. In 2019, STRABAG Kunstforum provided art for the company locations in Cologne (Germany), Trumau (Austria) and Stuttgart Z3 (Germany); the STRABAG locations in Prague (Czech Republic) and Belgrade (Serbia) are in preparation.

More information: www.strabag-kunstforum.at

Amoako Boafo with his works, STRABAG Artlounge

Wolfgang Hollegha exhibition in the STRABAG Artlounge

FAIR COMPETITION

The avoidance of corruption and anti-competitive behaviour has become an important management responsibility in recent years. The potential damage that a company may incur because of corrupt or anti-competitive behaviour on the part of individual employees can at times reach drastic proportions.

The construction sector is not immune to corrupt or anti-competitive behaviour by individual persons. Complex accounting processes and the necessity for a great number of contractual relationships during a construction project often make it difficult to fully resolve non-compliant behaviour.

Even if STRABAG generates much of its revenue in countries with a low risk of corruption, the international nature of its business means that some activities are also performed in countries with a higher corruption risk as measured, for example, by the Corruption Perceptions Index[1]. Transparent procedures to minimise risk are required in all regions, especially during contract award or in negotiations with partner companies and subcontractors.

STRABAG acted by implementing a Compliance Management System (CMS) in 2008 and has been continuously developing it ever since. The purpose of the CMS is to avoid violations of the law and any resulting material and immaterial damage, and to maintain the company's good reputation as a business partner, contractor and employer. With extensive measures for employees and leadership, we are working to promote compliant and ethical behaviour and to create a strong corporate culture based on partnership and trust.

Rules, responsibilities and due diligence

The STRABAG CMS is seen as a living system subject to continuous improvement and adaptation to changing circumstances. The focus is especially on preventing cases of corruption, avoiding the violation of competition law and averting all forms of money laundering. The CMS consists of:

- the Code of Conduct,
- the Business Compliance Guidelines,
- the Business Compliance Guidelines for Business Partners, and
- the personnel structure of the STRABAG business compliance system.

The **Code of Conduct** establishes the fundamental ethical values of the company and contributes to the development of a common value system. The **Business Compliance Guidelines** for employees and the **Business Compliance Guidelines for Business Partners** specify the rules to follow to avoid corruption and anti-competitive violations. Potential compliance violations, such as bribery, fraud or corruption, can be reported to specially appointed contact persons (regional compliance representatives) via our group-wide whistleblowing system. Employees, as well as subcontractors and other third parties, have the possibility to anonymously pass on relevant information via an online whistleblowing platform as well as by phone or by e-mail. The current list of all contact persons for the whistleblowing system can be found on the STRABAG website at https://strabag.integrityplatform.org > Contact person. We actively call upon anyone with relevant information to come forward, so we can identify misconduct quickly, respond appropriately and avoid any possible damage. In the event of violations of the legal regulations or of the conduct guidelines applicable within the company, the company will take the requisite disciplinary and legal (labour law) measures.

The **group business compliance coordinator** is the central point of contact for all business compliance matters and reports directly to the responsible member of the group's Management Board, in this case the CEO. Given the international organisation of our group, the group business compliance coordinator is supported by **regional business compliance representatives**.

The group business compliance coordinator is in constant contact with the regional business compliance representatives.

1 Transparency International, Corruption Perceptions Index 2018, retrieved 8 January 2020 from https://www.transparency.de/cpi/cpi-2018/cpi-ranking-2018

Objectives and indicators

The overarching objective of the STRABAG Compliance Management System is the complete avoidance of non-compliant behaviour. Recognising the impossibility of fully reaching this goal and understanding the difficulty of measuring the degree of goal attainment, it is necessary to define supporting goals leading to the main objective. The relevant indicators are monitored regularly and over the long term, as the effectiveness of initiatives to avoid compliance violations can only be meaningfully measured over longer periods of observation.

- **Training penetration rate at 31 December 2019**
  (percentage of employees completing certain courses)
  Target: 100 %

  – E-learning course "The Right Behaviour in Day-to-Day Business", initial training: 98 % (2018: 87 %)

  – E-learning course "The Right Behaviour in Day-to-Day Business", refresher course: 99 % (2018: 91 %)

  – Classroom course "Avoidance of Corruption and Anti-Competitive Violations", initial training: 90 % (2018: 93 %)

  – Classroom course "Avoidance of Corruption and Anti-Competitive Violations", refresher course: 92 % (2018: 95 %)

  – Classroom course "Cartel Risks, Basics and Code of Conduct", initial training: 90 % (2018: 87 %)

  – Classroom course "Cartel Risks, Basics and Code of Conduct", refresher course: 85 % (2018: 84 %)

  The training penetration rate of the e-learning courses was greatly improved in 2019 through increased monitoring activities.

- **Number of employees trained in 2019**

  – E-learning course "The Right Behaviour in Day-to-Day Business"
  Target: 7,000 people/year over a three-year average
  - Initial training: 5,579 (2018: 1,321)
  - Refresher course: 7,515 (2018: 1,054)
  - Total: 13,094 (2018: 2,375)

- **Number of management employees trained in 2019**

  – Classroom course "Avoidance of Corruption and Anti-Competitive Violations"
  Target: 400 people/year over a three-year average
  - Initial training: 99 (2018: 58)
  - Refresher course: 210 (2018: 17)
  - Total: 309 (2018: 75)

  – Classroom course "Competition Law"
  Target: 400 people/year over a three-year average
  - Initial training: 171 (2018: 174)
  - Refresher course: 179 (2018: 348)
  - Total: 350 (2018: 522)

- **Number of compliance-supporting measures in the year:** 7 (2018: 9)
  For details, see "Projects and initiatives".

- **Number of business compliance violations discovered in the year**
  (violations are assigned to the year in which they were conclusively discovered): 2 (2018: 2)

Information on the ongoing investigations into the suspicion of illegal price fixing can be found in the consolidated financial statements of STRABAG SE for the 2019 financial year.

Projects and initiatives

Regular training

We regularly train our employees in e-learning and classroom settings on how to fight corruption. An important requirement for attaining the overarching objective of avoiding compliance violations is for employees to be as informed as possible about appropriate behaviour in their daily business practices and, especially, about the negative consequences of inappropriate behaviour. The training of all relevant company employees (usually white-collar employees) in the principles of compliance is therefore a logical and necessary objective of the work of every compliance organisation. To increase their sensitivity to the subject of compliance, these employees must complete mandatory training measures and management employees must attend more in-depth training, also mandatory, at regular intervals.

The training activities are monitored using indicators such as training penetration rates or the number of employees trained in one year. Since 2013, the e-learning module on the right behaviour in day-to-day business has been carried out in all relevant group languages in all group countries. In addition to the course on avoiding corruption and anti-competitive violations, special cartel law training was introduced for the management in 2015. All of the classroom courses on the avoidance of corruption and anti-competitive violations are given by external legal experts or by lecturers from the group's internal legal department. New members of management receive one day of initial training, while veteran employees have had to attend half-day refresher courses every three years, from 2020 every two years.

Compliance Readiness Check

The continuous improvement of the STRABAG CMS is an important task of the business compliance organisation. This was supported especially by the Compliance Readiness Check that was initiated in 2017 and concluded in 2018. The aim of this initiative was the improvement of the STRABAG CMS in preparation for certification to international standards. The development of the corresponding concept and the management directives was one of the main tasks of the business compliance organisation in 2019. Working together with an external consulting company and the group's internal legal department, STRABAG SE developed a certifiable Business Compliance Management System (BCMS) in line with ISO 19600 (Compliance Management Systems) and ISO 37001 (Anti-Bribery Management Systems) that was adopted by the Management Board in December 2019.

As of 2020, the new BCMS replaces the previous Business Compliance Guidelines and Business Compliance Guidelines for Business Partners and consists of the following documents:

- BCMS description
- Management Directive on the Avoidance of Corruption and White-Collar Crime
- Management Directive on Business Partner Assessments
- Management Directive on Cartel and Competition Law
- Management Directive on Conflicts of Interest
- Supplier Code of Conduct
- Business Compliance Risk Analysis

STRABAG SE's new BCMS will be rolled out in two phases in 2020 (Phase 1: Germany, Austria, Switzerland; Stage 2: remaining countries). A certification of the STRABAG BCMS to internationally recognised standards is intended following the successful roll-out.

In 2019, STRABAG implemented the following compliance-supporting measures to further improve the compliance culture within the group:

- A further employee from the central business compliance organisation completed a course to become a **certified compliance officer**.
- Based on the results of the Compliance Readiness Check, a new **Business Compliance Management System** was developed in line with ISO 19600 and ISO 37100 and approved by the Management Board (see above).
- In July 2019, certification in accordance with ISO 19600 and the Austrian standard ONR 192050 was granted to the compliance management system for cartel law for the Austrian group companies STRABAG AG and F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG.
- The group business compliance coordinator reported in detail on the subject of business compliance at the twice-yearly **group meeting**.

- From 2020 the **training interval** for the mandatory classroom courses for management employees was **reduced** from three to two years.
- **Thematic classroom courses** were organised for individual organisational units to complement the mandatory regular compliance training, with a thematic focus on the avoidance of anti-competitive behaviour.
- A two-page article on the rule against giving and accepting gifts appeared in the 2019/2 issue of the **staff magazine "teams."**.

MATERIALS

Economic growth, the global population increase and the necessary adaptations to climate change are stimulating the construction and maintenance of buildings and infrastructure. This requires considerable volumes of raw materials, such as **sand, gravel** and **quarry stone**. In Germany alone, this amounts to about 517 million tonnes of mineral resources a year, which corresponds to around 50 % of all processed raw materials within the country.[1] This increases, directly and indirectly, the impact on the environment, which is also noticeable locally in extreme weather, floods, loss of soil fertility and a decline in biological diversity. But the extraction of raw materials isn't the only important issue for the construction sector; in the end, the materials that are put into construction end up back in the environment in the form of emissions and waste as a result of maintenance or demolition works. Building rubble, road excavation material and construction site waste account for around 41 % of the overall mineral waste volume.[2] For this reason, we are committed to the transition to a more resource-friendly and more sustainable level of recycling management.

The increasing awareness among society and politics, as well as the altered environmental conditions as a result of climate change, have already caused a shift in customer demands. Our strategic focus, our innovative strength and our Architecture and Turnkey Construction business unit help to prepare us for the growing demand for resource-friendly services and products and allow us to proactively offer the corresponding solutions. Being able to integrate different disciplines over different life cycle segments is our core competence as a general contractor. As such, we are familiar with the entire value creation process and are capable of thinking and planning across life cycles. This gives us the possibility to perpetuate the philosophy of sustainability with the best possible technical solutions and the early interconnection of all involved.

Rules, responsibilities and due diligence

A group-wide energy and environmental policy lays the foundation for acting in a resource-friendly manner; integrated due diligence processes help to recognise opportunities and risks at an early stage, fulfil the legal provisions and protect the environment.

Within the group, the subject of the environment is handled by the **Integrated Quality Management** (IQM) team. To properly address matters of the environment, an environmental management system certified to ISO 14001 has been introduced in nearly all group countries. These group countries cover 90 % of STRABAG's output volume. The environmental management is headed by the group's environmental representative, who receives information as to developments – e.g. on environmentally relevant factors regarding contracts and investments – from the regional experts for environmental protection. In this way, he can give the best possible advice to the Management Board of STRABAG SE when it comes to setting environmental protection targets and measures. The information recorded by the environmental management system includes waste disposal, waste water, hazardous materials and products used.

Objectives and indicators

It is our declared goal to keep the negative impact that our business activity has on the environment as low as possible. To do so, we give priority to those issues that promise the greatest potential for improvement and which we can directly influence through our own actions, such as the continued development of processes and technologies for resource- and energy-efficient structures.

1 Umweltbundesamt: Die Nutzung natürlicher Ressourcen – Bericht für Deutschland 2018 [German Environment Agency: The use of natural resources – Report for Germany 2018]
2 Mineralische Bauabfälle Monitoring 2016 – Bericht zum Aufkommen und zum Verbleib mineralischer Bauabfälle im Jahr 2016 [Mineral Construction Waste Monitoring 2016 – Report on the amount and location of mineral construction waste in the year 2016]

Indicator

Percentage of recycled asphalt used in the production of asphalt mixture in Germany, Austria and Poland (combined share of group output: 70 %)

- Germany: 34 % of total asphalt mixture production of 3,140 thousands of tonnes (2018: 32 % of 3,838 thousands of tonnes)
- Poland: 41 % of total asphalt mixture production of 2,280 thousands of tonnes (2018: 32 % of 2,330 thousands of tonnes)
- Austria: 13 % of total asphalt mixture production of 1,248 thousands of tonnes (2018: 13 % of 1,187 thousands of tonnes)

Objective: We aim to increase the recycling share and also follow client demands in the process.

Projects and initiatives

The construction sector plays a key role in the future development of efficient ways to use primary raw materials. STRABAG recognised this development years ago and is increasing its resource efficiency through optimised production processes for concrete, cement and asphalt, as well as by processing and **recycling construction material**. Technological advances and stricter legislation help to promote this positive development. The transportation infrastructures segment holds especially high potential. The recycling of used materials reduces greenhouse gas emissions and saves valuable primary raw materials. Moreover, with a rate of 83 %, we cover most of our asphalt needs ourselves. This puts us in a position to optimise the production process as needed and to initiate measures to raise energy efficiency.

MATERIALS USED[1]

Material	Unit	2015	2016	2017	2018	2019
Stone/Gravel	thousands of tonnes	60,670	58,020	62,420	68,650	70,410
Asphalt	thousands of tonnes	13,840	13,690	14,000	13,985	13,270
Concrete	thousands of m³	4,986	4,986	4,589	5,746	5,519
Cement	thousands of tonnes	1,095	1,021	1,163	1,669	1,642
Structural steel	tonnes	n. a.	421,336	417,381	478,290	476,901

1 The volumes were derived from the average prices from the price data.

ENERGY

Besides the material consumption, the energy consumed, in particular during the construction and the use of buildings, is also an important issue: Buildings account for about **40 % of the overall energy consumption** and produce around **36 % of the associated greenhouse gas emissions** in the European Union.[1] At the same time, the potential to reduce greenhouse gases is greatest in the construction industry.[2] To help raise this potential, we are continuously working on the development of our comprehensive energy and fuel management, among other things, and report on the associated greenhouse gas emissions.

Rules, responsibilities and due diligence

A group-wide energy policy lays the foundation for acting in a resource-friendly manner; integrated due diligence processes help to recognise opportunities and risks at an early stage, fulfil the legal provisions and protect the environment.

The energy management at STRABAG encompasses a set of tools to determine energy consumption and greenhouse gas emissions, on the one hand, while also developing and managing measures to increase energy efficiency and decrease greenhouse gas emissions, on the other hand. The group-wide energy and emissions management system is headed by the **Energy Steering Committee**, which determines the strategic orientation of the energy management.

On the basis of the group-wide energy data, the energy experts at the various group entities formulate recommendations to the steering committee. Accordingly, operational targets are set for energy consumption, CO_2 emissions and relevant measures throughout the group. Beginning in 2013, an energy management system certified to the international standard ISO 50001 was rolled out at various group entities (responsible for around 70 % of the output volume). Further local measures and audits for energy management cover a further approximately 10 % of the output volume in other group countries. Thanks to the Energy Efficiency Act, it is possible to make use of the potential for lower energy consumption and the resulting cost savings.

Objectives and indicators

It is our declared goal to keep the negative impact that our business activity has on the environment as low as possible. To do so, we give priority to those issues that promise the greatest potential for improvement and which we can directly influence through our own actions, such as the reduction of energy use and associated greenhouse gas emissions.

Indicators:

Energy consumption and CO_2 intensity in the relevant energy consumption categories

- Vehicle fleet:
  - All passenger vehicles in Germany and Austria: 6.0 litres/100 km (-0.9 %) and 161 g of CO_2/km (-0.9 %)
  - All commercial vehicles in Germany and Austria: 9.2 litres/100 km (+1.4 %) and 246 g of CO_2/km (+1.4 %)

  Objective: energy efficiency increase of at least 1 % over the previous year

1 European Union, retrieved on 13 February 2020 from https://ec.europa.eu/energy/en/topics/energy-efficiency/energy-performance-of-buildings/energy-performance-buildings-directive#facts-and-figures
2 IPCC, retrieved on 13 February 2020 from https://archive.ipcc.ch/publications_and_data/ar4/wg3/en/figure-spm-6.html

- Asphalt mixing plants in Germany: 93.0 kWh per tonne of asphalt mixture produced (+2.8 % year-on-year) and 31.8 kg of CO_2 per tonne of asphalt mixture produced (+3.4 % year-on-year)

Objective: energy efficiency increase of at least 1.3 % over the previous year

Projects and initiatives

Energy management system

STRABAG has had an energy management system certified to ISO 50001 in place since 2012 to identify savings potential, continuously raise energy efficiency and reduce emissions. The cost savings that have been and remain to be achieved help us to increase our competitiveness. For economic and ecological reasons, the topic of energy remains of great importance for the STRABAG Group. The **energy costs** for the companies within STRABAG SE's scope of consolidation amounted to € 280.72 million in 2019 (2018: € 275.46 million). This increase results, among other things, from the growth of the output volume.

The energy and CO_2 data for the group are systematically captured and analysed using **CarbonTracker**. The software was developed in-house and has been in use since 2012. On this basis, we are developing concepts to reduce the use of fossil energy sources and lower the resulting greenhouse gas emissions in the long term through more efficient conventional or innovative machines. Currently about 24 % of the energy data are acquired on a volume basis, with the remainder derived from prices taken from our internal accounting.[1]

The group's most important energy source is fuel, which accounts for about 65 % of the total energy costs and therefore holds the greatest potential for savings for the group. **FuelTracker**, which was developed analogously to the CarbonTracker software, allows us to analyse the fuel use of the STRABAG passenger car and commercial vehicles fleet.

Intelligently timing deliveries with the help of STRAtakt, an in-house-developed software, guarantees the optimal temperature of the asphalt mix used. This also reduces fuel consumption and emissions through the elimination of waiting times for delivery vehicles and the more regular use of asphalt processing equipment.

In 2017, we began gradually introducing an **electricity and gas data management** system within the group to perform load profile analyses at stationary plants and administration buildings. This will help us to recognise and reduce power peaks and excessive base loads (demand for default electricity supply).

Group employees are sensitised to contribute to **increasing the energy efficiency**. This occurs, for example, through training courses in which the staff is informed on the issues of safety, environment and energy. The positive results of the energy management can be seen in the higher tax savings potential and the protection of the environment through lower emissions.

ENERGY USE WITHIN THE GROUP[2]

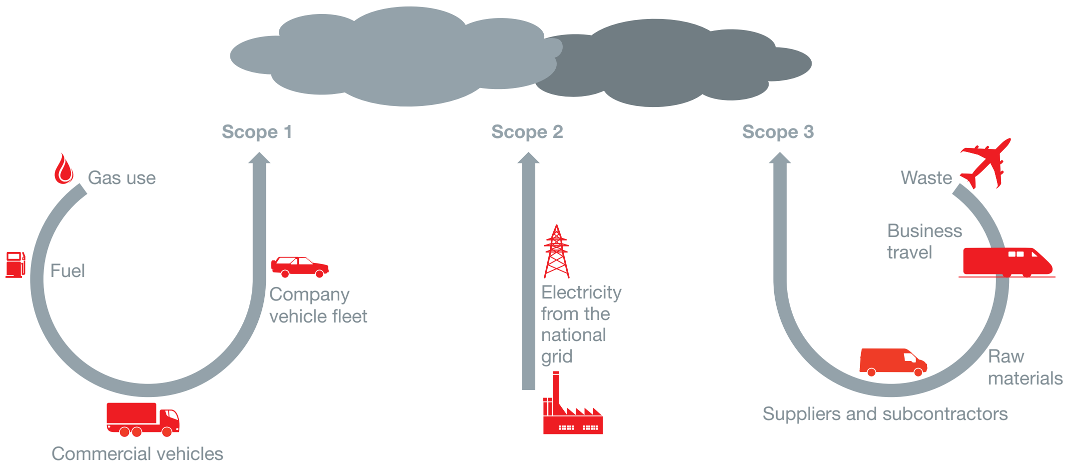
Form of energy	Unit	2015	2016	2017	2018	2019
Electricity	MWh	443,009	451,073	488,241	477,286	432,755
Fuel	MWh	2,224,192	2,065,409	2,108,339	1,976,423	1,986,883
Gas	MWh	479,303	409,098	449,372	497,899	430,143
Heating oil	MWh	176,575	153,896	169,257	172,550	165,764
Pulverised lignite	MWh	437,388	457,362	504,503	481,787	481,235
District heating	MWh	36,013	35,265	48,773	44,802	48,826

1 Energy costs are converted into quantities using the average prices from the following sources: electricity, natural gas, LPG – Eurostat; diesel, petrol, heating oil/fuel oil – the European Commission's Weekly Oil Bulletin. Prices are also taken directly from invoices.
2 The energy units are converted to MWh (analogue to calorific value) using conversion factors from the following sources: for fuels and heating oil – German Federal Office for Economic Affairs and Export Control (BAFA); for gas and pulverised lignite – German Emissions Trading Authority (DEHSt).

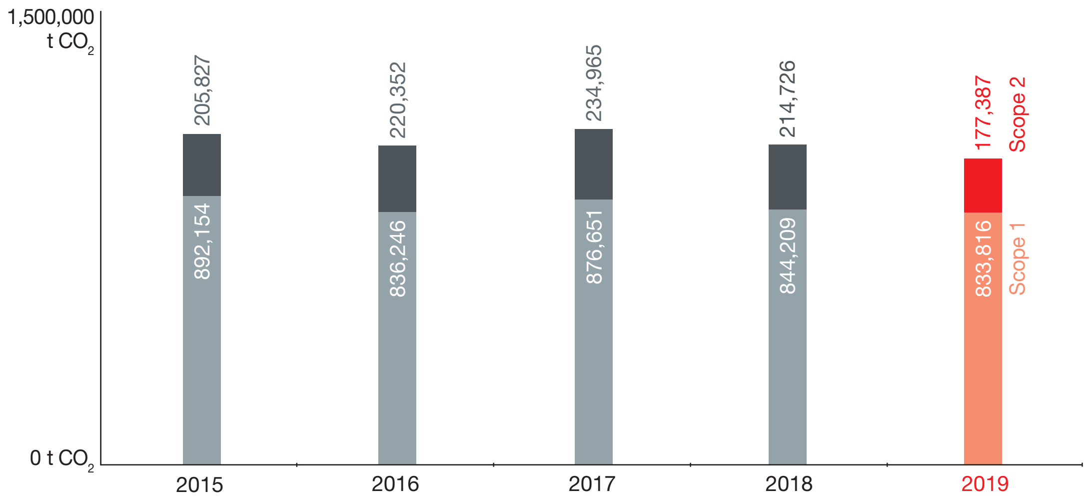
THE CARBON FOOTPRINT IN THE GROUP

The carbon footprint for the 2019 financial year refers to the group's full scope of consolidation and includes the emissions caused in 71 countries.[1] Within the group, a total of 833,816 t of CO_2 were emitted directly by the company in the year under report (Scope 1), with an additional 177,387 t of CO_2 attributable to electricity and district heating use (Scope 2). Half of the CO_2 emissions in the group result from the use of fuels, mainly diesel. This is followed by pulverised lignite and electricity with 17 % and 16 %, respectively. Germany, Poland, Austria and the Czech Republic are responsible for the greatest share of these emissions (67 %). With 75 %, these countries also accounted for the greatest share of the group's output volume in 2019.

THREE SCOPES

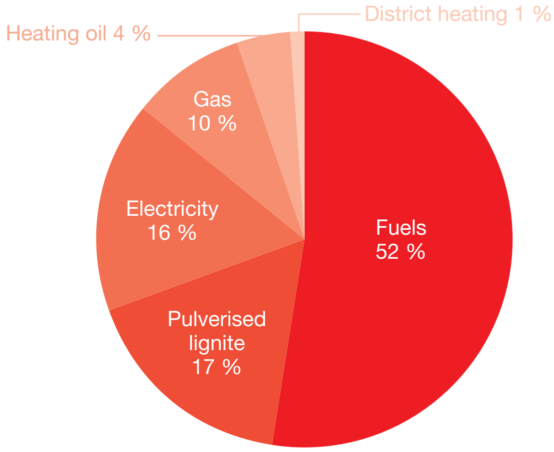


EMISSIONS OF THE STRABAG GROUP

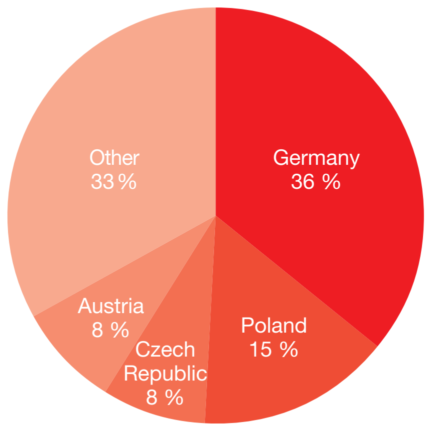


1 The emissions are reported in Scope 1 and Scope 2 in accordance with the definition of the Greenhouse Gas Protocol. Scope 1 emissions are calculated based on the standard unit of calorific value and converted into CO2 emissions using the conversion factors from the German Federal Office of Economic Affairs and Export Control (BAFA) for fuels and heating oil and, for gas and pulverised lignite, from the German Emissions Trading Authority (DEHSt) or local supplier information. Scope 2 emissions for electricity and district heating are calculated mainly using the location-based method, with market-based data partly included in the survey for Austria and Germany. The location-based emissions were converted using sources from the European Platform on Life Cycle Assessment (ELCD), the International Energy Agency (IEA) and the German Environment Agency (UBA). In the absence of country-specific data, the group average value derived from the available data, 0.53 kg CO_2/kWh, was used for electricity and 0.32 kg CO_2/kWh for district heating.

CO$_2$ EMISSIONS BY ENERGY SOURCE 2019



CO$_2$ EMISSIONS BY COUNTRY 2019



SUSTAINABLE BUILDING IN ACCORDANCE WITH ESTABLISHED CERTIFICATION SYSTEMS

Rising energy prices, the increasingly noticeable impact of climate change, and rapid urban growth present the construction industry with new challenges: buildings are no longer optimised only according to investment criteria – life cycle costs, quality and resource efficiency are also becoming more important.

Taking a building's entire life cycle into account, the proportion of **energy-related greenhouse gas emissions is highest** over the **entire operating phase**.[1] An important and growing business field for STRABAG therefore is to optimise buildings so they consume little or no energy, or even generate their own, during their period of use. We have the technical know-how and the necessary experience to design and construct sustainable buildings. In addition to consultation and execution, we also conduct audits of new and existing buildings in accordance with the established certification systems of the German Sustainable Building Council (**DGNB**), Leadership in Energy and Environmental Design (**LEED**), Austrian Sustainable Building Council (**ÖGNI**), and Building Research Establishment Environmental Assessment Methodology (**BREEAM**).

Working together with DGNB, STRABAG Real Estate (SRE) created its own sustainability standard for the simplified certification of office buildings. The list of criteria, which was reviewed and approved by DGNB, expedites the certification process for projects considerably. Similar multiple certifications were also established in Austria in coordination with ÖGNI. In 2019, SRE already initiated seven projects according to DGNB multiple certification.

1 https://www.worldgbc.org/embodied-carbon (retrieved on 13 February 2020)

STRABAG subsidiary Mischek outfits precasting plant in Gerasdorf bei Wien with photovoltaic system

Installation of the pv system on the roof of the Mischek precasting plant

The Mischek Systembau precasting plant in Gerasdorf bei Wien (Austria) produces around 2,000 m² of precast concrete elements every day. Mixing plants prepare the concrete, shuttering robots automatically place the formwork, insert prefabricated reinforcement bars into the precast elements using a mesh welding system and pour the concrete. That all requires a corresponding amount of energy. Up to 19 % of this energy is now supplied by the in-house photovoltaic system (pv system) generating renewable electricity from 644 photovoltaic modules with polycrystalline cells on an area of 1,050 m².

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel	**Mag. Christian Harder**
Klemens Haselsteiner	**Dipl.-Ing. Dr. Peter Krammer**
Dipl.-Ing. Siegfried Wanker	**Dipl.-Ing. (FH) Alfred Watzl**

INDEPENDENT ASSURANCE REPORT ON THE NON FINANCIAL REPORTING[1]

We have performed an independent limited assurance engagement on the consolidated non-financial report" ("NFI-report") for the financial year 2019 of

STRABAG SE

("the Company").

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI-Report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) as reporting criteria and and publishes the NFI-report in the Annual Report.

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for non-financial reporting (especially the selection of material topics) as well as the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems, processes and internal controls relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

Auditors' Responsibility and Scope of the Engagement

Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB), in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance. In spite of conscientious planning and execution of the engagement it cannot be ruled out that material mistakes, unlawful acts or irregularities within the non-financial reporting will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

1 Our engagement applied to the German version of the NFI-Report 2019. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

- Inquiries of personnel on corporate level, which are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;

- A risk assessment, including a media analysis, on relevant information concerning the sustainability performance of the Company in the reporting period;

- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social- and employees matters, respect for human rights and anti-corruption and bribery, including the consolidation of the data;

- Inquiries of personnel on corporate level responsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;

- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;

- Assessment of data collection and reporting processes and reliability of reported energy consumption and CO_2-emissions data via a sampling survey at the site in Stuttgart (Germany);

- Analytical evaluation of the data and trend explanations of quantitative disclosures submitted by all sites for consolidation at corporate level

- Evaluation of the consistency of the for the Company applicable requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) with disclosures and indicators of the NFI-report;

- Evaluation of the overall presentation of the disclosures in the NFI-report.

The procedures that we performed do not constitute an audit or a review in accordance with Austrian professional guidelines, International Standards on Auditing (ISA) or International Standards on Review Engagements (ISRE). Our engagement did not focus on revealing and clarifying of illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures, figures from previous periods, statements from external information sources and expert opinions and references to additional external reporting sources of the Company. Disclosures which were audited within the scope of the Annual Financial Statement were assessed for correct presentation (no substantial testing).

This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions. The respective latest version of the AAB is accessible at http://www.kpmg.at/aab.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFI-Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB), in all material respects.

Linz, 08 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Ernst Pichler
Austrian Chartered Accountant

Group Management Report, Consolidated Financial Statements and Notes

GROUP MANAGEMENT REPORT

Important events

FEBRUARY

Future reporting of STRABAG SE for first and third quarters

With the amendment of the Vienna Stock Exchange's Prime Market rules in February 2019, it is up to the listed companies to decide whether and how they report on the first and third quarters of the year. After considering the interests of all stakeholders, STRABAG has decided not to prepare IFRS financial statements in the first and third quarters of the year. These have been replaced by the publication of a trading statement that includes the output volume, order backlog and employee numbers as well as an update of the outlook and targets for the respective financial year. The trading report can be made available closer to the end of the quarter than was the case with the quarterly reports.

Large-scale contract to build a section of the D35 motorway in the Czech Republic

Through its subsidiary STRABAG a.s., acting as part of a consortium (42 %), STRABAG was awarded the contract to build a new section of the D35 motorway in the Czech Republic. The object of the contract with a total value of CZK 3.38 billion (~ € 132 million) is the construction of a new four-lane, connection with two interchanges including 25 bridge structures and seven noise abatement walls. Work on the Opatovice–Časy section with a length of 12.6 km will last 44 months from the start of construction in spring 2019.

Extension of mining contract in Chile

Züblin International GmbH Chile SpA, a subsidiary of STRABAG SE, was awarded an extension to its contract with Mina Candelaria Subterránea for the Candelaria open pit and underground mine in Copiapó in Chile's Atacama region for another four years. The contract value amounts to € 65 million. The extension to the contract involves, among other works, 22,400 m of horizontal developments, plus 1,771,000 tones of loading and transport of material.

MARCH

Bridge upgrades along A9 motorway near Allersberg

In March 2019, a consortium consisting of the group companies STRABAG AG and Ed. Züblin AG began with the upgrade of a total of eight bridges on the A9 motorway in Germany between the Nuremberg/Feucht interchange and the Hilpoltstein junction on behalf of Autobahndirektion Nordbayern, the motorway authority for northern Bavaria. All bridges will be torn down and rebuilt. The contract value of approx. € 38 million also includes renovation works on the roads beneath three of the bridges as well as the demolition and new construction of a noise protection wall near Altenfelden. The contract also involves the construction of temporary ramps and roads to the construction sites and a provisional acceleration strip at the Allersberg junction. The project is scheduled for overall completion by the end of 2020.

Mining contracts for € 500 million in Chile

Züblin International GmbH Chile SpA was awarded two new long-term mining contracts for the Nuevo Nivel Mina project, at the El Teniente mine in Rancagua. The contracts have a total value of about € 500 million and comprise the construction of tunnels with a total length of 32.5 km. Nuevo Nivel Mina is one of five key projects of copper mining company Codelco and consists of extending the mine into a deeper sector, thus increasing the useful lifespan of El Teniente mine by another 50 years. The first contract involves 6,049 m of horizontal developments and civil engineering works in a 25-month period. The second contract consists of tunnelling and civil works for a period of 39 months to complete 26,439 m of horizontal developments and 4,179 m of shafts.

Contract awarded for Boll-Sinneringen bypass in Switzerland

STRABAG AG of Switzerland was awarded the contract for the transportation infrastructures and engineering ground works for the Boll-Sinneringen rail bypass in the Bernese municipality of Vechingen. The project foresees changing the route of the railway. All of the measures will increase safety and improve the train crossings. A new station will also be built at Boll-Utzigen. The client is RBS, the regional transport association for Bern-Solothurn. The works for STRABAG AG include the new construction of the 425 m railway embankment between Worbstrasse and Bernstrasse, the main element of the project, as well as the construction of the Moosgasse underpass and of the access roads to the new station area.

Renovation of the south section of M3 metro line in Budapest

STRABAG, through its Hungarian subsidiary, won the contract to rehabilitate the southern section of the M3 metro line in Budapest. The contract value totals HUF 24.7 billion (~ € 76 million). In addition to the renewal of five stations and passenger areas, the track structure is also being modernised. The works should be completed in 2020.

STRABAG is renovating the south section of the M3 metro line in Budapest

Refinancing of € 2.4 billion in loans before maturity

STRABAG SE took advantage of the favourable financing environment to refinance two loans totalling € 2.4 billion before their original maturity. The conditions and terms to maturity of the € 2.0 billion syndicated surety loan and the € 0.4 billion syndicated cash credit line have been redefined. The new five-year terms to maturity – i.e. until 2024 – with two options to extend by one year each will further allow STRABAG SE to secure its comfortable financing position for the long term.

Financial close of “Autopista al Mar 1” project in Colombia completed

Work on the Autopista al Mar 1 in Colombia

Devimar, the concession company operating the public-private partnership project Autopista al Mar 1 in Colombia, successfully concluded the long-term financing totalling USD 713 million. The project, which was awarded by the Colombian infrastructure agency ANI to Devimar in 2015, has thus fully obtained the required funding. The financial close confirms the reputation and experience of Devimar’s sponsors consisting of SACYR (Spain, 37.5 %), STRABAG (Austria, 37.5 %) and CONCAY (Colombia, 25 %). At the time of the financial close, the Autopista al Mar 1 project was in the construction phase and about 30 % complete. The project is proceeding on more than 130 active work fronts, creating 2,200 direct and indirect jobs.

APRIL

Acquisition of property management assets of CORPUS SIREO

STRABAG Property and Facility Services GmbH (STRABAG PFS) of Germany, as part of a jointly developed partner model, in April acquired the property management business and all employees of CORPUS SIREO Real Estate GmbH. In tandem with the agreement, several long-term property management contracts were also concluded between STRABAG PFS and the Swiss Life Group. This involves more than 340 Swiss Life properties in various asset classes held in Germany. The focus is on residential and office buildings. An above-average contract period was agreed for the portfolio.

ZÜBLIN to design and build wastewater pumping station in Qatar

Züblin International Qatar L.L.C. signed a contract for the design and construction of an infrastructure project in Doha, Qatar, worth € 113 million. The company will build a wastewater pumping station by July 2021. The works include the construction of a wastewater pumping shaft with a depth of 50 m, a diameter of 36 m and a planned pumping capacity of 6,000 l/s. Also being built are an upstream screen shaft with a similar depth and a diameter of 24 m, including a state-of-the-art odour control system, as well as ancillary buildings and facilities.

MAY

Construction of Lot 6 of Limmat Valley rail line in Dietikon West

Rendering of Limmattalbahn

STRABAG AG of Switzerland was awarded the contract to build the Limmattalbahn (Limmat Valley rail line) in Dietikon West (Lot 6) with a value of about CHF 58 million (~ € 51 million, STRABAG share: 50 %). Central project elements of the works at Lot 6 include the redesign of the intersections Überlandstrasse/Badenerstrasse and Mutschellenstrasse/Industriestrasse.

EFKON expands its presence on the Norwegian market

EFKON, the STRABAG subsidiary specialising in toll collection systems, has expanded its share in the Norwegian toll collection system market with two more projects. Following the Bypakke Bergen and Oslopakke 3 contracts with more than 100 tolling stations and a maintenance contract for eight years, EFKON was entrusted with the implementation of two new projects, "Nordhordland package in Hordaland" and "Damåsen-Saggrenda". The contracts for Nordhordland and Damåsen include the construction and operation of at least five toll stations near Bergen and at least three near Oslo. Commissioning took place at the latest in the first quarter of 2020. The order includes a maintenance contract of at least seven years with the option of an annual renewal.

JUNE

Groundbreaking ceremony for educational campus Seestadt Aspern Nord in Vienna

Together with the city of Vienna, the groundbreaking ceremony for the construction of the educational campus Seestadt Aspern Nord took place on 17 May 2019. The bidding consortium of HYPO NOE Leasing and STRABAG Real Estate (SRE) was awarded the contract in an EU-wide tender for the further design, build, finance and operate phases of the educational campus Seestadt Aspern Nord and the educational campus Aron Menczer. The new educational facility includes a kindergarten with 12 groups, an all-day elementary school with

Rendering of the educational campus

17 classes and a middle school with 16 classes, for a total of 1,100 children, as well as a youth centre. The facility is to open on schedule at the beginning of the 2021/22 school year.

STRABAG PFS buys PORREAL in Poland and the Czech Republic

STRABAG PFS Austria signed an agreement to acquire 100 % of the shares of PORREAL Polska sp. z o.o. of Warsaw and PORREAL Česko s.r.o. of Prague. The target companies had previously been owned by the PORR Group, which is withdrawing from the property and facility management business in these regions. Together, the two companies generate annual revenue of approximately € 6 million. At PORREAL in Poland, 83 employees are largely responsible for the technical and infrastructural facility management for office properties in Warsaw. In addition to this new customer segment, the acquisition increased STRABAG PFS's level of vertical integration in the areas of refrigeration and fire protection. In the Czech Republic, most of the revenue is generated in Prague with twelve technical specialists.

STRABAG SE expands its Management Board to include digitalisation

Effective 1 January 2020, STRABAG SE has added digitalisation, among others, as a Management Board responsibility, correspondingly increasing the size of the board from five to six members. The new portfolio, Digitalisation, Innovation and Business Development, will be assigned to Klemens Haselsteiner. Klemens Haselsteiner started his career in 2004 at the auditing firm KPMG in Austria. After completing his civil service and gathering work experience at a Russian industrial group, he joined the STRABAG Group in Russia in 2011. There he was entrusted with central controlling, among other things. From 2015, he was employed at the German STRABAG group company Ed. Züblin AG, Stuttgart subdivision – initially as commercial business unit manager for turnkey construction, as of 2018 as commercial subdivision manager.

STRABAG commences expanded € 1 billion contract for polyhalite mine in the UK

The TBM "Stella Rose" ready for action at Wilton

STRABAG SE was issued a notice of commencement to begin two further tunnel construction contracts (Drives 2 and 3) on behalf of York Potash Ltd. for its North Yorkshire Polyhalite Project. The two drives between the shaft at Lockwood Beck and the Woodsmith Mine will have a total length of 24 km and a depth of 360 m. STRABAG had already commenced the design-and-build contract for Drive 1, a 13 km section from the tunnel portal at Wilton to Lockwood Beck in the first quarter of 2018. The total amount commenced to date is about € 1.0 billion from the contract awarded to STRABAG, which also includes the construction of the underground material transport system, the contract for which will commence later this year.

EFKON wins large Smart City project in in India

EFKON is implementing a traffic monitoring system in Aligarh, India. The contract value for this Smart City project is approx. € 13 million. The contract covers the installation, operation and maintenance of a new traffic surveillance system covering an area of 85 km² with 227 cameras and 63 pan-tilt-zoom (PTZ) cameras, red light surveillance systems with 74 cameras, and other traffic management components. Construction will take place over twelve months, followed by 60 months of operation and maintenance.

JULY

Modernisation of a railway line in the south of the Czech Republic

STRABAG Rail a.s. was awarded the contract to modernise the 11.3 km railway section between Soběslav and Doubí on behalf of the Czech national railway infrastructure authority. The contract value amounts to CZK 3.86 billion (~ € 150 million). Work began in September 2019 and will last 46 months. The contract was awarded to a consortium consisting of STRABAG Rail a.s., EUROVIA CS a.s. and Metrostav a.s. The share attributable to consortium leader STRABAG Rail a.s. amounts to 53.21 %.

First Motel One in Poland developed and completed by STRABAG Real Estate

Motel One in the centre of Warsaw, Poland

STRABAG Real Estate handed over a hotel building it developed in the centre of Warsaw to hotel operator Motel One GmbH. The 333 state-of-the-art rooms and a spacious interior including a reception and lobby, a lounge and a bar as well as conference rooms with a total usable area of about 10,580 m² were completed within a period of two years opposite the Chopin Museum in Tamka Street.

AUGUST

Modernisation of a railway line in the north of the Czech Republic

STRABAG Rail a.s. was awarded the contract by the Czech railway infrastructure authority to modernise the approximately 12 km railway section between Oldřichov u Duchcova and Bílina in the north of the Czech Republic. The contract has a total value of CZK 1.91 billion (~ € 74 million). The construction works are scheduled for completion in the spring of 2021. The contract was awarded to a consortium consisting of STRABAG Rail a.s., OHL ŽS, a.s. and MONZAS, spol. s r.o. The share attributable to consortium leader STRABAG Rail a.s. amounts to 73 %.

Project start at “In der Wiesen Ost” to build privately financed owner-occupied flats

Privately financed owner-occupied flats at In der Wiesen Ost

STRABAG Real Estate Austria is developing a high-quality residential complex located at Rößlergasse 13, 1230 Vienna, within the In der Wiesen Ost development area. The project in the highly sought-after Obere Wiese residential area will have a total of 143 privately financed owner-occupied flats with modern and ecologically sustainable living standards. The multifaceted nature of the complex is reflected in the characteristic façade design of the three buildings. “Esprit” features textiles in eye-catching colours, “Harmonie” puts the spotlight on wood panels and “Elegance” presents itself with timeless aesthetics in glass. Special highlights include a flexible event space, a modern gym and a meeting area. Completion is scheduled for autumn 2021.

SEPTEMBER

Final agreement between STRABAG consortium and Autostrada Pedemontana Lombarda

STRABAG AG, as the contractor's consortium leader, and Autostrada Pedemontana Lombarda S.p.A. announced that the basic agreement reached in April 2019 had now become legally binding. A legal dispute involving a consortium led by Austria's STRABAG AG in connection with the Pedemontana motorway project in northern Italy had led the client to invoke a guarantee in March 2018, which the consortium deemed unjustified. The present settlement agreement not only put an end to the interim proceedings concerning the invocation of the guarantee, but also to the pending legal disputes related to the construction delays and the accompanying considerable cost overruns.

STRABAG Group presents the latest trends for building the future

The latest trends for building tomorrow were the focus of the STRABAG Innovation Day 2019 at the ZÜBLIN Campus in Stuttgart, Germany. At the comprehensive interactive exhibition, teams from STRABAG AG, Ed. Züblin AG and other group companies featured innovative products and processes for the entire spectrum of construction – in transportation infrastructures, building construction and civil engineering. Visitors could experience how to systematically optimise building processes with digital tools, they were able to inform themselves about the pollutant-reducing ClAir® Asphalt, resource-saving textile concrete façades or PM-absorbing moss wall modules (MoosTex) and gained vivid insights into the use of augmented reality and robotics in the construction industry.

At the STRABAG Innovation Day 2019, visitors got to know the humanoid robot BAGSTAR (very top), gained insights into the technology of mobile mapping (top left) or found out more about the project partnering scheme teamconcept (top right).

ZÜBLIN realising new modern, three-part office complex in Berlin-Schönefeld

Ed. Züblin AG, acting as general contractor, is realising a modern three-part office building complex on Mizarstraße in Berlin-Schönefeld, Germany, on behalf of client DIE AG Sechste Projektgesellschaft mbH & Co. KG. The order, which has a value of approx. € 46 million, covers the turnkey construction of three four-storey office buildings with a total gross floor area of approx. 24,700 m² on U-shaped and L-shaped floor plans. The design by Blumers Architekten of Berlin provides for three light-flooded block buildings surrounding a green inner courtyard. An underground car park with 89 spaces and a further 119 outdoor parking spaces complete the new building project. Construction began in September, with completion scheduled approx. 22 months later in July 2021.

OCTOBER

STRABAG building Hatta pumped storage power plant in Dubai

STRABAG will design, build and commission the Hatta pumped storage power plant in the emirate of Dubai on behalf of the Dubai Electricity and Water Authority. The total contract value for the consortium, consisting also of Austrian company ANDRITZ as the technology supplier and Turkish construction company ÖZKAR İNŞAAT, amounts to approximately € 340 million. STRABAG is the consortium leader with a share of 35 % or € 118 million. The pumped storage power plant is located in the Hajar Mountains, 140 km southeast of the city of Dubai. STRABAG will build a turbine shaft with a diameter of approximately 36 m and a depth of almost 70 m to house two Francis turbines with a power output of 250 MW. A 1.2 km long pressure tunnel to be excavated by the construction consortium will connect the existing lower reservoir, upgraded by STRABAG, to the new upper reservoir. The upper reservoir will be constructed with two roller-compacted concrete dams with a height of approximately 35 m and 70 m. In addition, STRABAG has been entrusted with the construction of two road tunnels with a length of approximately 470 m and 440 m using blast excavation. The scope of the contract also includes the reinforced concrete outflow and intake structures, several ancillary buildings as well as their extension and mechanical and electrical systems.

ZÜBLIN and MAX BÖGL awarded € 500 million contract for airport connection of new Stuttgart–Ulm railway line

The consortium consisting of ZÜBLIN (technical management) and the Max Bögl Group has been awarded the contract for the project approval section 1.3a of the new Stuttgart–Ulm railway line in Germany. The order, worth a total of approximately € 500 million, covers a 5.3 km section of the new railway line alongside the A8 motorway between the boundaries of project approval sections 1.2 (Filder Tunnel) and 1.4 (Filder Plain to Wendlingen) and also includes the new long-distance and regional station beneath the Stuttgart airport and trade fair centre, its connection to the new railway line through the approximately 2.1 km airport tunnel, and the partial relocation of state road 1204. This new project section also comprises a new connection between the new railway line and the airport curve, to be built at a later date to link the existing airport/trade fair station, including a new third track, to the Stuttgart–Hattingen railway line (Gäu Railway).

Witten/Herdecke University opts for timber in new campus building

The groundbreaking ceremony for the three-storey hybrid timber building, built to a design by the Berlin-based architects Kaden+Lager as a link between the existing buildings of the Witten/Herdecke University campus in Germany, is scheduled for May 2020. The approx. € 22 million turnkey construction contract including planning and outdoor facilities went to the Aichach-based timber construction specialist ZÜBLIN Timber, a subsidiary of Ed. Züblin AG. In addition to office, administrative and seminar

© Atelier Noise

New campus building at Witten/Herdecke University: open space for work and communication rooms, the extension building will also house the library, event rooms and a café/bar. Witten/Herdecke University wants to create more space for its 2,600 students and over 900 employees to support them in their personal, academic and professional development. The completion of the extension building is scheduled for the summer of 2021.

NOVEMBER

STRABAG building second section of new pumping station for Toronto wastewater treatment plant

The Canadian subsidiary of the STRABAG Group was awarded a contract by the City of Toronto to build the second section of the new integrated pumping station at the Ashbridges Bay Wastewater Treatment Plant. The contract with a value of around CAD 120 million (approx. € 80 million) covers the construction of shafts and feeder tunnels. The integrated pumping station allows the underground transport of wastewater to the Ashbridges Bay Wastewater Treatment Plant. The main part of the project involves two large-scale shafts: one 68 m deep with a diameter of 27 m and another 27 m deep with a diameter of 32 m. Including five smaller shafts, this results in a total of 153 m of shafts to be built. The shafts will be linked to feeder tunnels with a total length of 445 m, with a rock tunnel section as well as a parallel pressure pipe in an open cut close to the surface.

The pumping station will be built on this site of the Ashbridges Bay Wastewater Treatment Plant.

DECEMBER

STRABAG investing € 9 million in Austria's most modern apprenticeship training centre

The new training centre will meet the training needs of 250 apprentices per year.

STRABAG is planning a new corporate apprentice training workshop in Ybbs on the Danube to meet the training needs of approximately 250 apprentices a year. The company is investing € 9 million in the most modern apprenticeship training centre in Austria. The 31,000 m² facility will include a training shop with classrooms, open space for construction equipment operator training and accommodations for 40 apprentices including recreational areas. Ybbs on the Danube was chosen as the location as it lies along the important Westbahn rail corridor and because, due to the presence of other companies' training facilities, an extensive infrastructure for apprentices already exists in the area.

Country report

DIVERSIFYING THE COUNTRY RISK

Despite its strong presence in the home markets of Austria and Germany, STRABAG sees itself as a European company. The group has been active in Central and Eastern Europe for decades. On the one hand, it is a tradition for the company to follow its clients into new markets; on the other hand, the existing country network with local management and established organisational structures makes it easier to export and to use the technology and the equipment in new regions. To diversify the country risk even further, and to profit from the market opportunities in other parts of the world, STRABAG is also active internationally, i.e. in countries outside of Europe.

The STRABAG SE Group generated a record output for the third year in a row in the 2019 financial year. With a plus of 2 % to € 16.6 billion, the company exceeded its own forecast. Business was characterised in particular by growth in the home market of Austria and in transportation infrastructures in Poland, Hungary and the Czech Republic, which more than compensated for the decline caused by the loss of a key German client in property and facility services. Performance in the remaining markets was mixed.

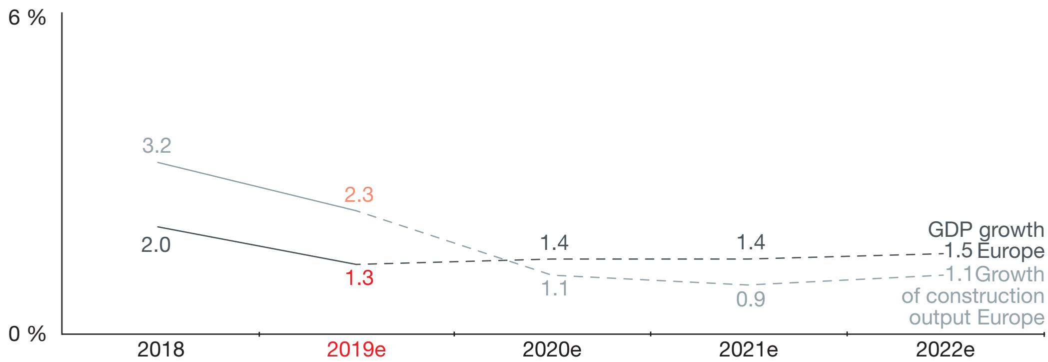
OUTPUT VOLUME BY COUNTRY

€ mln.	**2019**	**% of total output volume 2019[1]**	**2018**	**% of total output volume 2018**	**Δ %**	**Δ absolute**
Germany	7,819	47	7,877	48	-1	-58
Austria	2,679	16	2,542	16	5	137
Poland	1,129	7	975	6	16	154
Hungary	848	5	714	4	19	134
Czech Republic	783	5	706	4	11	77
Americas	714	4	667	4	7	47
Slovakia	369	2	515	3	-28	-146
Rest of Europe	343	2	349	3	-2	-6
Benelux	318	2	351	2	-9	-33
Switzerland	232	1	273	2	-15	-41
Romania	225	1	197	1	14	28
Sweden	205	1	178	1	15	27
Asia	179	1	162	1	10	17
Croatia	152	1	163	1	-7	-11
Middle East	148	1	206	1	-28	-58
Serbia	148	1	111	1	33	37
Denmark	99	1	92	1	8	7
Russia	71	1	78	1	-9	-7
Africa	66	0	57	0	16	9
Slovenia	49	0	68	0	-28	-19
Bulgaria	42	0	42	0	0	0
Total	**16,618**	**100**	**16,323**	**100**	**2**	**295**

1 Rounding differences are possible

ECONOMY CONTINUES TO MOVE SIDEWAYS[1]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Global politics has once again become a key factor significantly impacting the development of the global economy. The trade conflict between the US and China as well as the discussions and uncertainties surrounding Brexit adversely affected the confidence of companies and households, resulting in weaker investment growth, exports and private consumption. GDP growth therefore remained relatively low in many economies in 2019. In the more highly developed countries, the slowdown occurred on a broad front. In the emerging and developing countries, the decline in economic activity was even more pronounced.

The World Bank revised its growth forecast for the global economy in 2019 down by 0.2 percentage points to 2.4 % and expects growth of 2.5 % and 2.6 % in 2020 and 2021. According to its latest report, the United States is primarily harming itself with its trade conflicts. The reason for the lowest growth since the financial crisis more than a decade ago is the unexpectedly weak recovery in trade and investment. At the same time, the World Bank warns of a new wave of debt in emerging and developing countries.

The economic momentum also slowed significantly in the 19 Euroconstruct countries in 2019. The turmoil in world trade is reducing industrial production and the propensity to invest in Europe. Euroconstruct's most recent macroeconomic forecasts do not anticipate a global crisis, but only forecast annual GDP growth of between 1 % and 2 % for the years up to 2022.

BCONSTRUCTION SECTOR EXPECTS STIMULUS FROM NEW EUROPEAN ENVIRONMENTAL POLICY

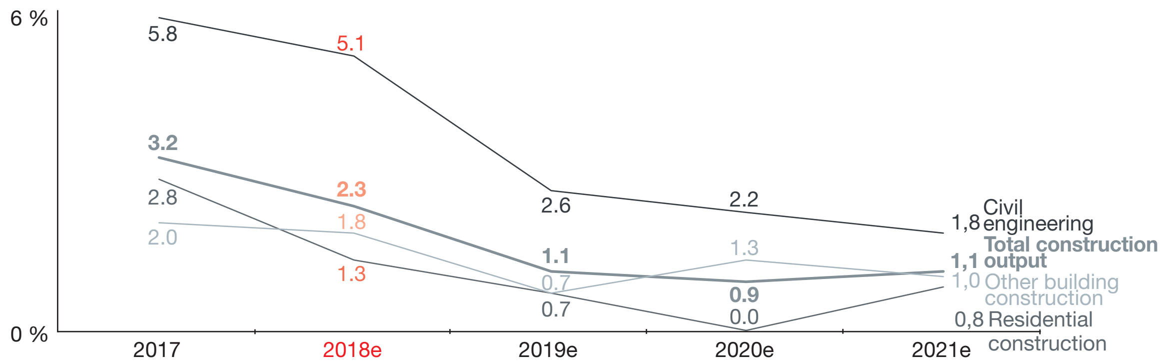
With solid 2.3 % growth, the construction economy in the 19 Euroconstruct countries expanded for the sixth year in a row in 2019 and thus again grew more strongly than the economy as a whole – albeit at a somewhat slower pace. The construction sector is benefiting from economic factors such as the currently solid purchasing power of households, favourable financing conditions and higher corporate profits. Additional stimulus is expected from the European Commission's Green Deal and the associated stronger environmental policies of the national governments. Nevertheless, the experts at Euroconstruct remain cautious and in their current forecasts for 2020–2022 only expect growth rates between 0.9 % and 1.1 %.

Construction output in the 19 Euroconstruct countries was around € 1,637 billion in 2019. Yet even after five years of continuous growth, this is still far below the peak before the financial crisis of 2008. This is mainly due to the developments in Spain and Italy, although two-thirds of the Western European countries expected a higher total construction volume in 2019 than in 2007. The national differences, therefore, remain large.

1 All growth forecasts as well as the particular national construction volumes are taken from the Euroconstruct and EECFA (Eastern European Construction Forecasting Association) winter 2019 reports. The indicated market share data are based on the data from the year 2018.

CIVIL ENGINEERING CONTINUES TO OUTPERFORM RESIDENTIAL CONSTRUCTION AND OTHER BUILDING CONSTRUCTION

GROWTH COMPARISON CONSTRUCTION SECTOR EUROPE



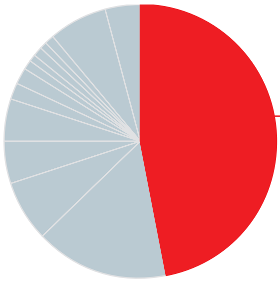
Viewed by sector, European civil engineering saw the strongest growth in the past year with an increase of 5.1 %, followed by other building construction with +1.8 % and residential construction with +1.3 %.

Residential construction, which accounts for nearly half of all European construction output, grew by 1.3 % in 2019. In absolute numbers, France and Germany were again at the top, followed by the United Kingdom and Italy. The largest growth rates were recorded in Slovakia, Hungary, Ireland, Portugal and Poland. In 2020, however, growth in the sector is likely to slow further to a total of 0.7 %. Above-average growth rates are predicted especially for Ireland, which has been among the top performers here for years, as well as the Czech Republic and Portugal. The development in Germany is likely to stagnate in 2020.

Other building construction, which was responsible for almost a third of the European construction volume in 2019, grew by 1.8 % in the 19 Euroconstruct countries. Viewed by country, Ireland, Hungary, the Netherlands, Poland, Norway and Sweden saw the highest increases. Euroconstruct forecasts moderate declines in Germany in this sector in the coming years.

Civil engineering, which accounts for around 20 % of the European construction volume, showed a highly inconsistent picture in 2019, although overall, with a plus of 5.1 %, it was significantly above the forecasts. The strongest increases were recorded in Hungary, Ireland, Poland, France, the United Kingdom, Norway and Sweden, while Germany was only slightly positive with +0.7 %. Euroconstruct sees a more uniform picture for the future and expects growth of 2.6 % for 2020. This development should be supported above all by the high dynamics in the Eastern European countries with the exception of the Czech Republic. For Germany, the largest market in terms of volume, Euroconstruct expects a slight decline from 2020 to 2022.

GERMANY



Overall construction volume:	€ 352.8 billion
GDP growth:	2019e: 0.6 % / 2020e: 0.9 %
Construction growth:	2019e: 0.8 % / 2020e: -0.6 %

The German economy was in a slight downturn in 2019. While GDP growth still stood at 1.5 % in 2018, the forecasts for 2019 only see an increase of 0.6 %. The main reasons for this development are a decline in foreign trade due to international trade conflicts as well as the uncertainties regarding the impact of Brexit. Overall, the mood in Germany's export-oriented industry has been slightly subdued since the beginning of 2018. Especially the automotive industry, which is very important for the country, is facing major challenges. The medium-term moderate growth of around 1 % p.a. therefore results primarily from the relatively stable private domestic consumption.

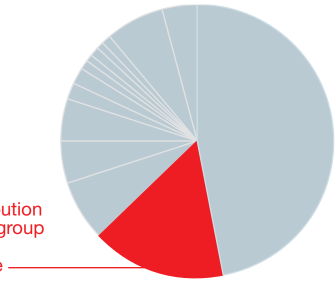
According to Euroconstruct, the German construction industry is likely to have seen its last growth year for the time being in 2019 with a plus of 0.8 %. The impact from the massive public-sector investment in residential construction has now flattened out, and the extent of public investment in the modernisation of the rail network cannot yet be clearly estimated. The sector is being stimulated by low lending rates and rising real wages, while the impact of the tax relief for energy-saving measures from the government's climate package is not yet clearly evident. In the coming years, residential construction, which still represents more than half of the total German construction volume, is likely to be characterised by a slightly downward trend. For the entire construction sector, Euroconstruct already expects a slight decline of 0.6 % in 2020, while slight downward growth of -0.8 % and -0.7 % is also expected for the following two years.

Thanks to the general economic development in 2019, other building construction remained in positive territory with a slight increase of 0.1 %. In the medium term, however, rising energy prices, the growing importance of foreign production sites and the triumphant advance of online retail, which is dampening the demand for new commercial buildings, are also suggesting slightly declining results in this sector.

Civil engineering recently benefited from government investment programmes for rail and road infrastructure. The ongoing budget recovery at the local level also had a positive impact on the construction and expansion of roads and water networks. While the sector still achieved growth of 0.7 % in 2019, it should face a moderate correction phase in the coming years.

With a market share of 2.3 %, the STRABAG Group is the market leader in Germany. Its 15.6 % share of the German road construction sector is significantly higher than that of the market as a whole. With € 7,818.59 million, around 47 % of STRABAG's total group output volume was generated in Germany in 2019 (2018: 48 %). Most of the output is allocated to the North + West segment, while the property and facility services provided in Germany are allocated to International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 43.7 billion
GDP growth:	2019e: 1.7 % / 2020e: 1.4 %
Construction growth:	2019e: 2.6 % / 2020e: 1.3 %

The Austrian economy grew by 1.7 % in 2019, once again above the average of the neighbouring countries. Nevertheless, the growth rate for Austria is also expected to decline further. The Austrian economy is primarily driven by exports and strong domestic consumption. In contrast to Germany, the experts at Euroconstruct estimate the risk of a recession for Austria as rather low. Despite forecasts of a further economic slowdown to a value of +1.4 % for 2020, growth should remain at least at this level in the years that follow.

Euroconstruct reports significantly higher growth rates for the Austrian construction industry in 2019. Residential construction has been the main growth driver in recent years, supported by low financing costs. Overall, construction output grew by 2.6 % in 2019. However, the upward curve is expected to flatten to +1.3 % in 2020 and consolidate in 2021 and 2022 with growth of 1.4 % in each of those years.

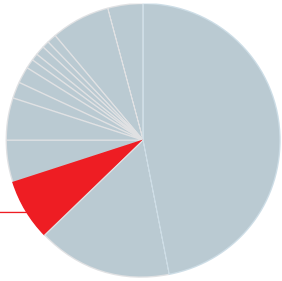
In Euroconstruct's assessment, Austrian residential construction recorded a remarkable increase in output of +3.5 % in 2019. Fundamental indicators and a decline in building permits suggest that the sector may lose some momentum in the coming years, however. Similar to the construction industry as a whole, a slowdown to +1.0 % is expected for 2020 before the growth rates level off at 1.2 % and 1.1 % in 2021 and 2022.

Other building construction was also able to benefit from the general economic development in 2019 with an increase of 1.9 %. Due to increased foreign and domestic demand, industry and retail were again more dynamic, though they probably passed their respective highs already in 2018. Given the growing need for care facilities, positive stimulus can currently only be expected from the healthcare sector. As neither the economic development nor the public sector is expected to provide additional growth impulses, the experts forecast that other building construction will grow by 1.1 % in 2020. In 2021 and 2022, growth should pick up again slightly to 1.4 % and 1.8 %.

Even civil engineering in Austria achieved growth of 2.0 % in 2019, primarily due to investments in transportation infrastructure. The further expansion of the road and especially the rail network will continue to have a fixed place in the Austrian budget in the coming years. Investments in the energy sector are expected to provide additional stimulus. Euroconstruct therefore expects an increase of 2.4 % for 2020, with growth of 1.9 % and 1.3 % forecast for 2021 and 2022, respectively.

The STRABAG Group generated 16 % of the total group output volume in its home market of Austria in 2019 (2018: 16 %). Austria thus continues to be one of its top three markets along with Germany and Poland. The output reached a volume of € 2,678.66 million in 2019. With a share of 6.0 %, STRABAG is the market leader in the country. In road construction, the market share stands at 38 %.

POLAND



Overall construction volume:	€ 59.8 billion
GDP growth:	2019e: 4.5 % / 2020e: 4.0 %
Construction growth:	2019e: 8.0 % / 2020e: 4.2 %

Following the positive development of the past few years, the Polish economy again posted a stable plus of 4.5 % in 2019. Similarly solid though somewhat lower growth is also forecast for the coming years. Rising consumption, which in turn is being fuelled by the positive situation on the job market, should also shape the coming years. The massive investments of the public sector in important infrastructure projects, co-financed by EU funding programmes, are also contributing to the positive development. In 2019, corporate investments for the first time contributed the largest share to the increase in total gross fixed capital formation.

After strong fluctuations in the past few years, the Polish construction industry once again had a very successful year in 2019 with growth of 8.0 %. The main drivers for the high growth rates in recent years were the numerous investment projects carried out under the EU's 2014–2020 Infrastructure and Environment Programme. As the majority of these subsidies have now been absorbed, Euroconstruct is predicting only 4.2 % growth for the sector in 2020. The continuing shortage of labour could prove to be an additional bottleneck. For 2021 and 2022, Euroconstruct is therefore forecasting growth rates of only 0.7 % and 1.8 %, respectively, for the Polish construction industry.

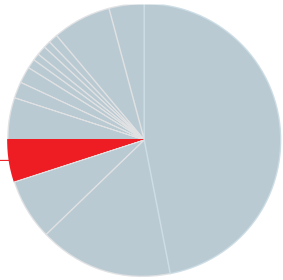
The residential construction sector exhibited growth of 6.6 % in 2019. The still high demand for residential real estate can be attributed, among other factors, to the positive development of private income compared to real estate prices. For 2020, Euroconstruct predicts moderate growth of +2.9 % before the construction volume is expected to decline by 2.5 % in 2021, although it should increase again by 3.4 % in 2022.

Other building construction also achieved a solid plus of 5.4 % in 2019. In addition to large orders from local governments and the public sector ahead of the Polish parliamentary elections, investments by foreign companies in new production facilities also provided some momentum. As part of the modernisation of the rail network, the renovation of 200 railway stations is also planned in the coming years. Euroconstruct forecasts that the sector will grow by 4.0 % in 2020, while the values should fluctuate between +5.3 % and +2.9 % in 2021 and 2022.

By far the strongest growth in 2019 came in civil engineering with a plus of 12.8 %. In addition to the positive development of the Polish economy as a whole, this is due above all to the EU funding programmes. The greatest increases were registered in rail construction. The Polish government attaches high priority to the construction of the Via Carpata, a trans-European road link between Lithuania and Greece, which runs for 760 km through Poland. Against this background, Euroconstruct forecasts that civil engineering will grow by a further 5.6 % in 2020. With the end of the EU's financial framework for 2014–2020, however, the momentum will decrease in 2021 with -2.4 % and in 2022 with -0.9 %.

As the number two in the construction sector in Poland, STRABAG realised a construction volume of € 1,129.22 million here in 2019, representing 7 % of the group's total output volume (2018: 6 %). Poland thus represents the third-largest market of the STRABAG Group. Its market share in the entire Polish construction market was 1.8 % and its share of road construction was 8.8 %.

HUNGARY



Overall construction volume: € 15.6 billion
GDP growth: 2019e: 4.5 % / 2020e: 3.3 %
Construction growth: 2019e: 13.3 % / 2020e: 5.4 %

The growth momentum of the Hungarian economy weakened somewhat in the reporting period, although in a European comparison it remained at a relatively high level of +4.5 %. The high level of economic growth is primarily due to the high level of EU funding for the 2014–2020 period and the resulting public sector contracts, particularly in the construction sector. In total, gross fixed capital formation in Hungary increased by a strong 15.9 % in 2019, as rising foreign demand ensured a high trade surplus. At the same time, rising household incomes and statutory wage increases, with a simultaneously falling unemployment rate, boosted domestic consumption. Against this background, Euroconstruct forecasts another solid GDP increase of 3.3 % for 2020.

The Hungarian construction economy recorded another strong upswing of 13.3 % in 2019. The positive development was largely supported by the above-average dynamic in residential construction and civil engineering. For 2020, Euroconstruct predicts a further 5.4 % increase in the industry before growth slows to 3.0 % in 2021 when the current EU financial framework expires. After five years in a row with positive growth rates, the forecast for 2022 sees a decrease of the construction volume of -5.1 %.

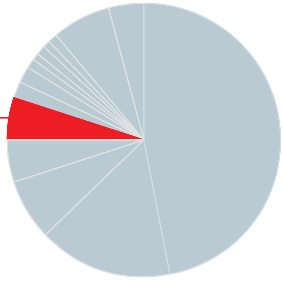
Residential construction once again saw strong growth in 2019, at +9.1 %, although the momentum was significantly lower than in previous years. The market for new buildings had been booming here due to persistently low interest rates and a generous fiscal policy with subsidies and special loans aimed at raising the standard of living especially of young families. Now, however, Euroconstruct is forecasting that the sector will stagnate or undergo an adjustment in the coming years. While weak growth of 0.6 % should still be possible in 2020, a correction phase with declines of 1.7 % and 3.5 %, respectively, is likely in 2021 and 2022.

Stimulated by massive public investments and extensive EU subsidies, other building construction also achieved a remarkable plus of 10.7 % in 2019. Intense construction activity can be seen above all in industry, office real estate, tourism, healthcare and the sports sector. Foreign companies are investing heavily in new industrial facilities, and between 200,000 and 250,000 m² of new office space are currently being built in the big cities alone. At the same time, the government is funding extensive town and village renewal programmes as well as the renovation of historic buildings in the cultural sector. For 2020 and 2021, Euroconstruct still forecasts annual growth rates of 6.4 % and 5.6 % for other building construction. Due to the end of the EU financial framework for 2014–2020, however, a decrease of 7.6 % is expected for 2022.

Civil engineering proved to be the most successful segment with an increase of 19.7 % in 2019. One of the primary goals of the Hungarian catching-up process is the creation of modern infrastructure. Euroconstruct expects the growth trend in civil engineering to continue in 2020 with +7.7 % and a growth rate of 3.2 % in 2021. A decline of 3.3 % is expected for 2022 for the first time in six years.

The STRABAG Group generated € 847.82 million, or 5 % of its output, in Hungary in 2019 (2018: 4 %). This puts STRABAG in first place in the Hungarian construction market. Its share of the total market reached 5.2 %, that in road construction 21.8 %.

CZECH REPUBLIC



Overall construction volume:	€ 22.5 billion.
GDP growth:	2019e: 2.6 % / 2020e: 2.4 %
Construction growth:	2019e: 3.3 % / 2020e: 1.6 %

The Czech economy grew by 2.6 % in 2019, a rate that was again significantly above the average of the European countries. The positive economic development is being driven mainly by private consumption and the extremely positive employment situation. In addition, a national investment plan presented by the government foresees massive investments in more than 17,000 projects for the years 2019 to 2030, although the total estimated investment volume is not considered to be realisable. Due to the further increase in the already strong private consumption, Euroconstruct continues to expect moderate GDP growth rates of around 2.3 % p.a. for the next three years.

After several years of volatile development, the Czech construction industry showed solid growth of 3.3 % in 2019. This made the construction sector the last sector to recover after the 2008 financial crisis. In addition to structural problems, the delayed consolidation was mainly due to a massive shortage of skilled workers, which is currently driving wage costs up by around 10 % annually. Moreover, the Czech Republic is one of the 40 slowest countries in the world in terms of the processing time for building permits. For 2020, Euroconstruct therefore again forecasts a lower growth rate of 1.6 % for the Czech construction industry. As funds begin to flow in 2021 from the new EU financial framework for 2021–2027, the experts predict the country will see somewhat higher growth rates of 1.8 % and 2.4 % in 2021 and 2022.

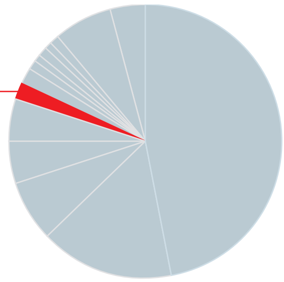
The high demand for new apartments and single-family houses, spurred by low mortgage rates, led to remarkable growth of 3.6 % in residential construction in 2019. In recent years, real estate developers had already reached their limit in finding suitable building sites and receiving building permits; in the meantime, however, amendments to Czech building law have clearly helped to relieve this situation. Against this background, Euroconstruct continues to predict strong growth of 5.3 % for 2020. In 2021 and 2022, theses figures should decrease to still very solid +4.3 % and +3.6 %, respectively.

Other building construction grew by 2.2 % in 2019 after the sector had already recovered from a multi-year recession in the two years before. Investments in industrial and logistics centres, as well as the construction of shopping centres and large office buildings, should bring this sector a significant plus of 3.8 % in 2020, a decline of 0.2 % in 2021, and stagnation the following year. Nevertheless, the Czech Republic remains very attractive to foreign investors.

Czech civil engineering likely reached a peak in 2019 with a strong plus of 4.3 %. In addition to projects already started in rail and road construction as well as in metro lines and waterways, other investments in the pipeline include work on the power grid, upgrades for existing nuclear power plants and the expansion of two airports. Due to the general economic slowdown and the end of the EU financial framework for 2014–2020, however, Euroconstruct predicts the sector to contract significantly in 2020 with -6.3 % before the trend clearly points upwards again in 2021 and 2022 with +0.6 % and +3.7 %.

STRABAG is the number two on the market in the Czech Republic. With an output volume of € 782.78 million in 2019, around 5 % of the group's total output (2018: 4 %) was generated in the country. The market share in the entire construction market is 3.2 % and in road construction even amounts to 17.2 %.

SLOVAKIA



Overall construction volume: € 5.5 billion
GDP growth: 2019e: 2.4 % / 2020e: 2.3 %
Construction growth: 2019e: 0.2 % / 2020e: 1.0 %

In parallel to the slowdown in economic momentum across the entire eurozone, GDP growth in Slovakia also slowed to 2.4 % in 2019. The development was still driven by the high level of consumer spending by private households and the high net exports. Despite an expected decline in public investment, Euroconstruct forecasts that the Slovak economy will continue to grow steadily between 2.3 % and 2.8 % over the next three years. This assessment is based, among other factors, on the good order situation of the automobile manufacturers based in the country.

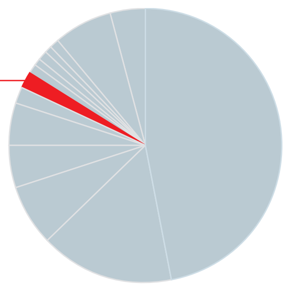
The Slovak construction industry grew by 0.2 % in 2019, significantly more weakly than in the two previous years. According to Euroconstruct, the fundamental direction is unlikely to change in the next two years and will even result in a minus of 0.4 % in 2022. Residential construction, which increased by a remarkable 11.7 % in 2019, again benefited from the low interest rates on loans and the increased demand for real estate for personal use and for investment purposes. This effect is probably only temporary, however. For the next three years, Euroconstruct predicts the sector's growth momentum to fall below zero.

Despite positive general economic figures, other building construction in Slovakia grew by only 0.1 % in 2019, even though large investments by car manufacturers for the expansion of their production capacities still had a positive impact and the retail sector demanded modern logistics centres and warehouses. According to Euroconstruct, the implementation of several large investment projects in Bratislava should again result in somewhat better capacity utilisation in 2020 (+1.0 %) and 2021 (+1.8 %) before the curve turns into the negative with -2.7 % in 2022.

After a remarkable growth rate of 18.6 % in the previous year, civil engineering suffered a painful decline of -7.8 % in the reporting period, albeit at a high absolute level. This development was due in part to the expiry of funding from the EU financial framework for 2014–2020. Large-scale projects in particular are likely to lead to positive growth rates of 4.3 %, 4.6 % and 3.3 % in the next three years, however.

With a market share of 9.3 % and an output volume of € 369.04 million in 2019, STRABAG is the market leader in Slovakia. In road construction, STRABAG's share is 17.4 %. In 2019, Slovakia contributed 2 % to the group's total output volume (2018: 3 %).

BENELUX (BELGIUM AND NETHERLANDS)



BELGIUM
Overall construction volume: € 47.7 billion
GDP growth: 2019e: 1.1 % / 2020e: 1.1 %
Construction growth: 2019e: 2.8 % / 2020e: 3.8 %

NETHERLANDS
Overall construction volume: € 83.4 billion
GDP growth: 2019e: 1.8 % / 2020e: 1.5 %
Construction growth: 2019e: 3.6 % / 2020e: 0.5 %

The economy in Belgium and the Netherlands developed moderately dynamically in 2019. Low yet steady GDP growth of 1.1 % in Belgium and somewhat higher growth of 1.8 % in the Netherlands can be attributed to rising corporate investments, slightly higher household incomes and somewhat lower unemployment.

The **Belgian construction industry** achieved a plus of 2.8 % in the reporting period; in particular civil engineering grew strongly by +6.5 %.

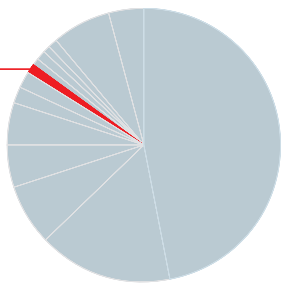
Large national infrastructure projects, such as the expansion of the regional express rail network, contributed to this positive development. As these generate around 40 % of growth in the entire Belgian construction sector, Euroconstruct forecasts a somewhat stronger increase of 3.8 % and 3.4 % for 2020 and 2021, respectively. In addition, the government that was newly elected in May 2019 gave a clear indication of upcoming investments. The growth is expected to slow back to 1.2 % in 2022, however. Other building construction, which has been somewhat weak in recent years, also benefited from public sector investments in national programmes. Residential construction, which had benefited primarily from temporary tax breaks and a significant expansion of building permits in recent years, grew rather moderately in 2019 at +1.6 %. Due to the start of energy efficiency promotion programmes, however, Euroconstruct predicts growth of between 3.4 % and 3.9 % for the next two years before levelling off again at +1.1 % in 2022.

The **Dutch construction industry**, with an increase of 3.6 %, seems to have passed the zenith of a multi-year growth phase in 2019. According to Euroconstruct, growth could shrink to 0.5 % and 1.3 % in 2020 and 2021, respectively. A new, very restrictive law by the Dutch government that will limit nitrogen emissions in environmentally sensitive regions of the densely populated country will have a major impact on future development. As an estimated 18,000 projects are affected by the new regulation, this is having a strong impact on the overall construction activity in the country and is delaying many building permits. By 2022, however, this change should largely be coped with, and Euroconstruct again forecasts solid growth of 2.7 % in the industry.

Despite increasing demand for new projects, residential construction, which had previously been the pillar of positive development, saw an increase of only 2.1 % in 2019. Due to high construction costs and a general capacity bottleneck, Euroconstruct predicts a decline of 0.2 % in residential construction for 2020 before the curve goes back up again to +0.7 % in 2021 and +2.7 % in 2022. Other building construction again posted a strong increase of 5.9 % in 2019. The main contributors to this development were new buildings for the retail, healthcare and education sectors, as well as new office properties, industrial buildings and warehouses. But other building construction will also feel the effects of the new nitrogen emissions law. For this reason, and due to a general decline in exports, Euroconstruct predicts that this sector will only grow by 1.5 % in 2020 before the growth levels off at 2.8 % in 2021 and 2.5 % in 2022. Civil engineering increased by 3.4 % in the reporting period and was therefore significantly weaker than originally forecast. The nitrogen emissions law has particularly significant effects on infrastructure projects – and here again explicitly in road construction, which accounts for more than half of the civil engineering volume in the Netherlands. Euroconstruct therefore already anticipates a sideways movement of the sector with +0.6 % each for 2020 and 2021 before a recovery of +2.7 % is expected for 2022.

STRABAG achieved an output volume of € 317.74 million in the Benelux countries in 2019. This corresponds to a 2 % share of the group output volume (2018: 2 %).

SWITZERLAND



Overall construction volume: € 61.3 billion
GDP growth: 2019e: 0.9 % / 2020e: 1.9 %
Construction growth: 2019e: 0.7 % / 2020e: -0.4 %

The growth forecasts for the Swiss economy were almost entirely revised downward due to the development of the most important trading partners. Overall GDP growth in 2019 probably only amounted to 0.9 %. Primarily supported by strong wage growth and a healthy labour market, private consumption grew by 1.1 %. In view of the budget surpluses, the experts also see room for public sector investments. However, the declining capacity utilisation in the industrial sector prompted the national bank to conduct a revaluation of the Swiss franc and enact an expansive monetary policy in the reporting period. For 2020 and 2021, Euroconstruct is therefore forecasting slightly higher growth rates of 1.9 % and 1.5 % for the country, with a solid increase of 2.5 % expected again in 2022.

The growth of the Swiss construction industry clearly lost momentum in 2019 with an increase of 0.7 %. While residential construction had been the sector with the most sustained growth in recent years, the momentum is now coming mainly from civil engineering. Euroconstruct is forecasting a slight decline of 0.4 % for the Swiss construction industry overall in 2020, before the trend points up slightly again at +0.2 % in both 2021 and 2022.

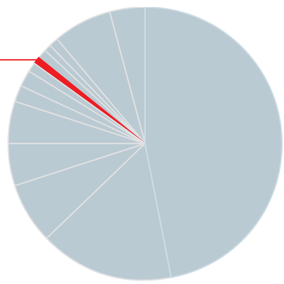
In view of extensive market saturation, Swiss residential construction declined significantly in 2019 with a minus of 2.1 %. While the momentum is clearly weakening in the periphery, the demand for residential buildings in cities like Zurich and Geneva continues to increase. Further rising property prices and high vacancy rates are causing Euroconstruct to predict declines between 2.2 % and 2.5 % for this sector as a whole over the next three years.

In contrast, Swiss companies currently have a little more room for investments in corporate real estate. In 2019, extensive construction projects by the major pharmaceutical and biotechnology companies primarily contributed to the moderate growth in other building construction of 1.8 %. Not least due to planned investments in the healthcare and education sectors, Euroconstruct predicts that other building construction will move sideways by 0.1 % in 2020, although stronger growth rates of 2.3 % and 2.9 % are expected for the two years thereafter.

While residential construction weakened in the past year, civil engineering, as mentioned above, grew by 5.1 %. Here, too, however, the momentum seems to be slowing down: growth is likely to be significantly lower at 2.9 % and 2.6 % in 2020 and 2021, respectively, and to decline to 1.1 % in 2022. The growth in this sector is essentially based on investments by the two infrastructure funds implemented by the Swiss government.

In 2019, Switzerland contributed € 231.95 million, or 1 % (2018: 2 %), to the total output volume of the STRABAG Group.

ROMANIA



Overall construction volume:	€ 19.1 billion
GDP growth:	2019e: 4.1 % / 2020e: 3.6 %
Construction growth:	2019e: 6.4 % / 2020e: 3.7 %

The Romanian economy once again showed a solid upward trend with an increase of 4.1 % in 2019. The momentum primarily resulted from the further increase in private consumption, which in turn was supported by wage growth and pension increases. Increases in industrial production and retail sales also had a positive effect. The impact of these factors should continue over the next two years, leading to growth rates of 3.6 % and 3.3 % in 2020 and 2021, respectively.

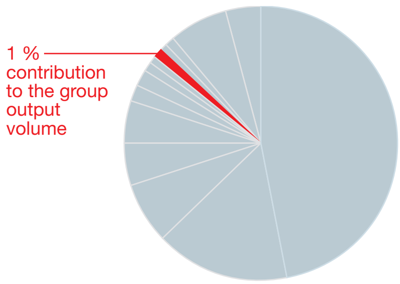
The Romanian construction industry reported positive growth of 6.4 % in 2019, and growth rates of 3.7 % and 2.8 % are also expected for 2020 and 2021. Supported by rising wages and low interest rates on loans, residential construction posted a strong plus of 8.9 % in 2019, which was largely driven by new construction. A large number of ongoing projects and building permits allow growth of 6.0 % and 5.0 % to be expected in 2020 and 2021, respectively, before rising property prices and simultaneously rising interest rates on loans, in some places combined with an oversupply, are likely to cause a slowdown.

Other building construction also saw a strong increase of 11.5 % in 2019, supported in particular by investments by international property developers in new office buildings. Investments by industry and retail also contributed to the positive performance. Foreign companies continue to make targeted use of the comparatively lower wages and, at the same time, the high level of qualifications of the Romanian workforce. Against this background, EECFA also forecasts growth of 2.4 % and 2.5 % also for the next two years.

Civil engineering showed a slight decline of 1.1 % in the year under review. In addition to the presidential elections in autumn 2019 and the associated uncertainties, the low level of funding from the new EU funding programmes, especially for infrastructure measures in the road sector, was a key factor in this development. However, due to new EU funding, EECFA predicts a slight upturn in 2020 with growth of 2.1 % before a return to negative growth rates in 2021 with -0.1 %.

With an output volume of € 225.50 million in 2019 and a market share of 1.1 %, the STRABAG Group continues to be the market leader in the Romanian construction market. In Romanian road construction, the share of the market stands at 3.6 %.

SWEDEN



Overall construction volume: € 42.8 billion
GDP growth: 2019e: 1.2 % / 2020e: 1.1 %
Construction growth: 2019e: -0.3 % / 2020e: -1.9 %

The Swedish economy saw slight growth of 1.2 % in 2019. This development was supported by rising real wages with falling unemployment figures and the resulting higher domestic consumption. By contrast, private investment, which has been the driving force behind growth, recently declined. Euroconstruct's medium-term forecast remains unchanged, however. Even if the momentum slows down somewhat, the Swedish economy remains in a phase of upswing. However, the high level of household debt and the expected decline in public investment over the next three years are likely to result in a slight reduction in GDP growth to an average of 1.5 % p.a.

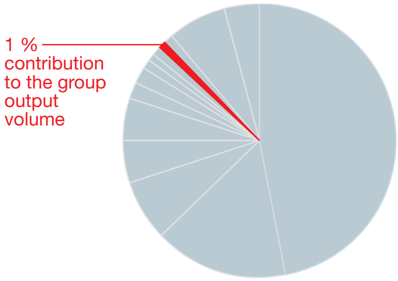
After very dynamic growth in previous years, the Swedish construction volume declined for the second year in a row in 2019 with -0.3 %. For 2020 and 2021, Euroconstruct also anticipates a decline in construction output of 1.9 % and 0.5 %, respectively, before the curve points upwards again in 2022 with +2.9 %. The previous construction boom in residential construction came to a standstill in 2018 due to the entry into force of new financial regulations for private households. For 2019, the sector is attested a further decline of 7.6 %, which should continue in the following two years with losses of 5.5 % and 3.0 %, respectively. Here, too, the trend reversal should succeed in 2022 with +1.9 %.

After several years of solid growth, other building construction entered a phase of consolidation in 2018. In 2019, however, the sector recorded solid growth again with an increase of 4.4 %. This was driven by a general increase in real estate projects and the continuing high level of interest from international investors thanks to the attractive returns in the Swedish real estate market. The forecasts for the coming years are not overly optimistic, however. According to Euroconstruct, the momentum in other building construction should cool down again to -2.5 % and -1.4 % in 2020 and 2021 before picking up again in 2022 with +1.9 %.

Swedish civil engineering again grew above average in 2019 with a plus of 6.8 %. Public sector investments in rail infrastructure and public transport, as well as the implementation of several major projects in Stockholm and Gothenburg, provided significant stimulus, some of which extends beyond the reporting year. Euroconstruct therefore expects solid growth also in the coming years (2020 and 2021: +4.1 % each, 2022: +2.8 %).

The output volume of the STRABAG Group in Sweden amounted to € 205.27 million in 2019.

CROATIA



Overall construction volume:	€ 4.4 billion
GDP growth:	2019e: 2.9 % / 2020e: 2.6 %
Construction growth:	2019e: 11.3 % / 2020e: 8.9 %

With a plus of 2.9 %, the Croatian economy again grew more strongly in 2019 than the EU average. In addition to private consumption, the development was powered by strong investment momentum and tourism. The government appears to be getting the national debt under control. In order to keep young, ambitious people in the country, the country has simplified the process of establishing new companies and granting building permits. Large-scale investment projects in the healthcare sector are ongoing and secured for the future through EU funding and international investments. EECFA therefore expects the GDP growth rates to remain largely unchanged for the coming years.

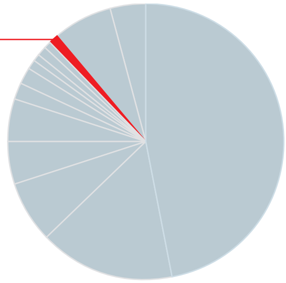
The Croatian construction sector saw a significant increase of 11.3 % in 2019. The strongest and most positive growth was in civil engineering, with 27.1 %, supported by massive infrastructure investments. Residential construction also registered a solid increase of 6.2 % and is expected to grow by a further 5.6 % in 2020 before yielding somewhat in 2021 (-1.0 %). According to EECFA estimates, the Croatian construction industry as a whole is expected to grow again by 8.9 % in 2020, though only a lower growth rate of 2.0 % is expected for 2021.

Other building construction recorded a slight increase of 1.8 % in the reporting year. The construction volume grew among warehouses and industrial buildings as well as buildings in the healthcare and education sectors, while the growth in office development is more restrained. Hotel construction also fell slightly short of expectations. Overall, EECFA forecasts that other building construction will see cautious increases of 1.2 % (2020) and 1.5 % (2021) in the coming years.

A decisive factor for the strong plus in civil engineering in 2019 was, in addition to the optimised use of EU funding, above all large-scale infrastructure projects for rail and shipping. Also driving the growth is the construction of oil pipelines and national electricity and telecommunications networks. For 2020, EECFA once again predicts a strong increase of 18.4 % for the sector and a further increase of 5.2 % for 2021.

The STRABAG Group generated € 152.48 million in the Croatian market in 2019. It is the country's second-largest market participant.

SERBIA



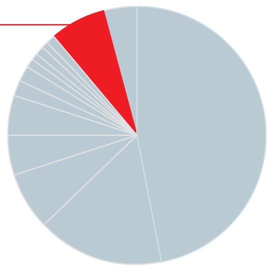
Overall construction volume: € 3.5 billion
GDP growth: 2019e: 3.8 % / 2020e: 4.3 %
Construction growth: 2019e: 21.5 % / 2020e: -3.2 %

The Serbian economy continued its upswing in 2019 with GDP growth of 3.8 %. In addition to higher employment figures and growing wages, investments by industry and commerce further boosted the economic engine, while the construction industry also made a significant contribution. Moreover, foreign direct investment reached a record level. The current GDP forecasts of +4.3 % (2020) and +4.5 % (2021) may therefore be revised upwards.

With an increase of 21.5 %, Serbia's construction industry saw a downright boom in 2019 that went clear across all sectors. Residential construction grew strongly again with a plus of 8.7 % after solid growth in the previous year (+9.6 %), while the reform of the procedure for building permits also had a positive effect in other building construction (+17.0 %). Shopping centres, hotels and industrial buildings were particularly in demand here, while office space only slowly caught up. Civil engineering, which also accounts for the largest share of the Serbian construction volume, developed most strongly in 2019 with +28.1 %. The main driver here is and remains pipeline construction. An interim minus of 8.4 % is being forecast for the sector in 2020, however, and EECFA predicts a slight overall correction of -3.2 % for the Serbian construction industry in 2020. In 2021 things are expected to go up again with a plus of 4.5 %.

The STRABAG Group generated an output volume on the Serbian market of € 148.11 million in 2019.

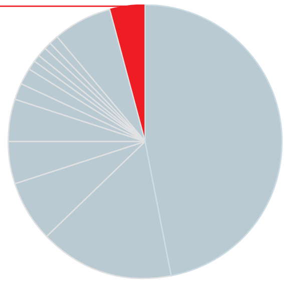
MIDDLE EAST, AMERICAS, AFRICA, ASIA



In order to make itself as independent as possible from the economic development of individual countries and so spread its country risk as widely as possible, STRABAG is also active outside of its main markets in Europe. As a rule, the company acts as a main contractor in direct export. With this in mind, the group has been present in Africa and Asia, Canada and Chile and the Middle East for many years, often even decades. STRABAG focuses on areas that are characterised by high technological expertise: civil engineering, industrial and infrastructure projects as well as tunneling.

In 2019, the STRABAG Group generated a total € 1,106.54 million, or 7 %, of its total output outside Europe (2018: 7 %). The activities in non-European countries are – with a few exceptions – assigned to the International + Special Divisions segment.

DENMARK, RUSSIA, SLOVENIA, BULGARIA AND REST OF EUROPE



RUSSIA

Overall construction volume:	€ 124.4 billion
GDP growth:	2019e: 1.3 % / 2020e: 1.7 %
Construction growth:	2019e: -0.4 % / 2020e: 1.9 %

SLOVENIA

Overall construction volume:	€ 3.3 billion
GDP growth:	2019e: 2.8 % / 2020e: 3.0 %
Construction growth:	2019e: 5.7 % / 2020e: 2.1 %

DENMARK

Overall construction volume:	€ 36.5 billion
GDP growth:	2019e: 1.3 % / 2020e: 1.3 %
Construction growth:	2019e: 1.6 % / 2020e: 1.3 %

BULGARIA

Overall construction volume:	€ 7.4 billion
GDP growth:	2019e: 3.6 % / 2020e: 3.0 %
Construction growth:	2019e: 8.7 % / 2020e: 6.5 %

Denmark

In fundamentally good shape, the Danish economy saw GDP growth of 1.3 % in 2019. The development was supported by private consumption, new residential construction and the positive trade balance. The considerable wealth of private individuals and the national debt within the Maastricht criteria allow modest but steady growth to be expected in the coming years. Uncertainties linger due to Brexit as the UK is the country's most important trading partner.

The Danish construction sector, with a plus of 1.6 %, developed slightly better than the overall economy in 2019, with Euroconstruct predicting growth rates at a similarly high level for the coming years (+1.3 % in both 2020 and 2021).

Residential construction grew most strongly in the reporting period with an increase of 1.9 % – a trend that is likely to continue (+1.3 % in both 2020 and 2021). Other building construction, which grew by 1.9 % in 2019, can expect a light stimulus from a comprehensive programme of "green" public investments in the coming years. Here Euroconstruct expects growth of 1.6 % for 2020 and +1.4 % for 2021. At +0.8 %, the civil engineering sector registered the lowest growth in 2019 due to priority shifts in the run-up to the parliamentary elections. Euroconstruct cautiously forecasts growth between +0.7 % and +1.2 % for this sector in the years 2020–2022.

The output volume of the STRABAG Group in Denmark amounted to € 99.49 million in 2019.

Russia

The Russian economy continued its tentative upward path in 2019 with 1.3 % growth; however, all forecasts for the coming years were revised downwards. The continuing sanctions of the West and the still unresolved war in Syria are likely to continue to dampen the country's development noticeably. For 2020, EECFA therefore forecasts only a slightly higher growth rate of 1.7 %, although the momentum should pick up again somewhat in 2021 with + 3.1 %.

The Russian construction economy declined in 2019 by -0.4 %. In 2020, however, the trend should turn into positive territory at +1.9 %, while solid growth of 3.1 % is again forecast for 2021. The 1.2 % decline in residential construction in 2019 is mainly due to the low purchasing power of private households. Due to government housing programmes, however, this sector is likely to grow again in 2020 (+2.7 %) and even increase by 3.8 % in 2021. Other building construction registered a strong plus of 4.7 % in the year under review, with growth of 3.0 % and 1.9 % expected here in the coming years. The Russian civil engineering sector underwent a slight downwards adjustment in 2019 with -1.3 %. However, EECFA forecasts a slight upward trend of +0.8 % and +2.7 % for this sector in 2020 and 2021, respectively.

The STRABAG Group generated an output volume of € 71.42 million in Russia in 2019. In the region, STRABAG is active almost exclusively in building and industrial construction.

Slovenia

With a plus of 2.8 %, the Slovenian economy again exhibited GDP growth above the EU average in 2019. A new investment promotion law is stimulating both the production and service sector. According to EECFA, rising real wages and a positive development in exports should continue to give the country solid GDP growth of 3.0 % and 2.7 % in the next two years.

The good economic situation was also reflected in the Slovenian construction industry, which was able to post a very positive result in 2019 with a plus of 5.7 %. This trend should continue in the next two years, albeit somewhat weaker (2020: +2.1 %, 2021: +0.6 %). In particular, residential construction experienced a boom in the reporting period with +12.2 %, driven mainly by the construction of new single-family houses. Other building construction saw a sideways movement (+1.0 %) in 2019 after two years of enormous growth, and this trend is likely to continue with a slight decline of 0.3 % and 0.6 % in the next two years. Finally, civil engineering showed an increase of 4.1 % thanks to new infrastructure projects in the field of renewable energies. For 2020, EECFA predicts further growth of 1.5 % in this segment, while the trend is likely to decline slightly at -2.3 % in 2021.

The STRABAG Group achieved an output volume of € 48.71 million in Slovenia in 2019.

Bulgaria

The Bulgarian economy again exhibited very robust growth in 2019 with a plus of 3.6 %. Stable fiscal conditions, a good employment situation and the favourable development of the national budget lead EECFA to predict GDP growth of 3.0 % and 2.9 % for the next two years.

After the dramatic slump in 2016 (-39.7 %), the Bulgarian construction industry continued its upswing for the third year in a row in 2019 with an increase of 8.7 %. This development was supported above all by residential construction (+18.1 %), which benefited primarily from low mortgage rates and rising real wages. In view of government programmes to improve energy efficiency, EECFA predicts strong growth of 8.4 % for this sector in 2020 before the curve turns downwards by -3.2 % in 2021. Other building construction, whose development has been fluctuating for years, saw a solid increase of 7.0 % in 2019. In the capital of Sofia in particular, investments by foreign companies noticeably increased the need for modern office space. Civil engineering, in turn, (+2.8 %) benefited from numerous large-scale projects in rail and road construction and the expansion of gas grid connections to neighbouring countries. Growth of 6.3 % is expected here in 2020 before the start of the new EU financial framework for 2020–2027 brings about a massive increase of 16.9 % in 2021.

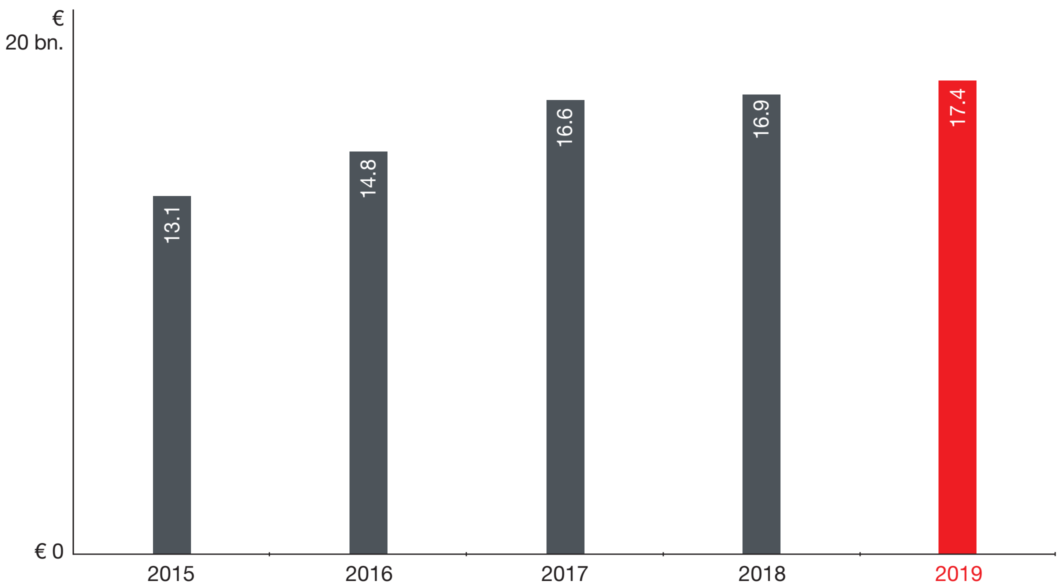
The STRABAG Group generated € 41.86 million on the Bulgarian market in 2019.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2019

€ mln.	Total 2019	North + West	South + East	International + Special Divisions	Other	Total 2018	Δ total %	Δ total absolute
Germany	7,617	6,604	159	851	3	7,178	6	439
Austria	1,885	5	1,580	300	0	2,056	-8	-171
Poland	1,498	1,455	0	43	0	1,632	-8	-134
Americas	1,056	0	0	1,056	0	1,134	-7	-78
Rest of Europe	1,036	14	139	883	0	431	140	605
Czech Republic	761	0	745	16	0	454	68	307
Hungary	649	0	618	31	0	967	-33	-318
Benelux	439	423	2	14	0	567	-23	-128
Asia	410	0	5	405	0	398	3	12
Romania	282	14	261	7	0	187	51	95
Middle East	281	0	5	276	0	173	62	108
Slovakia	224	0	215	9	0	262	-15	-38
Serbia	194	0	194	0	0	108	80	86
Croatia	188	0	185	3	0	92	104	96
Sweden	171	135	0	36	0	390	-56	-219
Switzerland	151	8	141	2	0	181	-17	-30
Denmark	150	150	0	0	0	211	-29	-61
Italy	116	0	7	109	0	115	1	1
Russia	103	0	102	1	0	84	23	19
Bulgaria	92	0	92	0	0	105	-12	-13
Africa	69	0	0	69	0	125	-45	-56
Slovenia	39	0	39	0	0	50	-22	-11
Total	**17,411**	**8,808**	**4,489**	**4,111**	**3**	**16,900**	**3**	**511**

DEVELOPMENT OF ORDER BACKLOG



The order backlog as at 31 December 2019 grew by 3 % year-on-year to reach another record level of € 17.4 billion. Declines were seen in Hungary, Austria and Poland, for example, as work progressed on numerous major projects in these countries. This development was contrasted by the substantial expansion of an existing order in the United Kingdom and a significant increase in the order backlog in Germany and the Czech Republic. The projects acquired in 2019 include the construction of a section of the D35 motorway and the modernisation of several railway lines in the Czech Republic, the upgrading of bridges on the A9 motorway near Allersberg in Germany, two mining contracts for the El Teniente mine in Chile, the transportation infrastructure and civil engineering works for the Boll-Sinneringen bypass in Switzerland, the renovation of the southern section of Budapest's M3 metro line in Hungary, as well as the construction of a wastewater pumping station in Qatar, a pumped storage power plant in Dubai and a pumping station for a wastewater treatment plant in Toronto, Canada.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2019

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.[1]	Order backlog as % of total
Small orders (€ 0–1 mln.)	8,617	78	1,444	8
Medium-sized orders (€ 1–15 mln.)	1,993	18	3,660	21
Large orders (€ 15–50 mln.)	297	3	4,397	25
Very large orders (>€ 50 mln.)	132	1	7,910	46
Total	**11,039**	**100**	**17,411**	**100**

Part of the risk management

The total order backlog is comprised of 11,039 individual projects. More than 8,600 of these, or 78 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 22 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 132 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not, as far as possible, threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2019 added up to 18 % of the order backlog.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2019

Country	Project	Order backlog € mln.	as % of total order backlog
United Kingdom	North Yorkshire Polyhalite Project	878	5.0
Chile	Alto Maipo power plant	387	2.2
Germany	New rail line/airport tunnel	379	2.2
Germany	EDGE East Side	265	1.5
Chile	El Teniente – main supply tunnel	242	1.4
Singapore	Deep Tunnel Sewerage System	227	1.3
Germany	Stuttgart 21, underground railway station	216	1.2
Germany	JV Tunnel Hauptbahnhof Second core rapid transit route, Munich	198	1.1
Germany	Modernisation of main university building, Bielefeld	148	0.9
Chile	El Teniente – access tunnel	131	0.8
Total		**3,072**	**17.6**

Financial performance

The consolidated **group revenue** for the 2019 financial year amounted to € 15,668.57 million. As with the output volume, this corresponds to a slight plus of 3 %. The ratio of revenue to output increased slightly from 93 % to 94 %. The operating segments North + West contributed 48 %, South + East 31 % and International + Special Divisions 21 % to the revenue.

The **changes in inventories** involve mainly the real estate project development business, which continued to be very active. The **own work capitalised** declined as a result of the completion of new corporate locations. The total of **expenses for construction materials, consumables and services used** and the **employee benefits expense**, expressed in relation to the revenue, fell from 90 % to 88 %.

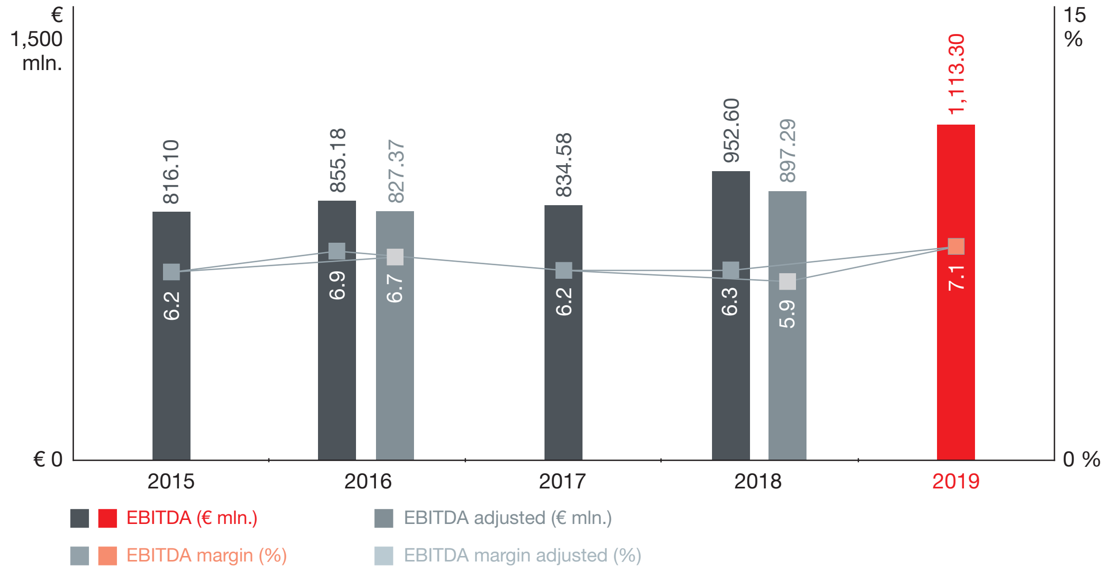
1 Rounding differences are possible.

EXPENSES

€ mln.	2019	2018	Δ %
Construction materials, consumables and services used	10,111.85	10,125.77	0
Employee benefits expense	3,745.15	3,618.94	3
Other operating expenses	1,024.01	854.89	20
Depreciation and amortisation expense	510.72	394.39	29

Due to project provisions, the earnings from joint ventures, and thus the **share of profit or loss of equity-accounted investments**, were negative. In the previous year, this item had included a non-operating step-up profit in the amount of € 55.31 million resulting from the full consolidation of the concession company PANSUEVIA that operates the A8 motorway in Germany. The **net income from investments** is composed of the dividends and expenses of many smaller companies or financial investments.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN[1]



In total, the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) increased by 17 % to € 1,113.30 million, topping the € 1.0 billion mark for the first time. The EBITDA margin grew from 6.3 % to 7.1 %. What must be taken into account here, however, is that the first-time application of IFRS 16 Leases means that rental expenses recognised in EBITDA in previous years are now shown as depreciation and interest. If comparison is made with the EBITDA adjusted for the non-operating step-up profit in the previous year, the increase amounts to 24 %.

The **depreciation and amortisation expense** grew by 29 %. One of the reasons for this development is the first-time application of IFRS 16 Leases, according to which right-of-use assets from leases are to be measured less depreciation and the corresponding lease expenses can no longer be recognised under the item “Other operating expenses”.

Effective tax rate: 34.4 %

The **earnings before interest and taxes** (EBIT) increased by 8 % to € 602.58 million, which corresponds to an EBIT margin of 3.8 % after 3.7 % in 2018. Adjusted for the previous year’s non-operating step-up profit, the EBIT grew by 20 %. The improvement is primarily attributable to the North + West segment, where the earnings nearly doubled.

At € -25.34 million, the **net interest income** was comparable to that of the previous year. Although a negative exchange rate result of € -5.93 million was achieved with regard to the exchange rate differences, the interest expense was reduced as well due to the repayment of a bond in the previous year.

In the end, the **earnings before taxes** grew by 9 %. The income tax rate stood at 34.4 %, slightly higher than in the previous year (2018: 31.7 %). The **net income** amounted to € 378.56 million, an increase of 4 % compared to 2018.

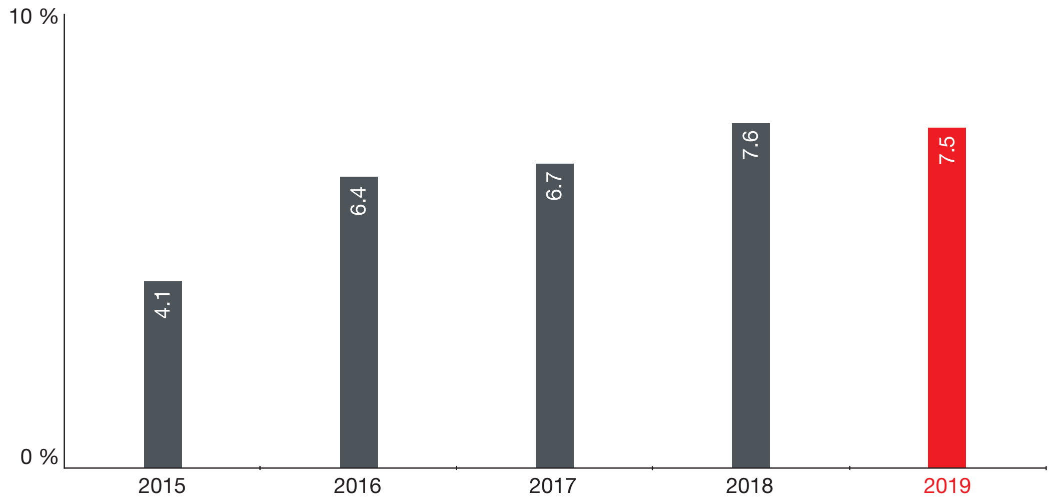
1 2016 adjusted for non-operating income in the amount of € 27.81 million.
2018 adjusted for a non-operating step-up profit in the amount of € 55.31 million.

Earnings per share: € 3.62

The earnings owed to minority shareholders amounted to € 6.86 million after € 9.25 million in the previous year. The **net income after minorities** for 2019 stood at € 371.70 million – an increase of 5 %. The **earnings per share** amounted to € 3.62 (2018: € 3.45).

The **return on capital employed** (ROCE)[1] reached 7.5 % after 7.6 % in the previous year.

DEVELOPMENT OF ROCE



Financial position and cash flows

BALANCE SHEET

€ mln.	31.12.2019	% of balance sheet total[2]	31.12.2018	% of balance sheet total[2]
Non-current assets	5,249.85	43	4,775.92	41
Current assets	7,000.96	57	6,791.69	59
Equity	3,855.90	31	3,653.77	32
Non-current liabilities	2,344.53	19	2,326.19	20
Current liabilities	6,050.38	49	5,587.65	48
Total	**12,250.81**	**100**	**11,567.61**	**100**

The total assets and liabilities increased to € 12.3 billion compared to € 11.6 billion on 31 December 2018, in part due to the first-time application of IFRS 16 Leases. This also explains the increase in property, plant and equipment and financial liabilities. Despite this increase of the balance sheet total, the **equity ratio** remained nearly unchanged at 31.5 % (2018: 31.6 %).

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

KEY BALANCE SHEET FIGURES

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Equity ratio (%)	31.0	31.5	30.7	31.6	31.5
Net debt (€ mln.)	-1,094.48	-449.06	-1,335.04	-1,218.28	-1,143.53
Gearing ratio (%)	-33.0	-13.8	-39.3	-33.3	-29.7
Capital employed (€ mln.)	5,448.01	5,258.17	5,242.91	5,552.09	5,838.71

Net cash position of more than € 1.1 billion

As usual, a net cash position was reported on 31 December 2019. This figure fell slightly in the face of the marginally higher financial liabilities from € 1.2 billion to € 1.1 billion.

CALCULATION OF NET DEBT[1]

€ mln.	**31.12.2015**	**31.12.2016**	**31.12.2017**	**31.12.2018**	**31.12.2019**
Financial liabilities	1,579.75	1,426.08	1,293.98	1,363.33	1,422.21
Severance provisions	96.13	110.02	111.10	114.68	124.68
Pension provisions	451.50	457.48	440.11	420.31	435.92
Non-recourse debt	-489.53	-439.38	-389.78	-730.77	-665.53
Cash and cash equivalents	-2,732.33	-2,003.26	-2,790.45	-2,385.83	-2,460.81
Total	**-1,094.48**	**-449.06**	**-1,335.04**	**-1,218.28**	**-1,143.53**

The **cash flow from operating activities** improved from € 788.98 million to € 1,075.94 million as a result of a higher cash flow from earnings and a further, even higher reduction of the working capital. The expectation of a significant reduction in advance payments in 2019 and a concomitant increase in working capital to familiar levels thus did not materialise. The **cash flow from investing activities** was less negative, largely due to the smaller changes in the scope of consolidation. The previous year's figure had included the cash outflow from the PANSUEVIA transaction. The **cash flow from financing activities** stood at € -411.62 million after € -534.17 million in the previous year. This decrease is due to the lower volume of a bond repayment and the fact that the 2018 figure had been affected by a cash outflow related to the acquisition of the minority shares of the now-delisted German subsidiary STRABAG AG.

REPORT ON OWN SHARES

On 31 December 2019, STRABAG SE held 7,400,000 bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000.00. The acquisition took place over a period from July 2011 to May 2013 to any purpose allowed by Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG), especially for the purpose of using own shares as acquisition currency. The average purchase price per share was € 20.79.

1 The non-recourse liabilities that were considered are related to two PPP projects. Non-recourse liabilities from other PPP projects had, based on their amount, only an immaterial impact and are therefore not subtracted in the calculation of net debt.

Capital expenditures

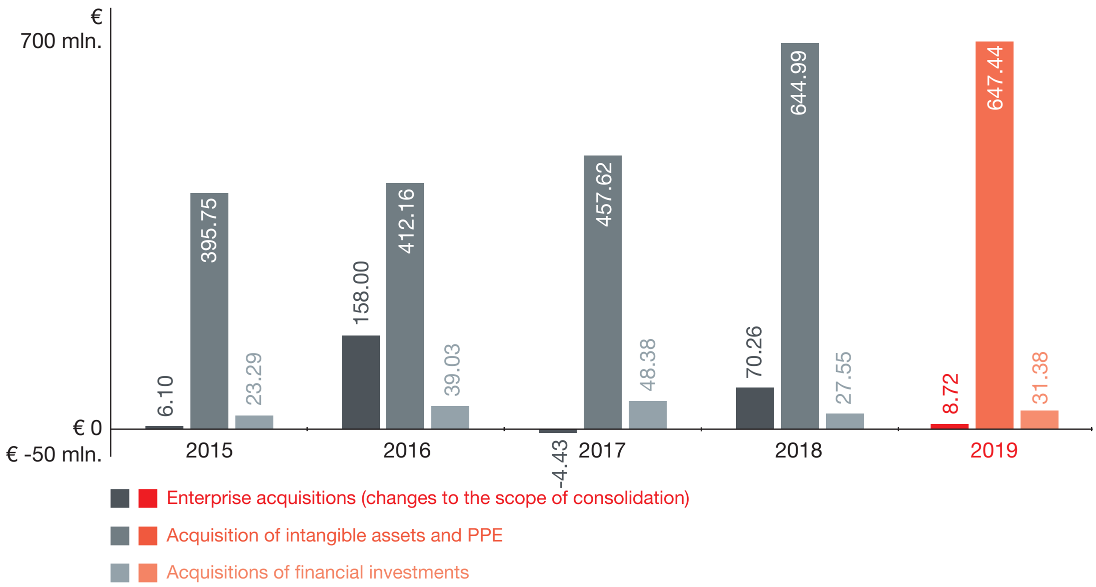
STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of no more than € 550 million for the 2019 financial year. In the end, they totalled € 593.30 million.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 687.54 million. This figure includes **expenditures on intangible assets** and on **property, plant and equipment** not including the non-cash additions to right-of-use assets of € 647.44 million, the **purchase of financial assets** in the amount of € 31.38 million and € 8.72 million from **changes to the scope of consolidation**.

Most of the maintenance investments were made in the core markets of Germany, Poland and Austria, as well as in Serbia. Capital investments, which this time exceeded the maintenance investments, were impacted above all by the large tunnel construction orders, for example equipment was increasingly required in the mining business in Chile. In addition, the group pushed ahead with the expansion of its network of asphalt and concrete mixing plants, especially in Croatia, Austria and Romania.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against the depreciation and amortisation expense in the amount of € 510.72 million. The goodwill impairment of € 2.02 million is almost unchanged from the previous year.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2015	2016	2017	2018	2019
Interest and other income (€ mln.)	82.07	73.90	46.90	38.62	30.97
Interest and other expense (€ mln.)	-106.49	-77.68	-74.05	-66.05	-56.32
EBIT/net interest income (x)	-14.0	-112.4	-16.5	-20.4	-23.8
Net debt/EBITDA (x)	-1.3	-0.5	-1.6	-1.3	-1.0

The number one objective for the treasury management of STRABAG SE is assuring the continued existence of the company through the maintenance of constant solvency. This objective is to be reached through the provision of sufficient short-term, medium-term and long-term liquidity. Liquidity for STRABAG SE means not only solvency in the strict sense but also the availability of guarantees. The activity of building requires the constant availability of bid, contract fulfilment, pre-payment and warranty guarantees and/or sureties. The financial scope of action is thus defined on the one hand by sufficient cash and cash credit lines, on the other hand by sufficient surety credit lines.

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

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

In the past, STRABAG has always oriented its financing decisions according to the risk aspects outlined above and has organised the maturity structure of the financial liabilities in such a way as to avoid a refinancing risk. In this way, the company has been able to maintain a great scope for action, which is of particular importance in a difficult market environment. The respective liquidity needed is determined by targeted liquidity planning. Based on this, liquidity assurance measures are made and a liquidity reserve is defined for the entire group.

The medium- and long-term liquidity needs have so far also been covered by the **issue of corporate bonds**. STRABAG SE (and its predecessor FIMAG) has regularly issued bonds on the Austrian capital market since 2002. In the 2015 financial year, the company successfully placed a € 200 million tranche with a coupon of 1.625 % and a term to maturity of seven years. With the proceeds from the issue, which were used for general business purposes such as refinancing the € 100 million bond issued in 2010 or making investments in property, plant and equipment, STRABAG SE preserved its optimal financing structure. As per 31 December 2019, STRABAG SE had two bonds with a total volume of € 400 million on the market. One bond with a volume of € 200 million is scheduled to mature in 2020.

In order to diversify the financing structure, STRABAG SE had placed a **bonded loan** in the amount of € 140.00 million in the 2012 financial year. The outstanding volume of € 18.50 million was paid off in 2019.

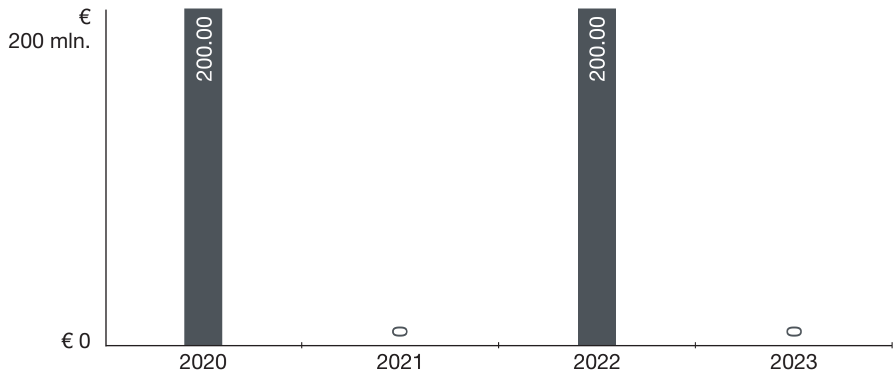
The existing liquidity of € 2.5 billion assures the coverage of the group's liquidity needs. STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.9 billion. The credit lines includes a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until 2024 with two options to extend by one year each. These two credit lines were refinanced ahead of maturity in March 2019, with terms and maturities redefined. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit, STRABAG creates an adequate risk spread in the provision of the credit lines and secures its comfortable liquidity position.

In June 2015, Standard & Poor's (S&P) raised STRABAG SE's investment grade rating by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was again confirmed in September 2019. S&P sees STRABAG SE's strengths and opportunities above all in the stable margins in an otherwise quite cyclical market environment, the strategic access to construction materials, the strong market positions and the high reputation in the credit markets.

PAYMENT OBLIGATIONS

€ mln.	Book value 31.12.2019	Book value 31.12.2018
Bonds	400.00	500.00
Bank borrowings	721.89	863.33
Lease liabilities	300.32	0
Total	**1,422.21**	**1,363.33**

PAYMENT PROFILE OF BONDS



Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE was divided into four segments in 2019, of which there are three operating segments North + West, South + East and International + Special Divisions, and the segment Other, which encompasses the group's central divisions and central staff divisions.

In 2019, the segments were comprised as follows[1]:

NORTH + WEST
Management Board responsibility: Alfred Watzl
Germany, Poland, Benelux, Scandinavia, Ground Engineering

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

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility: Siegfried Wanker
International, Tunnelling, Services, Real Estate Development, Infrastructure Development, Construction Materials

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

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

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

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

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

1 Services may be performed in more than one segment. The activities and countries below have been assigned to those segments in which the most significant portion of the services was provided. Details are available in the table.
2 Until 31 December 2019

NORTH + WEST: BUILDING BOOM IN CORE MARKETS

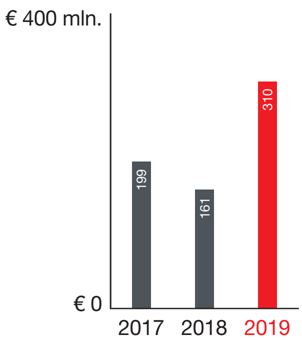
The North + West segment executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	8,106.93	7,827.48	4	279.45
Revenue	7,555.75	7,242.42	4	313.33
Order backlog	8,807.66	8,804.15	0	3.51
EBIT	310.20	161.40	92	148.80
EBIT margin (% of revenue)	4.1	2.2		
Employees (FTE)	25,386	24,222	5	1,164

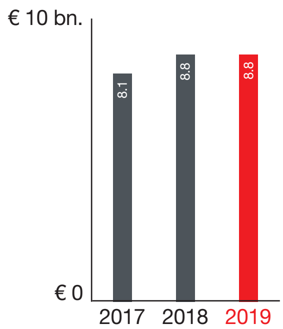
OUTPUT VOLUME NORTH + WEST

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Germany	6,402	6,221	3	181
Poland	999	895	12	104
Benelux	285	305	-7	-20
Sweden	180	169	7	11
Denmark	96	87	10	9
Rest of Europe	48	59	-19	-11
Austria	28	25	12	3
Switzerland	23	28	-18	-5
Americas	21	9	133	12
Romania	16	13	23	3
Middle East	4	7	-43	-3
Africa	4	7	-43	-3
Czech Republic	1	1	0	0
Hungary	0	1	-100	-1
Total	**8,107**	**7,827**	**4**	**280**

EBIT



ORDER BACKLOG



Strong development of the German infrastructure business

The North + West segment posted a 4 % higher output volume of € 8,106.93 million in 2019. This is due to the two largest countries in the segment – Germany and Poland – while the other markets, such as Benelux, Sweden and Denmark, showed small, inconsistent deviations.

The revenue, like the output, increased by 4 % and reached € 7,555.75 million. The EBIT nearly doubled to € 310.20 million thanks to strong growth in the German infrastructure business and a lower number of new loss-making projects in building construction and civil engineering compared to the previous year – and despite the strong cost inflation in Poland. The EBIT margin increased from 2.2 % to 4.1 %.

Order backlog remains at a high level

The order backlog as at 31 December 2019 was at the unchanged high level of € 8,807.66 million. The decline in Sweden, Poland and Benelux caused by the working-off of large orders could be fully compensated by the increase in Germany, where the main projects included the modernisation of the main building at Bielefeld University, the realisation of the office building "Airsite West" at the airport in Munich and the construction of the airport connection to the new Stuttgart–Ulm rail line.

Employee numbers grow with output

The number of employees in Germany and Poland grew along with the output volume. Overall, the staff levels in the segment increased by 5 % to 25,386 employees.

Outlook[1]: Demand remains strong

In view of the continued expectations for high demand in the segment, the output volume in North + West should almost reach the previous year's level in 2020. The high level in **Germany** should remain the same. There also is no slow-down in the construction industry in sight yet in **Benelux** and **Scandinavia**.

The prices for subcontractors and suppliers in the **German building construction** business and for reinforcing steel are relaxing somewhat but remain at a relatively high level. STRABAG counteracts the capacity risk and price increase risk already in the cost estimation phase through the early inclusion of partner companies. At the same time, the group is strengthening its relationships with core subcontractors and suppliers.

There is also continuing demand in the regional business in the **German transportation infrastructures** sector. Given the still limited capacity for executing projects, this is causing a continued rise in prices for subcontractors and suppliers. While two significant orders helped push the order backlog with regard to large-scale transportation infrastructure projects to a higher level than the year before, competition in some areas remains strong.

The development of the **Polish construction industry** confirms the scenario that had been outlined so far: A high order backlog, in combination with rising costs from labour shortages, among other things, is leading to a reduction in profitability. Other developments observed include competition from Chinese companies as well as an increased cancellation of already decided public procurement procedures. In transportation infrastructures, many projects are not being awarded because the bidding prices often exceed the clients' budgets. Building construction is the only sector in Poland where STRABAG was able to increase its order backlog significantly.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Poland	A1 Kamieńsk–Radomsko	94	0.5
Poland	S7 Strzegowo–Pieńki	88	0.5
Germany	S13 Troisdorf	86	0.5
Denmark	Carlsberg City District BA9	79	0.5
Netherlands	Combinatie Herepoort	79	0.5

SOUTH + EAST: GROWTH IN OUTPUT VOLUME, DECREASE IN EARNINGS

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

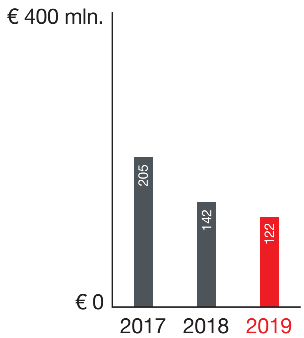
€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	4,915.79	4,639.26	6	276.53
Revenue	4,879.50	4,521.81	8	357.69
Order backlog	4,489.37	4,311.00	4	178.37
EBIT	121.97	142.03	-14	-20.06
EBIT margin (% of revenue)	2.5	3.1		
Employees (FTE)	19,850	18,729	6	1,121

1 This outlook does not take into account any impact from the coronavirus pandemic.

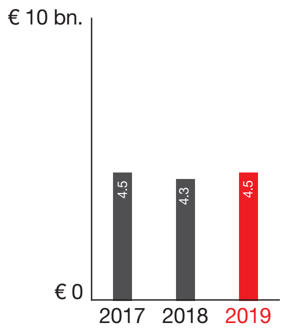
OUTPUT VOLUME SOUTH + EAST

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Austria	2,176	1,979	10	197
Hungary	677	545	24	132
Czech Republic	636	557	14	79
Slovakia	318	460	-31	-142
Switzerland	205	235	-13	-30
Romania	179	156	15	23
Germany	151	145	4	6
Serbia	146	109	34	37
Croatia	131	148	-11	-17
Rest of Europe	126	110	15	16
Russia	67	70	-4	-3
Slovenia	42	61	-31	-19
Bulgaria	36	37	-3	-1
Asia	17	15	13	2
Poland	3	0	n. a.	3
Benelux	3	8	-63	-5
Middle East	2	0	n. a.	2
Americas	1	4	-75	-3
Total	**4,916**	**4,639**	**6**	**277**

EBIT



ORDER BACKLOG



EBIT down in contrast to output due to provisions

The output volume in the South + East segment was up by 6 % to € 4,915.79 million in 2019. Increases were recorded mainly in Austria, Hungary, the Czech Republic and Serbia, while a decline was recorded in Slovakia, for example.

The revenue increased by 8 % to € 4,879.50 million. Due to provisions, on the other hand, the EBIT fell by 14 % to € 121.97 million and the EBIT margin slipped from 3.1 % to 2.5 %.

Order backlog: Growth in the Czech Republic offsets declines in Hungary and Slovakia

Thanks to several large orders in the second half of the year, the order backlog grew to € 4,489.37 million, a plus of 4 % compared to the end of 2018. On the one hand, this figure fell back in two markets as expected: In Hungary, resources are currently being used primarily to work off the high order backlog. At the same time, however, another large-scale project – the renovation of the southern section of the M3 metro line in Budapest – was added to the books in 2019. And in Slovakia, bid evaluations on the client side are regularly delayed, sometimes for several years. On the other hand, these developments were compensated, among other things, by several modernisation orders from the railways in the Czech Republic.

Output-related increases in the number of employees

The same dynamic by country as with the output volume was evident in the number of employees, which also increased in total by 6 % to 19,850.

Outlook[1]: Inconsistent trends

A consistently high output volume is expected for the South + East segment in 2020. The home market of **Austria**, in particular, continues to be characterised by positive developments. The positive environment for building construction is no longer limited to the Vienna metropolitan area but can also be confirmed for the metropolitan areas of Graz and Linz. This applies to both residential construction as well as commercial and industrial construction. In the first quarter of 2019, STRABAG was commissioned with the construction of the Austrian headquarters of an international technology group. In **transportation infrastructures**, the

1 This outlook does not take into account any impact from the coronavirus pandemic.

development is also positive. The output volume and order backlog could be moderately increased here.

In **Hungary**, incoming orders for the industry as a whole fell in 2019, following the large number of large-scale public-sector projects that had been awarded until than, due to the EU funding period expiring in 2020. As a result, construction growth in this country far outpaced overall economic growth, a situation that is also expected for 2020.

The extremely strong competition with simultaneous cost increases and staff shortages in the **Czech Republic** and **Slovakia** continues. These risks are monitored on an ongoing basis, especially as STRABAG is handling a number of large railway construction contracts in the Czech Republic. In the building construction segments of both countries, STRABAG is working primarily on commercial projects for private clients, such as the automotive industry.

In **Switzerland**, construction activity picked up in 2019. Public-sector clients are preparing additional large-scale projects, but the price situation remains tense.

The situation in **South-East Europe** is characterised by strongly mixed trends. While the tendering activity can be described as active in transportation infrastructures in Croatia, few activities that would be attractive for STRABAG are currently taking place in Slovenia. Romania is experiencing political instability, lack of legal certainty and a low price level despite a large number of tenders and material price increases. What all markets have in common is a lack of qualified personnel, extremely high bitumen prices and increasing competition from Chinese companies. In building construction, some countries are exhibiting high demand, while activity is low in others.

The **environmental technology** business is gaining in importance in view of the current Europe-wide discussions concerning the reduction of CO_2 emissions. Here STRABAG not only has the technology for the production of biogas, but also the references in order to be able to meet the increasing demand – mainly from local governments and private project development companies. In the field of geothermal energy, projects in Germany, Romania and Croatia are being pursued together with the STRABAG Group's project development unit. In the highly fragmented market for landfill construction, the company is once again one of the few providers that can service the German market nationwide. The stricter requirements for the storage and recycling of soils and mineral building waste will form the basis for continued positive development in this business area.

Russia exhibits different trends depending on the construction sector. Demand in building construction in Moscow is generally high albeit dampened by legislative measures for project financing in those segments that are relevant for STRABAG. Large-scale projects that could be of interest to STRABAG are being planned in industrial construction.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Hungary	M30 Miskolc–Tornyosnémeti	108	0.6
Czech Republic	Modernisation of Veselí–Soběslav railway line	80	0.5
Croatia	Pelješac access road	64	0.4
Austria	Triiiple Residential Towers, Vienna	60	0.4
Hungary	Metro M3 – modernisation of five stations	55	0.3

INTERNATIONAL + SPECIAL DIVISIONS: EXPECTED LOSS OF A LARGE ORDER IN THE PROPERTY & FACILITY SERVICES BUSINESS

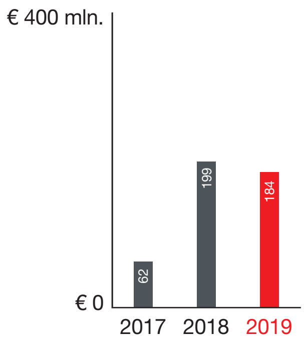
The International + Special Divisions segment includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where the services are rendered, the construction materials business, including the company's dense network of production plants but with the exception of asphalt, also belongs to this segment. The real estate business, which stretches from project development and planning to construction and operation and also includes the property and facility services business, completes the wide range of services in this segment. Additionally, most of the services in non-European markets are also bundled in International + Special Divisions.

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	3,450.57	3,740.30	-8	-289.73
Revenue	3,216.67	3,437.82	-6	-221.15
Order backlog	4,110.77	3,782.41	9	328.36
EBIT	183.97	198.69	-7	-14.72
EBIT margin (% of revenue)	5.7	5.8		
Employees (FTE)	25,219	26,279	-4	-1,060

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Germany	1,207	1,464	-18	-257
Americas	678	652	4	26
Austria	448	506	-11	-58
Rest of Europe	168	180	-7	-12
Asia	162	147	10	15
Hungary	158	163	-3	-5
Middle East	142	198	-28	-56
Czech Republic	140	144	-3	-4
Poland	119	74	61	45
Africa	62	50	24	12
Slovakia	47	52	-10	-5
Romania	29	27	7	2
Benelux	29	36	-19	-7
Sweden	23	8	188	15
Croatia	19	14	36	5
Slovenia	6	7	-14	-1
Bulgaria	5	4	25	1
Russia	3	6	-50	-3
Denmark	3	4	-25	-1
Switzerland	2	3	-33	-1
Serbia	1	1	0	0
Total	**3,451**	**3,740**	**-8**	**-289**

EBIT

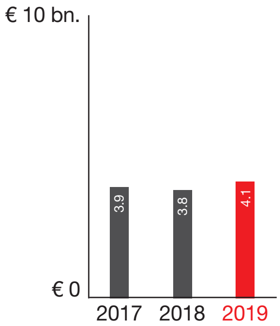


Continued very high EBIT margin

The International + Special Divisions segment generated an output volume of € 3,450.57 million in 2019. This corresponds to an already expected 8 % decline resulting from the cancellation of a major property & facility services order in the middle of the year.

The revenue fell at a somewhat lower rate than the output, slipping by 6 % to settle at € 3,216.67 million. Starting from a high level, the EBIT dropped slightly to € 183.97 million (2018: 198.69 million) while the EBIT margin weakened a bit to 5.7 % (2018: 5.8 %). The continued positive environment in real estate development and a capital gain from the sale of a facility management investment in Hungary had a positive impact on the figures. This was contrasted by the loss of the large order in the property & facility services business.

ORDER BACKLOG



Order backlog driven by major order in the UK

The order backlog increased by 9 % compared to 31 December 2018. The numerous new large-scale projects were able to significantly overcompensate for the reduction in order backlog in the home markets of Germany and Austria. The order expansion for the North Yorkshire Polyhalite Project in the UK contributed especially to boosting the order backlog. In Chile, the contracts for the Candelaria open-pit and underground mine were extended and the group received two new long-term contracts for the Nuevo Nivel Mina project at the El Teniente mine in Rancagua. In Qatar, a wastewater pumping station plant is being designed and built by a group subsidiary. And the tolling specialist EFKON expanded its presence on the Norwegian and Indian markets with further projects.

Capacity shift from core markets to international markets and the UK

In view of the relatively large size of the individual projects in the International + Special Divisions segment, the number of employees in the various countries is subject to very strong fluctuations. In general, we can see a shift of capacities from European core markets to international markets and the United Kingdom. In total, staff levels fell by 4 % to 25,219 people.

Outlook[1]: Slightly lower output volume expected in 2020

The output volume in the International + Special Divisions segment for the 2020 financial year is expected to reach a level slightly below that of the previous year. The strong impact from large projects in this segment must be taken into account.

Both the booming real estate markets and the existing project pipeline make us optimistic that the **real estate development** business will continue to contribute positively to our earnings. Several properties were sold in Germany in 2019, such as the hotel in MesseCity Cologne, two sites in Freiburg and the Haus der Höfe in Bonn, in addition to project handovers in Hanover and Böblingen. Numerous rental successes were also registered. The continuing low interest rate level and the further high demand for both commercial and residential real estate are fostering a generally friendly environment for this business segment. Against the backdrop of rising land prices, however, it became challenging to initiate new project developments with a long-term profit. STRABAG's acquisition focus in Germany is therefore also on "B cities" as well as on geographic markets such as Poland, Romania and individual projects in other Central and Eastern European countries. Alone in Warsaw, Poland, the group acquired for redevelopment the centrally located ATRIUM property, sold the STRABAG-developed ASTORIA Premium Offices, and handed over to the operator the first Motel One Hotel in Poland in 2019. In Austria, the group continues to offer the entire range of residential construction from subsidised to affordable to privately financed housing, primarily in the large cities, supplemented by real estate with residential use – e.g. student housing – and commercial project developments.

A number of milestones were also achieved in the field of **property & facility services**. The transfer of the Deutsche Telekom account to a competitor on 30 June 2019 proceeded according to plan, and the further diversification of the customer portfolio was successful with new accounts including HANSAINVEST Real Assets. In addition, STRABAG is focusing on acquisitions that round off the existing business. In April 2019, for example, the group took over the property management business and employees of CORPUS SIREO Real Estate GmbH. This was followed in June by the purchase of PORREAL Polska sp. z o.o. of Warsaw, and PORREAL Česko s.r.o. of Prague, which provide services in technical and infrastructural facility management.

Compared to real estate development and the property & facility services business, the current market conditions in **infrastructure development** are much more challenging. This applies especially to public-private partnerships (PPP) in the core European markets, which is why projects must be chosen very selectively. Nevertheless, some successes were recorded in 2019, such as the conclusion of the long-term financing for the Autopista al Mar 1 concession project in Colombia and the sale of investments in the two motorway project companies DirectRoute (Fermoy) Holdings Ltd. and DirectRoute (Limerick) Holdings Ltd. in Ireland.

The environment in **tunnelling** also remains a difficult one. Although there are numerous projects on the market, there is no end in sight to the extremely strong competition for the time being. The group therefore remains selective in

1 This outlook does not take into account any impact from the coronavirus pandemic.

this market, pursuing projects in the UK and in the international mining sector.

The **international business**, i.e. the business that STRABAG conducts in countries outside of Europe, is showing inconsistent performance. For many years now, the focus has been on parts of Africa, the Middle East and successful specialities such as test track construction. The competition – in part from Chinese providers – is increasing in the international area as well.

The development of the **construction materials business** is essentially linked to that of the construction sector. Here we should point out that the bitumen price has risen sharply in 2019.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
United Arab Emirates	Hatta Pumped Storage Power Plant, Dubai	117	0.7
Chile	Candelaria Norte	113	0.7
Israel	5th Line Water Supply, Jerusalem	85	0.5
Canada	Pumping station, Toronto	74	0.4
Austria	Koralmtunnel 2	69	0.4

OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

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

€ mln.	2019	2018	Δ 2018–2019 %	Δ 2018–2019 absolute
Output volume	144.68	115.84	25	28.84
Revenue	16.65	19.78	-16	-3.13
Order backlog	3.68	2.15	71	1.53
EBIT	0.87	0.86	1	0.01
EBIT margin (% of revenue)	5.2	4.3		
Employees (FTE)	6,464	6,230	4	234

Risk management

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

RISK MANAGEMENT AS A CORE TASK OF MANAGEMENT

Risk management is a core task of the management. The identification and assessment of risks is the responsibility of the respective management level. The risk controlling process includes the integrated quality management system with internal group directives 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 the internal audit department as neutral and independent auditing entity.

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

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

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

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

RISK MANAGEMENT USING DEFINED RISK GROUPS

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

- External risk
- Operating and technical risks
- Financial risks
- Ethical risks
- Human resource risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to work safety, environmental protection, quality, business continuity and supply chain. These are described in separate policies within the management system. The rules for proper business behaviour are conveyed by the ethics and business compliance system.

Following ISO 31000 and the Committee of Sponsoring Organisations of the Treadway Commission (COSO), our risk management system forms part of our integrated management system. We deal with the risks identified by us as follows:

EXTERNAL RISKS COUNTERED THROUGH DIVERSIFICATION

The entire construction industry is subject to **cyclical fluctuations** and reacts to varying degrees depending on region and sector. Overall economic growth, development of the construction markets, the competitive situation, the conditions on the capital markets and technological changes in construction can all result in risks. These risks are continually observed and monitored by the central departments and operating units. Changes in external risks lead to adjustments in STRABAG's organisation, market presence and range of services as well as the adaptation of strategic and operating planning. STRABAG further responds to market risk with geographic and product-related **diversification** in order to keep the influence on the company's success exerted by an individual market or by the demand for certain services as low as possible. To avoid bearing the risk of rising prices, STRABAG makes efforts at signing **cost escalation clauses** and **cost-plus-fee contracts** in which the client pays a previously agreed margin on the costs of the project.

OPERATING AND TECHNICAL RISKS REDUCED THROUGH BINDING MINIMUM STANDARDS

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

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

FINANCIAL RISKS: ACTIVE LIQUIDITY AND RECEIVABLES MANAGEMENT

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

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

ETHICAL RISKS COUNTERED WITH AN ETHICS AND BUSINESS COMPLIANCE SYSTEM

Business Compliance

As corruption and anti-competitive behaviour pose risks in the construction industry, STRABAG has implemented a set of tools that have proved effective in combating these problems. The rules for proper business behaviour are conveyed by the ethics and business compliance system. These have group-wide validity. The STRABAG business compliance model is based on the Code of Conduct, the Business Compliance Guidelines, the Business Compliance Guidelines for Business Partners, and the personnel structure of the STRABAG business compliance model, consisting of the group business compliance coordinator, the regional business compliance representatives, the internal ombudspersons and the external ombudsperson. Details on the ethical risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a of the Austrian Commercial Code (UGB).

People & Workplace

HUMAN RESOURCE RISKS: COUNTERMEASURES WITH CENTRAL HUMAN RESOURCE MANAGEMENT AND NEEDS-ORIENTED HUMAN RESOURCE DEVELOPMENT

Material human resource risks, such as recruiting bottlenecks, skilled labour shortages, fluctuation and labour law risks, are countered with a **central human resource administration and long-term, needs-oriented human resource development**. Human resource risks are to be reduced as far as possible through the targeted recruiting of qualified skilled workers and managers, extensive training activities, performance-based pay based on binding compliance with labour law provisions, as well as early succession planning. Additionally, systematic potential management is in place to ensure the development and career planning of company employees. Complementary initiatives to promote employee health, improve employment conditions and raise employee satisfaction further contribute to the company's attractiveness and prestige. Details on the human resource risks are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

IT RISKS: IT USAGE GUIDELINES AND CONTINUOUS REVIEW OF SECURITY CONCEPTS TO COUNTER CYBERCRIME

With the increasing threat of IT risks, different measures are being implemented in the form of multistep security and anti-virus concepts, user access rights, password-controlled access, appropriate backups and independent power supply. The company is also working together with professional **specialty service providers** to ensure an efficient defence against cybercrime and is constantly reviewing its security concepts. By issuing IT usage guidelines and repeatedly informing on the necessity of risk awareness when working with information and communication technologies, we aim to ensure the security, availability, performance and compliance of the IT systems. Project ideas to improve and develop IT-related processes and control systems are evaluated and prepared by nominated IT committees using a structured business process management (BPM) approach.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

The shares in mixing companies typically involve **minority interests**, as is **usual in this sector**. With these companies, economies of scope are at the fore.

LEGAL RISKS AVOIDED THROUGH EXTENSIVE RISK ANALYSIS

The central division CML Construction Services supports the risk management of the operating divisions with regard to construction industry questions or in the analysis of risks in the construction business in all project phases (contract management) and provides, organises and coordinates legal advice (legal services). Its most important tasks include comprehensive reviews and consultation in project acquisition – e.g. analysis and clarification of tender conditions, performance specifications, pre-contract agreements, tender documents, draft contracts and framework conditions – as well as support in project management.

POLITICAL RISK: INTERRUPTIONS AND DISPOSSESSION POSSIBLE

The group also operates in countries which experience political instability. Interruptions of construction activity, restrictions on ownership interests of foreign investors, and even dispossession or expropriations are among the possible consequences of political changes which could have an impact on the group's financial structure. These risks are analysed during the tendering phase and assessed by internal committees.

People & Workplace

MANAGEMENT SYSTEM FOR WORK SAFETY AND HEALTH IN PLACE

In order to control the risks related to employee safety and health, STRABAG is implementing a work safety and health management system in accordance with **OHSAS 18001** (ISO 45001 in the future) and/or **SCC**. Moreover, the company works to maintain this system and ensures a suitable emergency organisation. Persons with designated responsibility make sure that the group-wide work safety standards are followed. The aspects of work safety and health also form part of the evaluation of subcontractors and suppliers. Details on the risks related to employee safety and health are available in the Consolidated Non-Financial Report pursuant to Sec 267a UGB.

Environmental Responsibility

CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM DESIRED

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

QUALITY MANAGEMENT AS COMPONENT OF THE INTEGRATED MANAGEMENT SYSTEM

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

BUSINESS CONTINUITY: RIGOROUS INCLUSION OF GROUP CENTRAL DIVISIONS

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

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY CHAIN

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

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

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

Introduction

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

Control environment

Internal audit report in the Consolidated Corporate Governance Report

The corporate culture determines the control environment in which management and employees operate. STRABAG is constantly working to improve its communication and to convey its corporate values as defined in its Code of Conduct and its Business Compliance Guidelines in order to guarantee moral standards, ethics and integrity within the company and in its dealings with others. The implementation of the internal control system in relation to the financial reporting process is done on the basis of internal rules and guidelines. Responsibilities for internal control were adapted to fit the corporate organisation. The internal audit department carries out periodic, announced as well as unannounced inspections of all relevant business units as part of its responsibility for monitoring compliance with the law and corporate guidelines in the technical and commercial areas. The internal audit department also monitors the effectiveness of business compliance. During these inspections, the internal audit department analyses the legality and correctness of individual actions. The department also conducts regular, independent reviews of compliance with internal guidelines in the area of accounting. The head of the internal audit department reports directly to the CEO. The effectiveness of the work of the internal audit department is reviewed periodically by the financial auditor. After the most recent review in 2015, a renewed audit was commissioned in 2019.

Risk assessment

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

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

Control activities

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

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

Information and communication

The management regularly updates the rules and regulations for financial reporting and communicates them to all employees concerned. In addition, regular discussions regarding the financial reporting and the rules and regulations in this context take place in various committees. These **committees** are composed of the corporate management as well as the department head and senior **staff from the accounting department**. The committees' work aims, among other things, at guaranteeing compliance with accounting rules and regulations and at identifying and communicating weak points and potential areas for improvement in the financial reporting process. Accounting employees receive regular **training** regarding new methods of national and international financial reporting in order to identify risks of unintended misreporting at an early stage.

Monitoring

The Management and Supervisory Boards bear responsibility for the ongoing company-wide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process.

The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the Chief Financial Officer before being passed on to the Supervisory Board's Audit Committee.

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing environment. It is in this context that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing crossover between industries – driven by increasing societal demands, by the fast pace of technological progress, particularly in information and communications technology, and by customer demands – confront the company with ever more rapidly shifting challenges.

To take a more active role in shaping this change, and to use it for its own benefit, the STRABAG Group gave itself a more **technological focus**, represented by the organisationally established, **systematic innovation management** that has been in place since 2014. The aim is to support the exchange of experience and information with regard to the development activities between the employees and the decision-makers – after all, the diversity of the STRABAG Group is reflected as much in the number of different competencies as in the different demands placed upon it. At the beginning of 2020, the topic was anchored at the executive level with the new Management Board position for Digitalisation, Innovation and Business Development, which underlines the importance of this task.

The cooperation among the various divisions facilitates and promotes new developments across the individual business units. A special focus in 2019 was on the digitalisation of processes. The **platform-based** tracking of prefabricated parts, such as stairs or façade elements, is becoming increasingly widespread. In transportation infrastructures, the focus is also on the logistics chain in order to continuously optimise delivery to the major corridor construction sites. Countless time-consuming, error-prone surveys on paper forms during construction – in terms of work safety inspections, workstations, concrete deliveries and reinforcement performance levels – are now handled in an app-based manner. The data are entered on mobile end devices suitable for construction sites: Protocols and target/actual comparisons are generated automatically and made available to the participating construction offices and back offices. This significantly reduces the time required for administrative tasks related to the construction.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have also been a routine part of the group's daily activities for years. In overall charge of the planning and execution of these projects within the STRABAG Group are the two central divisions **Zentrale Technik** (ZT) and **TPA Gesellschaft für Qualitätssicherung und Innovation GmbH** (TPA), each of which report directly to a member of the Management Board.

ZT is present at **34 locations with over 1,000[1] highly qualified employees**. It provides services in the areas of tunnelling, ground civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to construction design and site management, ZT offers innovative solutions with regard to construction materials technology, construction management, building physics, and software solutions. Central topics for innovation activities are digitalisation, sustainable construction, renewable energy and, as of recent, additive processes (3D printing). Among other things, the employees at ZT develop methods and tools to optimise construction activity from the digital design to the impact on the environment. The specialist Development and Innovation staff department oversees the systematic networking of people and relevant topics, promotes new ideas and helps to drive innovation.

TPA is the group's competence centre for asphalt, concrete, earthworks, geotechnics and environmental engineering, quality management and materials-related research and development with a focus on road construction and transportation infrastructures. Its main tasks include ensuring the quality of the construction materials, structures and services, the safety and improvement of the processes, as well as developing and reviewing standards for the handling and processing of construction materials.

The research focus in 2019 included the development and the first installation of ClAir® asphalt in cooperation with STRABAG BMTI. The photocatalytic granulate with titanium dioxide used in road construction breaks down toxic nitrogen oxides and converts them into harmless substances. In this way, the new road surface is designed to contribute to nitrogen dioxide reduction. In addition, a number of projects in the field of cement/concrete were carried out around issues related to raising process safety and thus

1 Head count

the quality of the buildings. TPA has about **950[1] employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON GmbH – a subsidiary of STRABAG – is active in the research and development of intelligent traffic telematics systems, especially with regard to electronic toll collection and enforcement – a business field that requires intensive research, development and innovation activities. The focus last year was on the introduction of complex toll systems that blend unobtrusively into the cityscape. The implementation in Bergen, Norway, is particularly noteworthy. The slim device developed by EFKON, equipped with laser, high-resolution camera and radar, identifies and classifies vehicles in up to two lanes and at speeds of up to 160 km/h. With this system, traffic flows can also be optimised in historic city districts to ensure the implementation of environmental zones.

The STRABAG Group spent about € 17 million on research, development and innovation activities during the 2019 financial year (2018: about € 14 million).

The majority of the **development activity** is triggered by **construction projects** in all our business areas. Here challenges or specific questions regularly arise that require a technologically new process or an innovative solution on site. In many cases, support is offered by the aforementioned central divisions. Some issues require medium-term research and development projects, often with partner organisations.

Website Corporate Governance Report

The STRABAG SE Consolidated Corporate Governance Report is available online at www.strabag.com > Investor Relations > Corporate Governance > Corporate Governance Report.

Disclosures under Sec 243a Para 1 UGB

one share - one vote

1. The share capital of STRABAG SE amounts to € 110,000,000 and consists of 110,000,000 fully paid-in, no-par value shares with a pro rata value of € 1 per share of the share capital. 109,999,997 shares are bearer shares and are traded in the Prime Market segment of the Vienna Stock Exchange. Three shares are registered shares. Each bearer share and each registered share accounts for one vote (one share – one vote). The nomination rights associated with registered shares No. 1 and No. 2 are described in more detail under item 4.

2. The Haselsteiner Group (Haselsteiner Familien-Privatstiftung, Dr. Hans Peter Haselsteiner), the Raiffeisen Group (Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H, BLR Baubeteiligungs GmbH, "GULBIS" Beteiligungs GmbH), the UNIQA Group (UNIQA Insurance Group AG, UNIQA Beteiligungs-Holding GmbH, UNIQA Österreich Versicherungen AG, UNIQA Erwerb von Beteiligungen Gesellschaft m.b.H.) and MKAO "Rasperia Trading Limited"[2] (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the coordination of voting during the Annual General Meeting, (3) restriction on the transfer of shares and (4) joint development of the Russian market as a core market. The Haselsteiner Group, the Raiffeisen Group together with the UNIQA Group, and MKAO "Rasperia Trading Limited" each have the right to nominate two members of the Supervisory Board. The syndicate agreement also requires the syndicate partners to exercise their voting rights from syndicated shares unanimously at the Annual General Meeting of STRABAG SE. The syndicate agreement further foresees restrictions on the transfer of shares in the form of mutual pre-emptive rights as well as a minimum shareholding on the part of the syndicate partners. In accordance with Sec 65 Para 5 of the Austrian Stock Corporation Act (AktG), all rights were suspended for 7,400,000 no-par shares (6.7 % of the share capital) effective 31 December 2019 as these shares are held by STRABAG SE as own shares as defined in Sec 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG).

1 Head count
2 The shareholder Rasperia Trading Limited, Cyprus, moved its headquarters to the Russian Federation and is now called MKAO "Rasperia Trading Limited".

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 2019:

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

   The company itself held 7,400,000 no-par shares on 31 December 2019, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency. The remaining shares of STRABAG SE, amounting to about 13.5 % of the share capital, are in free float.

4. Three shares are – as mentioned under item 1 – registered shares entered in the shareholder register. Registered shares No.1 and No. 2 require the consent of the Supervisory Board for their full or partial sale and pledging. Registered shares No. 1 and No. 3 are held by the Haselsteiner Group and registered share No. 2 is held by MKAO “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. 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.

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

Related parties

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

Outlook

STRABAG SE expects to be able to maintain an output of over € 16 billion in the 2020 financial year. This assumption is well-supported by the high order backlog. From today’s perspective, no significant changes in the output volume should be observed in any of the three segments North + West, South + East and International + Special Divisions.

The planned EBIT margin (EBIT/revenue) of more than 3.5 % for the 2020 financial year represents another step toward the medium-term target of 4.0 % in 2022. The planning for 2020 is based, among other things, on the expectation that the earnings contributions from the traditionally strong specialty business fields of real estate development and property and facility services will weaken somewhat, but that at the same time further progress will be made in project risk management and that the strong demand in the construction sector in markets such as Poland or Germany will be reflected in market-driven building prices in the construction sector.

The net investments (cash flow from investing activities) in 2020 are not expected to exceed the value of € 500 million.

The effects of the ongoing coronavirus pandemic on output volume, revenue and earnings in the 2020 financial year could not yet be taken into account here, as it was not yet possible to quantify the impact by the beginning of April 2020.

Events after the reporting period

The material events after the reporting period are described in item 37 of the Notes

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Staff Divisions
and Central Divisions BMTI,
TPA as well as CML Construction Services

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Klemens Haselsteiner
Responsibility Central Divisions Digitalisation,
Innovation and Business Development as well as
Zentrale Technik, Responsibility
Subdivision NN Russia

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment South + East
(except Subdivision NN Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment
International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

Consolidated income statement

T€	Notes	2019	2018
Revenue	(1)	15,668,574	15,221,832
Changes in inventories		24,943	-66,328
Own work capitalised		6,419	33,268
Other operating income	(2)	233,142	222,977
Construction materials, consumables and services used	(3)	-10,111,854	-10,125,771
Employee benefits expenses	(4)	-3,745,149	-3,618,941
Other operating expenses	(5)	-1,024,017	-854,892
Share of profit or loss of equity-accounted investments	(6)	-21,479	83,176
Net income from investments	(7)	82,716	57,282
EBITDA		**1,113,295**	**952,603**
Depreciation and amortisation expense	(8)	-510,714	-394,388
EBIT		**602,581**	**558,215**
Interest and similar income		30,973	38,617
Interest expense and similar charges		-56,315	-66,049
Net interest income	**(9)**	**-25,342**	**-27,432**
EBT		**577,239**	**530,783**
Income tax expense	(10)	-198,684	-167,999
Net income		**378,555**	**362,784**
attributable to: non-controlling interests		6,860	9,249
attributable to: equity holders of the parent company		371,695	353,535
Earnings per share (€)	**(11)**	**3.62**	**3.45**

Statement of total comprehensive income

T€	Notes	2019	2018
Net income		**378,555**	**362,784**
Differences arising from currency translation		10,013	-2,205
Recycling of differences arising from currency translation		47	779
Change of interest rate swaps		-21,217	-3,902
Recycling of interest rate swaps		13,697	12,896
Change in cost-of-hedging reserves		278	72
Change in fair value of currency hedging instruments		-15,241	-10,600
Recycling of fair value of currency hedging instruments		9,795	0
Deferred taxes on neutral change in equity	(10)	6,264	3,349
Other income from equity-accounted investments		-6,471	-3,174
Total of items which are later recognised ("recycled") in the income statement		*-2,835*	*-2,785*
Change in actuarial gains or losses		-47,506	1,478
Deferred taxes on neutral change in equity	(10)	13,704	1,285
Other income from equity-accounted investments		-156	78
Total of items which are not later recognised ("recycled") in the income statement		*-33,958*	*2,841*
Other income		**-36,793**	**56**
Total comprehensive income		**341,762**	**362,840**
attributable to: non-controlling interests		6,863	9,389
attributable to: equity holders of the parent company		334,899	353,451

Consolidated balance sheet

T€	Notes	31.12.2019	31.12.2018
Intangible assets	(12)	490,852	493,407
Rights from concession arrangements[1]	(13)	530,357	547,237
Property, plant and equipment	(14)	2,632,486	2,144,015
Equity-accounted investments	(15)	454,532	378,617
Other investments	(16)	175,062	185,297
Receivables from concession arrangements	(19)	599,036	630,262
Other financial assets	(22)	229,910	250,137
Deferred taxes	(17)	137,617	146,940
Non-current assets		**5,249,852**	**4,775,912**
Inventories	(18)	983,546	890,157
Receivables from concession arrangements	(19)	39,323	36,268
Contract assets	(20)	1,354,897	1,282,907
Trade receivables	(21)	1,700,729	1,735,944
Non-financial assets		128,397	127,008
Income tax receivables		43,715	40,200
Other financial assets	(22)	289,538	293,381
Cash and cash equivalents	(23)	2,460,814	2,385,828
Current assets		**7,000,959**	**6,791,693**
Assets		**12,250,811**	**11,567,605**
Share capital		110,000	110,000
Capital reserves		2,315,384	2,315,384
Retained earnings and other reserves		1,396,820	1,195,301
Non-controlling interests		33,695	33,088
Total equity	**(24)**	**3,855,899**	**3,653,773**
Provisions	(25)	1,136,915	1,116,592
Financial liabilities[2]	(26)	1,066,698	1,087,621
Other financial liabilities	(28)	92,218	78,755
Deferred taxes[1]	(17)	48,696	43,216
Non-current liabilities		**2,344,527**	**2,326,184**
Provisions	(25)	893,306	734,481
Financial liabilities[3]	(26)	355,509	275,709
Contract liabilities	(20)	957,247	974,566
Trade payables	(27)	2,826,640	2,615,255
Non-financial liabilities		498,350	520,227
Income tax liabilities		134,971	74,609
Other financial liabilities	(28)	384,362	392,801
Current liabilities		**6,050,385**	**5,587,648**
Equity and liabilities		**12,250,811**	**11,567,605**

1 Adjustment of values 2018 due to initial consolidation in accordance with IFRS 3.45
2 Thereof T€ 597,187 concerning non-recourse liabilities from concession arrangements (2018: T€ 665,861)
3 Thereof T€ 68,339 concerning non-recourse liabilities from concession arrangements (2018: T€ 64,912)

Consolidated cash flow statement

T€	Notes	2019	2018
Net income		378,555	362,784
Deferred taxes		32,903	52,348
Non-cash effective results from consolidation		-18,984	-1,191
Non-cash effective results from equity-accounted investments		-16,425	-58,826
Other non-cash effective results		-14,444	-12,196
Depreciations/reversal of impairment losses		515,825	406,350
Change in non-current provisions		24,171	-34,122
Gains/losses on disposal of non-current assets		-50,554	-60,764
Cash flow from earnings		**851,047**	**654,383**
Change in inventories		-24,188	-103,422
Change in receivables from concession arrangements, contract assets and trade receivables		-85,763	-57,726
Change in non-financial assets[1]		-1,730	-4,706
Change in income tax receivables[1]		-3,796	22,778
Change in other financial assets[1]		14,945	-2,741
Change in current provisions		108,228	-24,494
Change in contract liabilities and trade payables		197,227	194,965
Change in non-financial liabilities[1]		-18,519	46,361
Change in income tax liabilities[1]		60,633	-3,898
Change in other financial liabilities[1]		-22,149	67,476
Cash flow from operating activities		**1,075,935**	**788,976**
Purchase of financial assets		-31,379	-27,552
Purchase of property, plant, equipment and intangible assets		-647,440	-644,988
Inflows from asset disposals		105,476	116,053
Change in other financing receivables[1]		-11,233	-13,978
Change in scope of consolidation		-8,721	-70,263
Cash flow from investing activities		**-593,297**	**-640,728**
Issue of bank borrowings		16,650	33,465
Repayment of bank borrowings		-135,248	-184,589
Repayment of bonded loan		-18,500	0
Repayment of bonds		-100,000	-175,000
Change in lease liabilities		-56,424	0
Change in other financing liabilities		-4,493	-20,068
Change in non-controlling interests due to acquisition		-3,586	-78,027
Distribution of dividends		-110,014	-109,953
Cash flow from financing activities		**-411,615**	**-534,172**
Net change in cash and cash equivalents		**71,023**	**-385,924**
Cash and cash equivalents at the beginning of the period		2,384,343	2,789,687
Change in cash and cash equivalents due to currency translation		3,963	-18,695
Change in restricted cash and cash equivalents		640	-725
Cash and cash equivalents at the end of the period	**(31)**	**2,459,969**	**2,384,343**

1 To clarify the representation the items were adjusted to the balance sheet structure and the comparison period was adjusted.

Statement of changes in equity

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves[1]	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 31.12.2017	**110,000**	**2,315,384**	**1,073,907**	**-78,797**	**-50,021**	**3,370,473**	**27,246**	**3,397,719**
Initial application of IFRS 9	0	0	2,742	0	0	2,742	-180	2,562
Initial application of IFRS 15	0	0	27,502	0	0	27,502	1,528	29,030
Balance as at 1.1.2018	**110,000**	**2,315,384**	**1,104,151**	**-78,797**	**-50,021**	**3,400,717**	**28,594**	**3,429,311**
Net income	0	0	353,535	0	0	353,535	9,249	362,784
Differences arising from currency translation	0	0	-65	0	-1,504	-1,569	143	-1,426
Change in foreign exchange forward	0	0	0	-10,528	0	-10,528	0	-10,528
Change in equity-accounted investments	0	0	-106	906	-3,896	-3,096	0	-3,096
Change of actuarial gains and losses	0	0	1,483	0	0	1,483	-5	1,478
Change of interest rate swaps	0	0	0	8,994	0	8,994	0	8,994
Deferred taxes on neutral change in equity	0	0	1,283	3,349	0	4,632	2	4,634
Total comprehensive income	**0**	**0**	**356,130**	**2,721**	**-5,400**	**353,451**	**9,389**	**362,840**
Transactions concerning non-controlling interests	0	0	-106	0	3	-103	-836	-939
Transactions concerning non-controlling interests due to changes in scope of consolidation	0	0	0	0	0	0	104	104
Distribution of dividends[2]	0	0	-133,380	0	0	-133,380	-4,163	-137,543
Balance as at 31.12.2018	**110,000**	**2,315,384**	**1,326,795**	**-76,076**	**-55,418**	**3,620,685**	**33,088**	**3,653,773**

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves[1]	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2019	**110,000**	**2,315,384**	**1,326,795**	**-76,076**	**-55,418**	**3,620,685**	**33,088**	**3,653,773**
Net income	0	0	371,695	0	0	371,695	6,860	378,555
Differences arising from currency translation	0	0	0	0	10,035	10,035	25	10,060
Change in foreign exchange forward	0	0	0	-5,168	0	-5,168	0	-5,168
Change in equity-accounted investments	0	0	-156	-4,349	-2,122	-6,627	0	-6,627
Change of actuarial gains and losses	0	0	-47,477	0	0	-47,477	-29	-47,506
Change of interest rate swaps	0	0	0	-7,520	0	-7,520	0	-7,520
Deferred taxes on neutral change in equity	0	0	13,697	6,264	0	19,961	7	19,968
Total comprehensive income	**0**	**0**	**337,759**	**-10,773**	**7,913**	**334,899**	**6,863**	**341,762**
Transactions concerning non-controlling interests	0	0	0	0	0	0	-3,085	-3,085
Distribution of dividends[2]	0	0	-133,380	0	0	-133,380	-3,171	-136,551
Balance as at 31.12.2019	**110,000**	**2,315,384**	**1,531,174**	**-86,849**	**-47,505**	**3,822,204**	**33,695**	**3,855,899**

1 The hedging reserve includes also the cost of hedging, see page 254.
2 The total dividend payment of T€ 133,380 corresponds to a dividend per share of € 1.30 based on 102,600,000 shares.

Consolidated statement of fixed assets as at 31 December 2019

T€	Acquisition and production costs					
	Balance as at 1.1. 2019	Additions in scope of consolidation	Disposals in scope of consoli-dation	Currency translation	Additions	Transfers
I. Intangible assets						
1. Concessions, software, licences, rights	136,929	1,810	831	-29	6,036	230
2. Goodwill	686,181	3,409	2,000	1,595	0	0
3. Advances paid	270	0	0	0	109	-230
Total	**823,380**	**5,219**	**2,831**	**1,566**	**6,145**	**0**
II. Rights from concession arrangements	**551,793**	**0**	**0**	**0**	**0**	**0**
III. Tangible assets						
1. Properties and buildings	1,553,326	401	2,642	2,677	37,131	25,309
2. Right-of-use assets[2]	358,905	0	0	70	41,802	0
3. Technical equipment and machinery	2,797,411	2,486	3,525	-3,649	329,951	16,324
4. Other facilities, furniture and fixtures and office equipment	1,193,984	1,824	1,930	1,395	215,108	-327
5. Advances paid and facilities under construction	117,869	0	0	-147	59,028	-41,306
6. Investment property	146,874	0	0	18	79	0
Total	**6,168,369**	**4,711**	**8,097**	**364**	**683,099**	**0**

Consolidated statement of fixed assets as at 31 December 2018

T€	Acquisition and production costs					
	Balance as at 31.12. 2017	Additions in scope of consolidation	Disposals in scope of consoli-dation	Currency translation	Additions	Transfers
I. Intangible assets						
1. Concessions, software, licences, rights	132,408	3,175	9	-553	4,519	307
2. Goodwill	685,427	1,398	0	-644	0	0
3. Advances paid	447	0	0	0	72	-249
Total	**818,282**	**4,573**	**9**	**-1,197**	**4,591**	**58**
II. Rights from concession arrangements[4]	**0**	**551,793**	**0**	**0**	**0**	**0**
III. Tangible assets						
1. Properties and buildings	1,498,108	4,835	5,109	-3,652	62,503	27,247
2. Technical equipment and machinery	2,759,145	4,033	30	-17,765	268,638	20,376
3. Other facilities, furniture and fixtures and office equipment	1,104,408	1,062	351	-2,116	214,074	778
4. Advances paid and facilities under construction	73,377	25	0	-994	94,741	-48,459
5. Investment property	155,203	0	0	-11	441	0
Total	**5,590,241**	**9,955**	**5,490**	**-24,538**	**640,397**	**-58**

1 Of this amount, impairments of T€ 20,164, reversal of impairment losses T€ 7
2 First-time adoption of IFRS 16 with an effective date of 1.1.2019
3 Of this amount, impairments of T€ 5,664, reversal of impairment losses T€ 120
4 Adjustment of values due to initial consolidation in accordance with IFRS 3.45

Accumulated depreciation

Disposal	Balance as at 31.12.2019	Balance as at 1.1. 2019	Additions in scope of consolidation	Disposals in scope of consoli-dation	Currency translation	Additions[1]	Transfers	Disposal	Balance as at 31.12.2019	Carrying amount as at 31.12.2019	Carrying amount as at 31.12.2018
2,518	141,627	96,316	1,152	716	-183	8,712	0	852	104,429	37,198	40,613
0	689,185	233,657	0	0	-1	2,024	0	0	235,680	453,505	452,524
0	149	0	0	0	0	0	0	0	0	149	270
2,518	**830,961**	**329,973**	**1,152**	**716**	**-184**	**10,736**	**0**	**852**	**340,109**	**490,852**	**493,407**
0	**551,793**	**4,556**	**0**	**0**	**0**	**16,880**	**0**	**0**	**21,436**	**530,357**	**547,237**
52,075	1,564,127	678,794	110	76	1,598	51,398	-591	34,752	696,481	867,646	874,532
18,996	381,781	0	0	0	-1	58,607	0	3,172	55,434	326,347	0
180,087	2,958,911	2,094,143	2,107	73	-2,264	230,765	-103	177,403	2,147,172	811,739	703,268
134,234	1,275,820	751,078	1,341	823	1,060	142,131	694	121,499	773,982	501,838	442,906
15,829	119,615	0	0	0	0	0	0	0	0	119,615	117,869
1,171	145,800	141,434	0	0	0	197	0	1,132	140,499	5,301	5,440
402,392	**6,446,054**	**3,665,449**	**3,558**	**972**	**393**	**483,098**	**0**	**337,958**	**3,813,568**	**2,632,486**	**2,144,015**

Accumulated depreciation

Disposal	Balance as at 31.12.2018	Balance as at 31.12. 2017	Additions in scope of consolidation	Disposals in scope of consoli-dation	Currency translation	Additions[3]	Transfers	Disposal	Balance as at 31.12.2018	Carrying amount as at 31.12.2018	Carrying amount as at 31.12.2017
2,918	136,929	89,340	1,201	9	-380	8,011	0	1,847	96,316	40,613	43,068
0	686,181	230,115	0	0	1,808	1,734	0	0	233,657	452,524	455,312
0	270	0	0	0	0	0	0	0	0	270	447
2,918	**823,380**	**319,455**	**1,201**	**9**	**1,428**	**9,745**	**0**	**1,847**	**329,973**	**493,407**	**498,827**
0	**551,793**	**0**	**0**	**0**	**0**	**4,556**	**0**	**0**	**4,556**	**547,237**	**0**
30,606	1,553,326	658,391	96	1,490	-1,396	37,233	140	14,180	678,794	874,532	839,717
236,986	2,797,411	2,112,529	1,374	30	-12,394	206,260	-37	213,559	2,094,143	703,268	646,616
123,871	1,193,984	728,086	233	267	-884	136,300	-103	112,287	751,078	442,906	376,322
821	117,869	0	0	0	0	0	0	0	0	117,869	73,377
8,759	146,874	148,959	0	0	0	294	0	7,819	141,434	5,440	6,244
401,043	**5,809,464**	**3,647,965**	**1,703**	**1,787**	**-14,674**	**380,087**	**0**	**347,845**	**3,665,449**	**2,144,015**	**1,942,276**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic principles

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

The consolidated financial statements of STRABAG SE, at the reporting date 31 December 2019, were drawn up under application of Section 245a Paragraph 2 of the Austrian Commercial Code (UGB) in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

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

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

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

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

Changes in accounting policies

NEW AND REVISED STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR THE 2019 FINANCIAL YEAR

The IASB has made the following amendments to the existing IFRS and passed several new IFRS and IFRIC, which have also been adopted by the European Commission. Application thus became mandatory on 1 January 2019.

	Application for financial years which begin on or after (according to IASB)	**Application for financial years which begin on or after (according to EU endorsement)**
IFRS 16 Leases	1.1.2019	1.1.2019
Amendments to IFRS 9 Financial Instruments	1.1.2019	1.1.2019
IFRIC 23 Uncertainty over Income Tax Treatments	1.1.2019	1.1.2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1.1.2019	1.1.2019
Annual Improvements to IFRS 2015–2017	1.1.2019	1.1.2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	1.1.2019	1.1.2019

FIRST-TIME ADOPTION OF IFRS 16 LEASES

STRABAG SE adopted IFRS 16 on 1 January 2019.

IFRS 16 was applied using the modified retrospective approach in accordance with the transitional provisions of IFRS 16. Here the right-of-use asset was measured at the amount of the lease liability. The previous year's figures were not adjusted. See also the notes on page 234.

With the first-time adoption of IFRS 16, the group recognised lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate of the lessee applied to the lease liabilities as at 1 January 2019 is 1.76 %.

As part of the initial adoption of IFRS 16 the following figures were presented.

T€	**First-time adoption of IFRS 16**
Assets	
Right-of-use assets	358,905
Equity and liabilities	
Non-current financial liabilities	306,455
Current financial liabilities	52,450

The effects of adopting IFRS 16 as of 1 January 2019 are presented in detail in the following table.

T€	**Lease liability**
Obligations under operating leases as at 31.12.2018	**236,721**
Short-term leases recognised as an expense	-9,348
Leases of low-value assets	-6,268
Adjustments due to differences in the treatment of termination and extension options	207,579
Effect of discounting during adoption of IFRS 16	-69,778
Lease liability as at 1.1.2019	**358,905**

There were no onerous leases at the date of first-time adoption of IFRS 16, so no impairment of the right-of-use assets was required.

The group applied the following practical expedients to facilitate the adoption of IFRS 16:

- The accounting of leases with a remaining term of less than twelve months as at 1 January 2019 as short-term leases.
- The non-inclusion of initial direct costs in the measurement of right-of-use assets at the time of adoption.
- The retroactive determination of the lease term for contracts with extension or termination options ("use of hind-sight").
- For leases concluded before the transition date, the group opted not to re-examine whether a contract was or contained a lease at adoption, but to maintain the previous treatment under IAS 17 and IFRIC 4.

The first-time adoption of the other above-stated IFRS standards and IFRIC interpretations had only an immaterial impact on the consolidated financial statements as at 31 December 2019, as the changes were only applicable in individual cases.

FUTURE CHANGES OF FINANCIAL REPORTING STANDARDS

The IASB and the IFRIC approved further standards and interpretations. However, these were neither required to be applied in the 2019 financial year nor adopted by the European Commission. The amendments affect the following standards and interpretations:

	Application for financial years which begin on or after (according to IASB)	Application for financial years which begin on or after (according to EU endorsement)	Impact on the consolidated financial statements
IFRS 17 Insurance Contracts	1.1.2023	n. a.	no
Amendments to IFRS framework	1.1.2020	1.1.2020	minor
Amendments to IFRS 3 Business Combinations	1.1.2020	n. a.[1]	minor
Amendments to IAS 1 and IAS 8	1.1.2020	1.1.2020	minor
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, Phase I	1.1.2020	1.1.2020	is being analysed

The IBOR reform will result in the modification of cash flows included in a hedging relationship when existing interest rate benchmarks are replaced by alternative interest rate benchmarks. Given the existing uncertainties, current requirements in IFRS 9 may require hedge accounting for hedging relationships to be discontinued. IFRS 9 may also prevent entities from designating new hedging relationships as long as the uncertainties persist. The IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 as a reaction to the potential effects of the IBOR reform (Phase 1) with the intention of mitigating the effects that the reform will have on financial reporting.

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

Consolidation

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

SUBSIDIARIES

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

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

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

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

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

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

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

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

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

In the 2019 financial year, T€ 3,409 (2018: T€ 1,399) in goodwill arising from capital consolidation were recognised as assets. Impairments in the amount of T€ 2,024 (2018: T€ 1,734) were made.

Immaterial subsidiaries are not consolidated; these are reported at amortised cost and recognised in the item other investments.

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

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

DISPOSAL OF SUBSIDIARIES

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

STRUCTURED ENTITIES

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

ASSOCIATES

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

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

In the year under review, the initial equity measurement of newly acquired entities did not result in any goodwill, which is reported under equity-accounted investments.

Associates which are immaterial and therefore not recognised using the equity method, are recognised at amortised cost and accounted for in the item other investments.

JOINT ARRANGEMENTS

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

Joint ventures which are immaterial and therefore not recognised using the equity method, are recognised at amortised cost and accounted for in the item other investments.

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

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

In the year under review, the initial equity measurement of newly acquired entities resulted in net goodwill in the amount of T€ 20,209 (2018: T€ 0), which are reported under equity-accounted investments.

INVESTMENTS

In accordance with IFRS 9, investments which do not constitute subsidiaries, joint ventures or associates are recognised at fair value through profit or loss and are stated under other investments.

CONSOLIDATION PROCEDURES

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

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

Unrealised profits from transactions between group entities and associates are eliminated in proportion to the group's share in the associate.

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

The necessary tax deferrals are made for consolidation procedures.

Scope of consolidation

The consolidated financial statements as at 31 December 2019 include STRABAG SE as well as all major domestic and foreign subsidiaries over which STRABAG SE either directly or indirectly has control. Associates and joint ventures are reported in the balance sheet using the equity method (equity-accounted investments).

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

Subsidiaries and equity-accounted investments included in the 2019 consolidated financial statements are given in the list of investments.

The financial year for all consolidated and associated companies, with the exception of the following companies that are included in the scope of consolidation on the basis of an interim report effective 31 December 2019, is identical with the calendar year.

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

The number of consolidated companies changed in the 2018 and 2019 financial years as follows:

	Consolidation	Equity method
Situation as at 31.12.2017	**295**	**22**
First-time inclusions in year under report	12	3
First-time inclusions in year under report due to merger/accretion	6	0
Merger/accretion in year under report	-11	0
Exclusions in year under report	-12	-1
Situation as at 31.12.2018	**290**	**24**
First-time inclusions in year under report	4	4
First-time inclusions in year under report due to merger/accretion	11	0
Merger/accretion in year under report	-17	0
Exclusions in year under report	-3	-1
Situation as at 31.12.2019	**285**	**27**

ADDITIONS TO SCOPE OF CONSOLIDATION

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

Consolidation	Direct stake %	Date of acquisition or foundation
DISTRICT DEVELOPMENT SRL, Bucharest	100.00	1.1.2019[1]
STR Holding Generál Kft., Budapest	100.00	31.3.2019
STR Holding MML Kft., Budapest	100.00	1.1.2019
STRABAG PFS Polska Sp. z o.o., Warsaw	100.00	1.3.2019
Merger/Accretion		
BAYSTAG GmbH, Wildpoldsried	100.00	27.8.2019[2]
Heimfeld Terrassen GmbH, Cologne	100.00	21.8.2019[2]
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o., Zagreb	100.00	19.6.2019[2]
Offshore Services Cuxhaven GmbH, Cologne	100.00	12.8.2019[2]
Offshore Wind Logistik GmbH, Stuttgart	100.00	27.8.2019[2]
PRID-CIECHANOW Sp.z o.o., Warsaw	100.00	31.1.2019[2]
Steffes-Mies GmbH, Sprendlingen	100.00	19.8.2019[2]
STRABAG Offshore Wind GmbH, Stuttgart	100.00	27.8.2019[2]
STRABAG PFS FM Sp. z o.o., Warsaw	100.00	30.11.2019[2]
Strabag Property and Facility Services Sp. z o.o., Pruszkow	100.00	31.10.2019[2]
Züblin Services GmbH, Stuttgart	100.00	3.9.2019[2]
at-equity		
Leopold Ungar Platz 3 GmbH, Vienna	50.00	21.8.2019[3]
NWM Nordwestdeutsche Mischwerke GmbH & Co. KG, Großenkneten	50.00	1.1.2019
Silenos Energy Geothermie Garching a.d. Alz GmbH & Co. KG, Augsburg	50.00	1.1.2019
SQUARE Two GmbH & Co KG, Vienna	50.00	21.8.2019[3]

ACQUISITIONS

Via its 100 % subsidiary Strabag Property and Facility Services GmbH of Vienna, STRABAG has acquired 100 % of the shares in PORREAL Polska Sp. z o.o. and Caverion Polska Sp. z o.o., both based in Warsaw. The acquisitions supplement the company's service portfolio in Poland with additional technical expertise and open up new customer segments. With these purchases, STRABAG PFS rises to the top five in the market in Poland. The companies newly acquired in 2019 were merged with the existing Strabag Property and Facility Services Sp. z o.o., Pruzkow, and included in the consolidated financial statements for the first time.

The following table presents a preliminary allocation of the purchase prices to the assets and liabilities acquired:

T€	Acquisition STRABAG PFS Polska
Acquired assets and liabilities	
Goodwill	2,558
Other non-current assets	796
Current assets	5,711
Non-current liabilities	172
Current liabilities	3,982
Trade-off (purchase price)	**4,911**
Acquired cash and cash equivalents	-1,101
Net cash outflow from acquisition	**3,810**

1 Due to its increased business volumes, the company was included in the scope of consolidation of the group for the first time effective 1 January. The foundation/acquisition of the company occurred before 1 January 2019.
2 The companies listed under Merger/Accretion were merged with/accrued on already consolidated companies and as such are at once represented as additions to and removals from the scope of consolidation.
3 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

Companies included for the first time were consolidated at the date of acquisition or a near reporting date, provided this had no significant difference to an inclusion at the date of acquisition.

From the first-time consolidation of the other companies in the 2019 financial year, goodwill in the amount of T€ 851 (2018: T€ 0) occurred. This amount is reported under other operating income; the remaining differences of T€ 264 (2018: T€ -428) were recognised in the income statement.

Assuming a fictitious first-time consolidation on 1 January 2019 for all new acquisitions, consolidated revenue and net income would not change in the fiscal year.

All companies which were consolidated for the first time in 2019 contributed T€ 30,701 to revenue (2018: T€ 38,007) and T€ 1,226 (2018: T€ -3,397) to net income after minorities.

at-equity

With effect from 1 January 2019 , STRABAG and JOHANN BUNTE Bauunternehmung GmbH & Co. KG, Papenburg, set up a joint venture, **NWM Nordwestdeutsche Mischwerke GmbH & Co. KG**, based in Großenkneten.

Asphalt mixing plants in Lower Saxony, Westphalia, Hamburg and Schleswig-Holstein were transferred to this company by both shareholders, with STRABAG making a compensatory payment in the amount of T€ 26,679. STRABAG holds 50 % of the shares through its wholly owned subsidiary Deutsche Asphalt GmbH, Cologne.

The allocation of the purchase price to the assets and liabilities of the joint venture results in goodwill of T€ 19,676, which is reported as part of the equity-accounted investments.

The transfer of property, plant and equipment against company shares resulted in earnings of T€ 3,029, which is reported under other operating income. Due to the transfer of business operations as defined by IFRS 3, income recognition was made in full in accordance with IFRS 10.

The first-time equity valuation of other companies resulted in goodwill of T€ 533 (2018: T€ 0), which is reported under equity investments.

Changes to initial consolidation under IFRS 3.45

PANSUEVIA GmbH & Co. KG, based in Jettingen-Scheppach, was consolidated for the first time in the 2018 financial year. The preliminary purchase price allocation made in 2018 was retrospectively adjusted in the 2019 financial year in accordance with IFRS 3.45. This resulted in a reduction of the concession right and of the deferred tax liabilities in the amount of T€ 53,843, which is shown in the balance sheet as of 31 December 2018.

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 31 December 2019, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
Leopold Ungar Platz 3 GmbH, Vienna	Partial sale
SQUARE Two GmbH & Co KG, Vienna	Partial sale
STRABAG Property and Facility Services Zrt., Budapest	Sale
Merger/Accretion[1]	
"PUTEVI" A.D. CACAK, Cacak	Merger
BAYSTAG GmbH, Wildpoldsried	Merger
Heimfeld Terrassen GmbH, Cologne	Merger
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o., Zagreb	Merger
Offshore Services Cuxhaven GmbH, Cologne	Merger
Offshore Wind Logistik GmbH, Stuttgart	Merger
Preduzece za puteve BEOGRAD doo Beograd, Beograd	Merger
PRID-CIECHANOW Sp.z o.o., Warsaw	Merger
PZC SPLIT d.d., Split	Merger
Steffes-Mies GmbH, Sprendlingen	Merger
STRABAG BRVZ S.R.L., Bucharest	Merger
STRABAG Offshore Wind GmbH, Stuttgart	Merger
STRABAG PFS FM Sp. z o.o., Warsaw	Merger
Strabag Property and Facility Services Sp. z o.o., Pruszkow	Merger
VOJVODINAPUT-PANCEVO DOO, Pancevo	Merger
Züblin Chuquicamata SpA, Santiago	Merger
Züblin Services GmbH, Stuttgart	Merger
at-equity	
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED, Fermoy	Sale

The effect from deconsolidation of **STRABAG Property and Facility Services Zrt., Budapest**, is comprised as follows:

T€	**Disposals from scope of consolidation**
Disposals of assets and liabilities	
Other non-current assets	432
Current assets	25,058
Current liabilities	-19,194
Non-controlling interests	-3,085
Disposal profit	16,233
Sale price	**19,444**
Disposals of cash and cash equivalents	-2,504
Net cash inflow from sale	**16,940**

Resulting profit from deconsolidation is recognised in other operating expenses.

Resulting profit from other deconsolidation in the amount of T€ 1,588 (2018: T€ 2,629) and losses in the amount of T€ 0 (2018: T€ 3,675) are recognised in profit or loss.

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

NON-CONTROLLING INTERESTS

As of 31 December 2019, the amount of the non-controlling interests stood at T€ 33,695 (2018: T€ 33,088) in the STRABAG SE Group and is thus immaterial. The non-controlling interests comprise numerous subsidiaries and concern mainly the 5.1 % share in Strabag Real Estate GmbH, Cologne, and its subsidiaries.

1 The companies listed under Merger/Accretion were merged with already consolidated companies or, as a result of accretion, formed part of consolidated companies.

Besides the above-mentioned investments, the ownership interests in other subsidiaries in the financial year changed only insignificantly or had insignificant impact. The changes are represented in the list of subsidiaries, equity-accounted investments and investee companies which is included in the yearly financial report.

Currency translation

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

The functional currency of STRABAG's subsidiaries is the respective local currency, with the exception of the following companies, whose functional currency is the euro:

- AKA Alföld Koncesszios Autopalya Zrt., Budapest
- AMFI HOLDING Kft., Budapest
- BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw
- EVOLUTION TWO Sp. z o.o., Warsaw
- EXP HOLDING Kft., Budapest
- OOO "RANITA", Moscow

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

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

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

Monetary items in form of receivables or payables which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of an entity´s net investment in a foreign operation. Currency translation differences arising on such monetary items are initially recognised in other comprehensive income and reclassified from equity to profit and loss on disposal of the net investment.

The most important currencies, including their average exchange rates, are listed under item 32. Currency translation differences of T€ 10,060 (2018: T€ -1,426) were recognised directly in equity in the financial year. Forward exchange operations (hedging), excluding deferred taxes, in the amount of T€ -5,168 (2018: T€ -10,528) were recognised directly in equity.

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

Consolidated companies and equity-accounted associates and joint ventures

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

Austria		Nominal capital T€/TATS	Direct stake %
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau		35	100.00
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau		35	100.00
"Viennaer Heim" Wohnbaugesellschaft m.b.H., Vienna		741	100.00
ABR Abfall Behandlung und Recycling GmbH, Schwadorf		37	100.00
Asphalt & Beton GmbH, Spittal an der Drau		36	100.00
AUSTRIA ASPHALT GmbH & Co OG, Spittal an der Drau	TATS	500	100.00
Bau Holding Beteiligungs GmbH, Spittal an der Drau		48,000	100.00
BEWO - Projekt Q4a Reininghausstraße GmbH & Co KG, Graz		0	60.00
Bitumen Handelsgesellschaft m.b.H. & Co KG, Loosdorf	TATS	3,000	100.00
BITUNOVA Baustofftechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	2,000	100.00
BLUMENFELD Liegenschaftsverwaltungs GmbH, Vienna	TATS	1,000	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH, Vienna		36	100.00
BrennerRast GmbH, Vienna		35	100.00
Bug-AluTechnic GmbH, Vienna		5,000	100.00
Campus Eggenberg Immobilienprojekt GmbH, Graz		36	60.00
DC1 Immo GmbH, Vienna		35	100.00
Diabaswerk Saalfelden Gesellschaft m.b.H., Saalfelden		363	100.00
Eckstein Holding GmbH, Spittal an der Drau		73	100.00
EFKON GmbH, Raaba		28,350	100.00
Erdberger Mais GmbH & Co KG, Vienna		1	100.00
F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG, Wiener Neustadt		1,192	100.00
Goldeck Bergbahnen GmbH, Spittal an der Drau		363	100.00
Ilbau Liegenschaftsverwaltung GmbH, Spittal an der Drau		4,500	100.00
InfoSys Informationssysteme GmbH, Spittal an der Drau		363	94.90
Innsbrucker Nordkettenbahnen Betriebs GmbH, Innsbruck		35	51.00
KAB Straßensanierung GmbH & Co KG, Spittal an der Drau		133	50.60
Kanzel Steinbruch Dennig Gesellschaft mit beschränkter Haftung, Gratkorn	TATS	500	75.00
Krems Sunside Living Projektentwicklung GmbH, Vienna		35	100.00
M5 Beteiligungs GmbH, Vienna		70	100.00
M5 Holding GmbH, Vienna		35	100.00
Mineral Abbau GmbH, Spittal an der Drau		36	100.00
Mischek Bauträger Service GmbH, Vienna		36	100.00
Mischek Systembau GmbH, Vienna		1,000	100.00
Mobil Baustoffe GmbH, Spittal an der Drau		50	100.00
Nottendorfer Gasse 13 Kom GmbH, Vienna		35	100.00
OAT - Bohr- und Fugentechnik Gesellschaft m.b.H., Spittal an der Drau	TATS	1,000	51.00
Osttiroler Asphalt Hoch- und Tiefbauunternehmung GmbH, Lavant i. Osttirol		36	80.00
Q4a Immobilien GmbH, Graz		35	60.00
Raststation A 3 GmbH, Vienna		35	100.00
RBS Rohrbau-Schweißtechnik Gesellschaft m.b.H., Linz		291	100.00
RE Beteiligungsholding GmbH, Vienna		35	100.00
RE Klitschgasse Errichtungs GmbH, Vienna		35	67.00
RE Projekt Errichtungs GmbH in Liqu., Vienna		35	100.00
RE Wohnraum GmbH, Vienna		35	100.00
RE Wohnungseigentumserrichtungs GmbH, Vienna		35	100.00
Sakela Beteiligungsverwaltungs GmbH, Vienna		35	100.00
SF Bau vier GmbH, Vienna		35	100.00
SILO DREI Beteiligungsverwaltungs GmbH & Co KG, Vienna		50	100.00
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG, Vienna		200	51.00
SILO II LBG 57 - 59 Liegenschaftsverwertung GmbH & Co KG, Vienna		200	51.00
SILO ZWEI Beteiligungsverwaltungs GmbH & Co KG, Vienna		50	100.00
SQUARE One GmbH & Co KG, Vienna		1	100.00
STRABAG AG, Spittal an der Drau		12,000	100.00
STRABAG Bau GmbH, Vienna		1,800	100.00
STRABAG BMTI GmbH, Vienna		1,454	100.00

STRABAG BRVZ GmbH, Spittal an der Drau		37	100.00
STRABAG Holding GmbH, Vienna		35	100.00
STRABAG Infrastructure & Safety Solutions GmbH, Vienna		727	100.00
Strabag Liegenschaftsverwaltung GmbH, Linz		4,500	100.00
STRABAG Property and Facility Services GmbH, Vienna		1,500	100.00
STRABAG Real Estate GmbH, Vienna		44	100.00
STRABAG SE, Villach		110,000	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna		440	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH, Vienna		37	100.00
VIOLA PARK Immobilienprojekt GmbH, Vienna		45	75.00
Wohnquartier Reininghausstraße GmbH, Graz		35	60.00
Züblin Holding GesmbH, Vienna		55	100.00
Züblin Spezialtiefbau Ges.m.b.H., Vienna		1,500	100.00

Germany		**Nominal capital T€/TDEM**	**Direct stake %**
Alpines Hartschotterwerk GmbH, Leinfelden-Echterdingen		25	100.00[1]
ARGE STRABAG, Cologne			100.00
Baumann & Burmeister GmbH, Halle/Saale		51	100.00[1]
BBS Baustoffbetriebe Sachsen GmbH, Hartmannsdorf	TDEM	30,000	100.00[1]
BHG Bitumenhandelsgesellschaft mbH, Hamburg		26	100.00[1]
BITUNOVA GmbH, Duesseldorf		256	100.00[1]
Blees-Kölling-Bau GmbH, Cologne	TDEM	2,500	100.00[1]
Blutenburg Projekt GmbH, Cologne		25	100.00[1]
CML Construction Services GmbH, Cologne		25	100.00
Deutsche Asphalt GmbH, Cologne		28	100.00[1]
DIW Aircraft Services GmbH, Stuttgart		25	100.00[1]
DIW Instandhaltung GmbH, Stuttgart		25	100.00[1]
DIW Mechanical Engineering GmbH, Stuttgart		25	100.00[1]
DIW System Dienstleistungen GmbH, Fürstenfeldbruck		25	100.00[1]
DYWIDAG International GmbH, Munich		5,000	100.00[1]
DYWIDAG-Holding GmbH, Cologne		600	100.00[1]
E S B Kirchhoff GmbH, Leinfelden-Echterdingen		1,500	100.00[1]
Ed. Züblin AG, Stuttgart		20,452	100.00[1]
F 101 Projekt GmbH & Co. KG, Cologne		10	100.00
F. Kirchhoff GmbH, Leinfelden-Echterdingen		23,319	100.00[1]
F.K. SYSTEMBAU GmbH, Münsingen		2,000	100.00[1]
Fahrleitungsbau GmbH, Essen		1,550	100.00[1]
Gaul GmbH, Sprendlingen		25	100.00
GBS Gesellschaft für Bau und Sanierung mbH, Leuna		513	100.00
Griproad Spezialbeläge und Baugesellschaft mbH, Cologne	TDEM	400	100.00[1]
Hexagon Projekt GmbH & Co. KG, Cologne		10	100.00[1]
Ilbau GmbH Deutschland, Berlin		4,700	100.00
IQ Generalübernehmer GmbH & Co. KG, Oststeinbek		25	75.00
Kuhwald 55 Projekt GmbH & Co. KG, Cologne		10	100.00[1]
Lift-Off GmbH & Co. KG, Cologne		10	100.00[1]
LIMET Beteiligungs GmbH & Co. Objekt Cologne KG, Cologne		10	94.00[1]
LIMET Beteiligungs GmbH, Cologne	TDEM	50	100.00[1]
MAV Kelheim GmbH, Kelheim		25	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH, Krefeld		600	50.00[2]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH, Lünen		250	100.00
Mineral Baustoff GmbH, Cologne		25	100.00[1]
Mitterhofer Projekt GmbH & Co. KG, Cologne		10	100.00[1]
MOBIL Baustoffe GmbH, Munich		100	100.00[1]
NE Sander Immobilien GmbH, Sande		155	100.00[1]
PANSUEVIA GmbH & Co. KG, Jettingen-Scheppach		1,000	100.00[1]
Pyhrn Concession Holding GmbH, Cologne		38	100.00[1]
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung, Munderkingen	TDEM	51	100.00[1]
ROBA Transportbeton GmbH, Berlin		520	100.00[1]
SAT Straßensanierung GmbH, Cologne		30	100.00[1]
SF-Ausbau GmbH, Freiberg		600	100.00[1]

1 For these companies, the option allowed by Sec 264 Para 3 or by Sec 264b of the German Commercial Code (HGB) was exercised.
2 The voting rights according to the contract of association amount to 50 % plus one vote.

SRE Erste Vermögensverwaltung GmbH, Cologne		25	100.00
SRE Projekt 1 GmbH & Co. KG, Cologne		10	100.00
STRABAG AG, Cologne		7,670	100.00[1]
STRABAG BMTI GmbH & Co. KG, Cologne		307	100.00[1]
STRABAG BRVZ GmbH & Co. KG, Cologne		30	100.00[1]
STRABAG Facility Management GmbH, Berlin		30	100.00[1]
STRABAG Facility Services GmbH, Nuremberg		53	100.00[1]
STRABAG GmbH, Bad Hersfeld		15,000	100.00[1]
STRABAG Großprojekte GmbH, Munich		18,100	100.00[1]
STRABAG Infrastructure & Safety Solutions GmbH, Cologne		1,220	100.00[1]
STRABAG Infrastrukturprojekt GmbH, Bad Hersfeld		1,280	100.00[1]
STRABAG International GmbH, Cologne		2,557	100.00[1]
STRABAG Kieserling Flooring Systems GmbH, Hamburg		1,050	100.00[1]
STRABAG Projektentwicklung GmbH, Cologne	TDEM	20,000	100.00[1]
STRABAG Property and Facility Services GmbH, Münster		5,000	100.00[1]
STRABAG Rail Fahrleitungen GmbH, Berlin		600	100.00[1]
STRABAG Rail GmbH, Lauda-Königshofen		25	100.00[1]
STRABAG Real Estate GmbH, Cologne		30,000	94.90
STRABAG Real Estate Invest GmbH, Cologne		26	100.00[1]
STRABAG Sportstättenbau GmbH, Dortmund	TDEM	200	100.00[1]
STRABAG Umwelttechnik GmbH, Duesseldorf		2,000	100.00[1]
STRABAG Wasserbau GmbH, Hamburg		6,833	100.00
Torkret GmbH, Stuttgart		1,023	100.00[1]
TPA GmbH, Cologne		511	100.00
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart		10	100.00[1]
Wolfer & Goebel Bau GmbH, Stuttgart		25	100.00[1]
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90[1]
Z-Bau GmbH, Magdeburg		100	100.00[1]
ZDE Sechste Vermögensverwaltung GmbH, Cologne		25	100.00
ZÜBLIN Bau GmbH, Munich		32	100.00[1]
Züblin Chimney and Refractory GmbH, Cologne		511	100.00[1]
Züblin Hoch- und Brückenbau GmbH, Bad Hersfeld		2,500	100.00[1]
Züblin International GmbH, Stuttgart		2,500	100.00[1]
Züblin Projektentwicklung GmbH, Stuttgart		2,557	94.88[1]
Züblin Spezialtiefbau GmbH, Stuttgart	TDEM	6,000	100.00[1]
Züblin Stahlbau GmbH, Hosena		1,534	100.00[1]
ZÜBLIN Timber Gaildorf GmbH, Gaildorf		25	100.00[1]
ZÜBLIN Timber GmbH, Aichach		1,534	100.00[1]
Züblin Umwelttechnik GmbH, Stuttgart		2,000	100.00[1]

Egypt	**Nominal capital TEGP**	**Direct stake %**
Züblin Egypt LLC, Cairo	20,000	100.00

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

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

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

Bulgaria	**Nominal capital TBGN**	**Direct stake %**
"STRABAG REAL ESTATE" EOOD, Sofia	4,635	100.00
"VITOSHA VIEW" EOOD, Sofia	2,071	100.00
STRABAG EAD, Sofia	13,313	100.00

1 For these companies, the option allowed by Sec 264 Para 3 or by Sec 264b of the German Commercial Code (HGB) was exercised.

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

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

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

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

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

Canada	Nominal capital TCAD	Direct stake %
STRABAG INC., Toronto	11,700	100.00
Züblin Inc., Saint John/NewBrunswick	100	100.00

Colombia	Nominal capital TCOP	Direct stake %
STRABAG S.A.S., Bogotá, D.C.	4,829,402	100.00

Croatia	Nominal capital THRK	Direct stake %
MINERAL IGM d.o.o., Zapuzane	10,701	100.00
POMGRAD INZENJERING d.o.o., Split	25,534	100.00
STRABAG BRVZ d.o.o., Zagreb	20	100.00
STRABAG d.o.o., Zagreb	48,230	100.00
TPA odrzavanje kvaliteta i inovacija d.o.o., Zagreb	20	100.00

Latvia	Nominal capital T€	Direct stake %
STRABAG SIA, Milzkalne	1,423	100.00

Luxembourg	Nominal capital T€	Direct stake %
SRE Lux Projekt SQM 27E, Belvaux	13	100.00

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

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

Montenegro	Nominal capital T€	Direct stake %
"Crnagoraput" AD, Podgorica, Podgorica	9,779	95.32
"Strabag" d.o.o. Podgorica, Podgorica	50	100.00

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

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

Poland	Nominal capital TPLN	Direct stake %
BHG Sp. z o.o., Pruszkow	500	100.00
BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw	58	100.00
BITUNOVA Sp. z o.o., Warsaw	2,700	100.00
EVOLUTION GAMMA Sp. z o.o., Warsaw	50	100.00
EVOLUTION ONE Sp. z o.o., Warsaw	50	100.00
EVOLUTION THREE Sp. z o.o., Warsaw	50	100.00

EVOLUTION TWO Sp. z o.o., Warsaw	50	100.00
Mineral Polska Sp. z o.o., Czarny Bor	19,056	100.00
POLSKI ASFALT Sp. z o.o., Cracow	1,000	100.00
SAT Sp. z o.o., Olawa	4,171	100.00
STRABAG BMTI Sp. z o.o., Pruszkow	2,000	100.00
STRABAG BRVZ Sp. z o.o., Pruszkow	500	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o., Wroclaw	16,140	100.00
STRABAG PFS Polska Sp. z o.o., Warsaw	336	100.00
STRABAG Sp. z o.o., Pruszkow	73,328	100.00
TPA Sp. z o.o., Pruszkow	600	100.00
Züblin Sp. z o.o., Pruszkow	7,765	100.00

Romania	**Nominal capital TRON**	**Direct stake %**
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA, Cluj-Napoca	64,974	98.59
BITUNOVA Romania SRL, Bucharest	16	100.00
DISTRICT DEVELOPMENT SRL, Bucharest	69	100.00
MINERAL ROM SRL, Brasov	10,845	100.00
STRABAG SRL, Bucharest	53,866	100.00
TPA SOCIETATE PENTRU ASIGURAREA CALITATII SI INOVATII SRL, Bucharest	0	100.00
ZUBLIN ROMANIA SRL, Bucharest	4,580	100.00

Russia	**Nominal capital TRUB**	**Direct stake %**
Ranita OOO, Moscow	10	100.00
STRABAG AO, Moscow	14,926	100.00
STRABAG BRVZ OOO, Moscow	313	100.00

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

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

Switzerland	**Nominal capital TCHF**	**Direct stake %**
STRABAG AG, Schlieren	8,000	100.00
STRABAG BMTI GmbH, Erstfeld	20	100.00
STRABAG BRVZ AG, Erstfeld	100	100.00

Serbia	**Nominal capital TRSD**	**Direct stake %**
STRABAG d.o.o., Novi Beograd	1,306,748	100.00
TPA za obezbedenje kvaliteta i inovacije d.o.o. Beograd, Novi Beograd	32,550	100.00

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

Slovenia	**Nominal capital T€**	**Direct stake %**
DRP, d.o.o., Ljubljana	9	100.00
STRABAG BRVZ d.o.o., Ljubljana	9	100.00
STRABAG gradbene storitve d.o.o., Ljubljana	500	100.00

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

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

Czech Republic	Nominal capital TCZK	Direct stake %
BHG CZ s.r.o., Ceske Budejovice	200	100.00
BITUNOVA spol. s r.o., Jihlava	2,000	100.00
FRISCHBETON s.r.o., Prague	20,600	100.00
KAMENOLOMY CR s.r.o., Ostrava	106,200	100.00
Na Belidle s.r.o., Prague	100	100.00
SAT s.r.o., Prague	1,000	100.00
STRABAG a.s., Prague	1,119,600	100.00
STRABAG Asfalt s.r.o., Sobeslav	10,000	100.00
STRABAG BMTI s.r.o., Brno	100	100.00
STRABAG BRVZ s.r.o., Prague	1,000	100.00
STRABAG Pozemnì a inzenyrskè stavitelstvì s.r.o., Prague	100,000	100.00
STRABAG Property and Facility Services a.s., Prague	46,800	100.00
STRABAG Rail a.s., Usti nad Labem	180,000	100.00
TPA CR, s.r.o., Ceske Budejovice	1,000	100.00

Ukraine	Nominal capital TUAH	Direct stake %
Chustskij Karier, Zakarpatska	3,279	100.00
Zezelivskij karier TOW, Zezelev	13,130	100.00

Hungary		Nominal capital THUF/T€	Direct stake %
AKA Zrt., Budapest	TEUR	96,000	100.00
AMFI HOLDING Kft., Budapest	TEUR	10	100.00
ASIA Center Kft., Budapest		1,830,080	100.00
Bitunova Kft., Budapest		50,000	100.00
EXP HOLDING Kft., Budapest	TEUR	10	100.00[1]
First-Immo Hungary Kft., Budapest		100,000	100.00
Frissbeton Kft., Budapest		100,000	100.00
Generál Mély- és Magasépitö Zrt., Budapest		1,000,000	100.00
KÖKA Kft., Budapest		761,680	100.00
OAT Kft., Budapest		25,000	100.00
STR Holding Generál Kft., Budapest		3,000	100.00
STR Holding MML Kft., Budapest		3,000	100.00
STRABAG Általános Építö Kft., Budapest		1,000,000	100.00
STRABAG BMTI Kft., Budapest		2,000,000	100.00
STRABAG BRVZ Kft., Budapest		1,545,000	100.00
STRABAG Épitö Kft., Budapest		352,000	100.00
STRABAG Épitöipari Zrt., Budapest		20,000	100.00
STRABAG Generálépitö Kft., Budapest		3,000	100.00
STRABAG Rail Kft., Budapest		189,120	100.00
STRABAG Real Estate Kft., Budapest		3,000	100.00
STRABAG Vasútépítö Kft., Budapest		3,000	100.00
STRABAG-MML Kft., Budapest		510,000	100.00
TPA HU Kft., Budapest		113,000	100.00
Treuhandbeteiligung H		10,000	100.00[1]
Züblin Kft., Budapest		3,000	100.00

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

Cyprus	Nominal capital T€	Direct stake %
BONDENO INVESTMENTS LTD, Limassol	55	100.00

1 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

The following list shows the equity-accounted associates and joint ventures included in the consolidated financial statements:

Austria	**Nominal capital T€**	**Direct stake %**
Lafarge Cement CE Holding GmbH, Vienna	50	30.00
Leopold Ungar Platz 3 GmbH, Vienna	35	50.00[1]
SQUARE Two GmbH & Co KG, Vienna	10	50.00[1]

Germany	**Nominal capital T€**	**Direct stake %**
AMB Asphaltmischwerke Bodensee GmbH & Co KG, Singen (Hohentwiel)	767	50.00
AMH Asphaltmischwerk Hauneck GmbH & Co. KG, Hauneck	500	50.00
Bayerische Asphaltmischwerke GmbH & Co.KG für Straßenbaustoffe, Hofolding	12,300	48.33
Bodensee - Moränekies Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Tettnang, Tettnang	153	33.33
FLARE Living GmbH & Co. KG, Cologne	1	50.00
Kieswerk Rheinbach GmbH & Co. KG, Rheinbach	256	50.00
Kieswerke Schray GmbH & Co. KG, Steißlingen	2,045	50.00
Messe City Cologne GmbH & Co. KG, Hamburg	100	50.00
MesseCity Cologne Generalübernehmer GmbH & Co. KG, Oststeinbek	25	50.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG, Mühlacker	3,100	25.00
NWM Nordwestdeutsche Mischwerke GmbH & Co. KG, Großenkneten	2,000	50.00
PANSUEVIA Service GmbH & Co. KG, Jettingen-Scheppach	50	50.00
SeniVita Social Estate AG, Bayreuth	2,000	50.00
Silenos Energy Geothermie Garching a.d. Alz GmbH & Co. KG, Augsburg	1	50.00
Steinbruch Spittergrund GmbH, Erfurt	80	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt	2,582	50.00

Colombia	**Nominal capital TCOP**	**Direct stake %**
DESARROLLO VIAL AL MAR S.A.S., Medellin	12,637,280	37.50

Croatia	**Nominal capital THRK**	**Direct stake %**
Autocesta Zagreb-Macelj d.o.o., Zagreb	88,440	50.00[1]

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

Poland	**Nominal capital TPLN**	**Direct stake %**
A2 ROUTE Sp. z o.o., Pruszkow	5	50.00

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

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

Hungary	**Nominal capital T€**	**Direct stake %**
MAK Mecsek Autopalya Koncesszios Zrt., Budapest	64,200	50.00

1 The presentation of interest is done using the economic approach, the interest as defined by civil law may deviate from this presentation.

Accounting policies

INTANGIBLE ASSETS

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

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

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

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

Intangible assets	**Useful life in years**
Property rights/utilisation rights/other rights	3–50
Software	2–5
Patents, licences	3–10

GOODWILL

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

RIGHTS FROM CONCESSION ARRANGEMENTS

Service concession arrangements between the STRABAG Group and the public sector to build, operate, maintain and finance infrastructure facilities are treated in accordance with the requirements of IFRIC 12.

A right from a concession arrangement is recognised if the consideration does not represent an enforceable right to payment, but instead a right to charge a usage fee is granted.

The right from the concession arrangement is accounted for at the fair value of the consideration and subsequently recognised less depreciation over the period of the concession and impairment losses. If the reasons for the previously recognised impairment no longer apply, these assets are written back through profit or loss. The amount may not exceed the carrying amount that would have resulted if no impairment loss had been recognised in previous periods.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Property, plant and equipment	**Useful life in years**
Buildings	10–50
Investments in third-party buildings	5–40
Machinery	3–15
Office equipment/furniture and fixtures	3–10
Vehicles	4–9

INVESTMENT PROPERTY

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

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

The presentation in the balance sheet is under property, plant and equipment.

LEASES

A lease is a contractual arrangement in which the lessor (owner) grants the lessee (user) the right to control an identified asset for a specified period of time in exchange for a consideration.

The STRABAG SE Group is a **lessee** of real estate properties (offices, storage spaces, etc.). A large number of the contracts are stand-alone contracts with comparatively low annual rental payments, of both limited and unlimited duration and with ordinary termination rights.

Leases are to be presented as a right-of-use asset and a corresponding lease liability in the balance sheet. The lease payments are split into a financing and a principal component. The finance costs are recognised in profit or loss over the term of the lease, resulting in a constant periodic interest rate on the remaining amount of the liability for each period. The right-of-use asset is amortised on a straight-line basis over the shorter of the two periods of useful life or term of lease.

Lease payments are made at the group's incremental borrowing rate, i.e. the rate of interest that the group would have to pay to borrow the funds necessary to obtain an asset of a similar value and at similar terms in a similar economic environment.

Payments for short-term leases and leases for which the underlying asset is of low value are recognised as an expense. Short-term leases are leases with a term of up to twelve months.

To a minor extent, the group also acts as a **lessor**. This essentially involves office space, in particular the Tech Gate Center in Vienna. These leases are to be classified as operating leases. Rental income from these leases is shown in other operating income.

GOVERNMENT GRANTS

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

BORROWING COSTS

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

%	2019	2018
Growth rate	0.0–0.5	0.0–0.5
Cost of capital (after taxes)	5.7–6.8	5.9–7.4
Cost of capital (before taxes)	6.1–9.0	6.6–9.3

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

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

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

FINANCIAL ASSETS

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

Financial assets that are not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs which are directly attributable to the acquisition.

Transaction costs which arise upon the acquisition of financial assets measured at fair value through profit or loss are immediately recognised as an expense.

Receivables bearing no interest or interest below the market rate are initially recognised at the present value of the expected future cash flows.

For purposes of subsequent measurement, financial assets are classified in one of the following categories in accordance with IFRS 9, with each category having its own measurement requirements. The classification is determined at initial recognition.

For measurement and accounting purposes, financial assets are to be assigned to one of the following categories:

- Financial assets measured at amortised cost (AC)
- Financial assets measured at fair value through profit or loss
- Financial assets, classified as debt instruments under IAS 32, measured at fair value through other comprehensive income (FVOCI-debt)
- Financial assets, classified as equity instruments under IAS 32, measured at fair value through other comprehensive income (FVOCI-equity)

Financial assets measured at amortised cost

Financial assets in this category are measured at amortised cost if the objective of the business model is to hold the financial asset to collect the contractual cash flows, and the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These are classified as current financial assets if they mature within twelve months after the reporting date or within the usual business cycle. Otherwise they are classified as non-current financial assets. As part of the subsequent measurement, financial assets measured at amortised cost are valued using the effective interest method. When applying the effective interest method, all directly attributable fees, fees paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate are amortised over the expected life of the financial instrument. Interest income from the application of the effective interest method is recognised through profit or loss under interest income from financial instruments.

Service concession arrangements which provide an absolute contractual right to receive payment are shown separately. All receivables from concession arrangements are accounted for under the special balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payments to be made. The accumulation amount calculated annually using the effective interest method is recognised in revenue. Impairment allowances are made for expected credit losses.

Trade receivables, receivables from consortia, receivables from subsidiaries and receivables from participation companies, as well as other receivables, are measured at cost less impairment allowances for expected credit losses.

Financial assets measured at fair value through profit or loss

A financial asset that is to be classified as a debt instrument under IAS 32 is measured at fair value through profit or loss if it is held for trading purposes, the cash flow criteria are not met, or it is designated as at FVPL at initial recognition. A financial asset at STRABAG is assigned to this category if it was principally acquired with an intention to sell in the short term. Derivatives also belong to this category if they are not qualified as hedging instruments. Assets in this category are recognised as current assets if the asset is expected to be realised within twelve months. All other assets are classified as non-current. Value changes of financial assets measured at fair value through profit or loss are recognised through profit or loss.

This category contains mainly securities presented under non-current financial assets.

The fair value option may be elected for financial assets which, on the basis of the underlying business model and the contractual cash flows, are classified as measured at amortised cost if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The fair value option is not elected at STRABAG.

Financial assets which represent equity instruments under IAS 32 are also measured at fair value through profit or loss. Value changes are recognised through profit or loss in the income statement.

This category contains mainly investments below 20 % that are held under other investments.

Without exception, equity instruments are measured at fair value. If an equity instrument is not held for trading purposes, there exists an irrevocable option at initial recognition to measure value changes not in the income statement but in the other comprehensive income. Equity investments recognised in the other comprehensive income may not be later reclassified to the income statement. The option is not exercised at STRABAG.

IMPAIRMENT OF FINANCIAL ASSETS AND CONTRACT ASSETS

For the recognition of impairments, STRABAG allows for expected credit losses under IFRS 9. The expected loss impairment model is used for debt instruments for which subsequent measurement is made at amortised cost. The impairment requirements under IFRS 9 are also applied to non-financial contract assets.

Equity instruments measured at fair value through profit or loss or through other comprehensive income are not within the scope of the IFRS 9 impairment requirements.

IFRS 9 outlines a three-stage model to determine the scope of the risk provision, requiring expected credit losses to be measured from initial recognition at an amount equal to the twelve-month expected credit losses or, if the credit risk has worsened significantly, the full expected credit losses over the remaining life of the financial instrument. The general impairment model (general approach) is used for receivables from concession arrangements and for current and non-current other financial assets in the group. Besides the general impairment model, the simplified impairment model (simplified approach) is used for trade receivables and for contract assets under IFRS 15. The simplified impairment model requires a risk provision equal to the expected losses over the full remaining life of the financial instrument to be recognised for trade receivables or contract assets regardless of the respective credit quality.

Application of the 30-days-past-due criterion is not useful in the construction sector, on the one hand because of incomplete performance recognition, on the other hand because contracts are often fulfilled for public-sector clients, whose internal processes to release payment may be lengthy but usually result in full and complete payment.

To determine the expected credit losses, trade receivables and contract assets are grouped into different portfolios with similar risk characteristics. In establishing the portfolios, STRABAG also considers the underlying country risk and the creditworthiness.

During the initial recognition of financial assets, STRABAG takes into consideration the probability of defaults and continually monitors the development of the credit risk in each reporting period, taking into account all reasonable and supportable information and forecasts. This includes especially the following indicators:

- internal estimate of creditworthiness by the client

- external information on creditworthiness based on the corresponding country risk

Macroeconomic information (such as market interest rates) and other forecasts are included in the assessment of the credit risk.

Besides the application of the general and the simplified impairment approach, financial assets are impaired if there is objective evidence of credit default indicators. STRABAG makes such impairments if the debtor has significant financial difficulty; if there is a high probability that insolvency proceedings will be commenced against the debtor; if a breach of contract and payment default has occurred; or if the issuer's technological, economic, legal and market environment changes substantially.

Impairments lower the carrying amount of the financial assets. The impairment loss or gain resulting from the application of the impairment requirements is recognised through profit or loss in the other operating expense or income.

A financial asset defaults if bankruptcy proceedings have been started or it is highly probable that there is no reasonable expectation for repayment. These financial assets are then derecognised. When derecognising financial assets, STRABAG continues to undertake enforcement measures to attempt to recover the receivables that are due.

During the year under report, there were no material changes with regard to the impairment approaches and criteria that were applied.

DERECOGNITION OF A FINANCIAL ASSET

Financial assets are derecognised when the contractual rights to receive payment from the financial assets no longer exist or if the financial assets are transferred along with all substantial risks and rewards. An asset is also derecognised if the substantial risks and rewards of ownership of the asset are neither transferred nor retained but control is relinquished. If control is retained, such transferred financial assets are recognised to the extent of the continuing involvement.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

Derivative financial instruments are classified as financial assets measured at fair value through profit and loss or as derivatives used for hedging purposes at the date of contract conclusion. Derivative financial instruments are initially recognised at cost and measured at fair value in subsequent periods. Unrealised gains or losses on the measurement are recognised in the income statement if the conditions for hedge accounting under IFRS 9 are not met. Derivative financial instruments are stated under other financial assets or other financial liabilities.

Derivative financial instruments are measured on the basis of observable market data (interest and exchange rates) and non-observable market data (the competition's credit rating). The fair value is determined using generally accepted methods of mathematical finance.

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

- hedge the exposure to changes in the fair value of a recognised asset or liability (fair value hedge), or to

- hedge the exposure to variability in cash flows (cash flow hedge).

In the case of fair value hedge accounting, the change in the fair value of the hedged item that is attributable to the hedged risk and the change in the fair value of the hedging derivative are recognised in the income statement. Fair value hedging is not used in the STRABAG Group.

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

When concluding a hedging transaction, STRABAG documents the clear hedging relationship between the hedging instrument and the hedged item, the objective of its risk management, and the underlying strategy. It is also established that there exists an economic relationship between the hedged item and the hedging instrument and that credit risk does not dominate the resulting value changes. The hedging relationship's hedging ratio reflects the ratio between the designated nominal amount of the hedged item actually used by STRABAG and the designated nominal amount actually designated by STRABAG to hedge the nominal amount of the hedged item. An assessment is made at the beginning of the hedging relationship, with documentation provided continually thereafter, of whether the derivatives used in the hedge are effective or not in offsetting the changes in fair value or cash flow of the hedged item. Hedging relationships are adjusted when there are changes in the hedged item.

The critical term match method is used to determine the prospective hedge effectiveness, provided that the conditions for use are met. The retrospective determination of hedge ineffectiveness is made on the basis of the dollar offset method.

CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

INVENTORIES

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

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

CONTRACT ASSETS AND CONTRACT LIABILITIES

With regard to **construction contracts with customers**, revenue is recognised over time as required by IFRS 15, as the construction projects are built on the customers' properties and the customers thus always control the assets that are created or enhanced.

Construction is performed on the basis of stand-alone contracts. The allocation of the transaction price to each performance obligation is made on the basis of the work estimate for the respective stand-alone item. If significant integration services are provided, a separate performance obligation is assumed. Transaction prices for construction contracts in the STRABAG SE Group are determined on the basis of the contract value agreed with the customer. Contractual penalties or bonus payments during the construction period may lead to amendments of the transaction price. These are carried with the most probable value by reason and amount on the basis of the project controlling.

Revenue recognition over time is made using the output-oriented method on the basis of the work performed. The actual work performed and the corresponding revenue are determined at the level of the stand-alone item according to the work estimate. Because of unforeseen deviations in the budgeted costs, the best indicator here is the percentage of completion as derived directly from the actual work performed. The performance completed to date, one of the key corporate governance figures, must be directly determined by the construction site team on a monthly basis.

The contract asset represents the group's right to consideration from construction contracts with customers. If the value of a contract asset of a construction contract exceeds the payments received for it, then this is shown on the assets side under contract assets. In the opposite case, the figure is reported on the equity and liabilities side under contract liabilities.

Payments for construction contracts are usually made parallel to the performance on the basis of regular invoicing. Payments of advance consideration before the actual performance are common practice, especially in building construction. Agreements covering extended terms of payment or staggered invoicing of performance completed are made only on a case-by-case basis with special approval by the Management Board of STRABAG SE.

If it is probable that the production costs exceed the recoverable proceeds, an onerous contract provision is recognised in accordance with IAS 37. The onerous contract provision, considered individually, is recognised at the amount that is required for the completion of the obligation from the construction contract. Up to the value of the contract asset, an impairment is recognised. If the value of the respective contract asset is exceeded, an onerous contract provision is recognised on the equity and liabilities side under the current provisions.

With regard to impairment, see the section “Impairment of financial assets and contract assets“.

Inventories that have not yet been used in the construction process but are already present on the construction sites are no longer accounted for as a separate asset but are instead assigned to the respective contract and recognised as a contract asset.

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

The consideration for **revenue from project developments** which, on the basis of the work performed by the reporting date, are realised over time, are recorded under contract assets. The contract asset represents the group’s right to considerations from project developments.

Revenue is recognised over time if a contractual agreement excludes the possibility of any alternative use and there exists a right to payment including a profit margin on the work performed. These conditions are always met if real estate projects are sold already prior to their completion.

In these cases, the revenue is recognised pro rata based on the degree of completion of the work. If the real estate projects are only partially sold, for example, in the case of owner-occupied flats, the revenue is recognised pro rata only for those parts already sold. The project is then presented pro rata under contract assets.

The notes on construction contracts with customers apply by analogy.

The advances received are offset against the cost of the contract asset: if the advances received exceed the value of the contract asset, presentation is made on the equity and liabilities side under contract liabilities.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents include all liquid financial assets which at the date of acquisition or investment have a remaining term of less than three months. This comprises bank deposits, time deposits and cash on hand. Cash and cash equivalents are measured at amortised cost.

PROVISIONS

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

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

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

PROVISIONS FOR SEVERANCE PAYMENTS

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

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

PENSION PROVISIONS

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

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

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

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

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

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

MEASUREMENT OF SEVERANCE AND PENSION PROVISIONS

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

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

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

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

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

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

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

More information concerning the risks is available in the sensitivity analysis under item 25.

OTHER PROVISIONS

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

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

NON-FINANCIAL LIABILITIES

Non-financial liabilities are carried at the repayment amount. Contract liabilities under IFRS 15 are qualified as non-financial liabilities.

FINANCIAL LIABILITIES

The financial liabilities at STRABAG comprise non-derivative liabilities and derivatives with a negative fair value on the reporting date.

Non-derivative financial liabilities are recognised in the consolidated balance sheet if STRABAG has a contractual obligation to transfer cash or other financial assets to another party. Initial recognition of non-derivative financial liabilities is made at fair value. As part of the subsequent measurement of non-derivative financial liabilities at amortised cost, any premiums and discounts between the cash inflow and the repayment amount are distributed over the financing term using the effective interest method and stated on an accruals basis in interest expense.

Financial liabilities that are not measured at fair value through profit or loss are initially recognised at fair value plus transaction costs, which are directly attributable to the acquisition.

Differing thereof, transaction costs which arise upon the acquisition of financial assets measured at fair value through profit or loss are immediately recognised as an expense.

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

CONTINGENT LIABILITIES

Contingent liabilities are present or possible future obligations for which an outflow of resources is not probable. They are – as long as IFRS 3 does not require recognition on acquisition – not reflected in the balance sheet.

REVENUE RECOGNITION

The revenue within the STRABAG SE Group comprises revenue from construction contracts with customers, which regularly account for more than 80 % of the total revenue, revenue from project developments, revenue from construction materials, revenue from facility management, and other revenue.

The **revenue from construction contracts with customers** is recognised over time as required by IFRS 15. Revenue recognition over time is made using the output-oriented method on the basis of the work performed at the reporting date.

For further information, please see the notes on contract assets.

The recognition of revenue from construction contracts performed in consortia is made over time corresponding to the actual work performed by the reporting date. Impending losses arising from further construction work are accounted for by means of appropriate depreciation.

The **revenue from project developments** is recognised at a point in time after the performance obligation is satisfied by the STRABAG SE Group and after the customer assumes control and has the opportunity to derive benefit from the project.

Alternatively, the revenue is recognised over time on the basis of the work performed by the reporting date if a contractual agreement for the STRABAG SE Group excludes the possibility of any alternative use and the contractual agreement foresees a right to payment including the profit margin on the work performed.

For real estate projects that are sold already prior to their completion, the revenue is therefore recognised pro rata and the right to payment including the profit margin is presented under the contract assets.

For further information, please see the notes on contract assets.

The **revenue from construction materials, from the facility management, and the other revenue** is recognised with satisfaction of the performance obligation upon obtainment of control by the customer.

Interest income is recognised as it accrues using the effective interest method. Interest related to concession models and default interest are part of the transaction price of contracts with customers and are therefore recognised under revenue.

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

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

NET INTEREST INCOME

Net interest income includes interest income and interest expenses as well as foreign exchange gains and losses on financing, as these are not part of the operating business. Changes in value as well as gains and losses on disposals of securities are also included in net interest income.

ESTIMATES

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

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

(a) Recoverability of goodwill

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

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ 0 (2018: T€ 44) while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ 0 (2018: T€ 222). These two effects together would trigger an impairment loss of T€ 0 (2018: T€ 1,303).

(b) Recognition of revenue from construction contracts with customers and project developments

The revenue from construction contracts with customers is recognised over time. The group estimates the work performed by the reporting date as a percentage of the total volume of the order backlog as well as the remaining contract cost to be incurred. If it is probable that the production costs will exceed the recoverable proceeds, an impairment is recognised up to the value of the contract asset; if the value of the respective contract asset is exceeded, an onerous contract provision is recognised. Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred.

The above also applies to over-time recognition of revenue from project developments.

(c) Equity-accounted investments

The group holds a 30 % investment in **Lafarge Cement CE Holding GmbH**. Lafarge operates cement works in Austria, Hungary, the Czech Republic and Slovenia. The carrying amount of the investment amounted to T€ 227,846 on 31 December 2019 (2018: T€ 230,996). The investment was tested for impairment by means of an impairment test.

All other things remaining equal, an annual 5 % decrease of the free cash flow used to calculate the recoverable amount would result in an impairment loss of T€ 0 (2018: T€ 0), while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ 0 (2018: T€ 0). These two effects together would trigger an impairment loss of T€ 0 (2018: T€: 0).

Ed. Züblin AG, a subsidiary of the STRABAG Group, is a 33.33 % **consortium member for the construction of the North-South urban metro line in Cologne**. In March 2009, an accident resulted in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Two people were trapped under the rubble, and rescuers were only able to recover their bodies.

Two independent civil proceedings are currently being conducted at the District Court in Cologne: one to collect evidence as to the cause of the accident and another to establish the damage to the buildings and archives.

In the criminal proceedings concluded in 2018 in the first instance and now pending on appeal, both the expert for the public prosecutor and the expert in the civil evidentiary proceedings into the cause of the damage, who testified as a witness, identified a defect in the diaphragm wall as the cause of the damage. The consortium therefore faces the possibility of recourse. In 2019, the amount of the provision was therefore adjusted. The amount of the recognised provision depends substantially on the estimation of the damage amount to the archival contents and on the degree of fault of the consortium, so that the actual value of recourse may deviate from the amount recognised as a provision.

(d) Income taxes

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

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

(e) Fair value of derivatives and other financial instruments

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

(f) Rights from leases and lease liabilities

Within the STRABAG SE Group, a large number of the contracts are lease contracts with comparatively low annual rental expenses, of both limited and indefinite duration and with ordinary termination rights. The lease liability is determined by estimating the most likely duration in consideration of extension options and termination rights. All economic aspects for exercising or not exercising the options are taken into account. Deviations between the actual lease terms and these assumptions have an impact on the respective carrying amounts. The risk is reduced by the large number of stand-alone contracts, however.

(g) Severance and pension provisions

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

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

Additional substantial assumptions relating to severance and pension obligations are based in part on market conditions. Further information and sensitivity analyses can be found in item 25.

(h) Other provisions

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

Provisions have been set up in response to the investigation by the Public Prosecutor's Office for Combating Economic Crimes and Corruption and the Federal Competition Authority into suspicions of illegal price fixing that has been ongoing since mid-2017. These were adapted in the reporting period. The focus is on projects from the years 2006 to 2015 in multiple regions of Austria, mostly in the field of transportation infrastructures. Due to the long period covered and because of the large number of construction projects involved, of which only some were executed by STRABAG, the facts of the case are extremely complex. If and to what extent STRABAG will be affected negatively cannot be definitively determined until after the conclusion of the investigation. The exact financial impact may therefore differ from the estimated amount.

Provisions for ongoing and pending legal proceedings are formed on the basis of current assessments. The outcome of these legal proceedings cannot be determined or is subject to uncertainties. The actual claims from the legal proceedings may therefore differ from the provision amounts.

Notes on the items of the consolidated income statement

(1) REVENUE

Revenue is represented as follows:

Revenue 2019

T€	North + West	South + East	International + Special Divisions	Other	Group
Business					
Construction	**7,323,176**	**4,649,284**	**1,278,747**		**13,251,207**
Germany	5,749,644	88,608	78,525		5,916,777
Austria	27,202	1,988,688	109,912		2,125,802
Poland	958,100	191	8,026		966,317
Czech Republic	0	659,760	18,273		678,033
Hungary	0	666,585	2,233		668,818
Chile	0	0	664,631		664,631
Other countries, each below € 500 million	588,230	1,245,452	397,147		2,230,829
Construction materials	**140,322**	**122,896**	**403,820**		**667,038**
Facility management	**0**	**0**	**880,063**		**880,063**
Project development	**0**	**0**	**554,427**		**554,427**
Other	**92,253**	**107,318**	**99,617**	**16,651**	**315,839**
Total	**7,555,751**	**4,879,498**	**3,216,674**	**16,651**	**15,668,574**

Revenue 2018

T€	North + West	South + East	International + Special Divisions	Other	Group
Business					
Construction	**6,987,730**	**4,328,391**	**1,370,388**		**12,686,509**
Germany	5,620,290	121,095	203,100		5,944,485
Austria	21,065	1,760,722	128,380		1,910,167
Poland	764,061	115	8,570		772,746
Chile	0	0	586,389		586,389
Czech Republic	0	557,115	17,118		574,233
Hungary	183	532,780	27,305		560,268
Other countries, each below € 500 million	582,131	1,356,564	399,526		2,338,221
Construction materials	**149,679**	**100,858**	**379,615**		**630,152**
Facility management	**0**	**0**	**1,064,707**		**1,064,707**
Project development	**0**	**0**	**534,047**		**534,047**
Other	**105,007**	**92,564**	**89,063**	**19,783**	**306,417**
Total	**7,242,416**	**4,521,813**	**3,437,820**	**19,783**	**15,221,832**

Service concession arrangements to develop, design, build and finance infrastructure facilities are part of the operating business of STRABAG SE. Interest income from these concession arrangements are therefore recognised in revenue from project development amounting to T€ 63,274 (2018: T€ 51,093)[1] (see also the notes on receivables from concession arrangements).

The interest income is calculated using the effective interest method.

All values presented under revenue involve revenue from contracts with customers.

In the 2019 financial year, revenue from approved claims in the amount of T€ 142,930 (2018: T€ 103,651) was recognised. This involves a large number of individual projects. The costs arising from claims are recognised immediately in profit or loss as they occur, whereas realisation takes place only following acknowledgement from the client.

Due to the complexity of construction projects, there can be numerous claims, some of which are approved during the construction process while others are negotiated only after project completion. During the execution of a construction project, therefore, new claims may arise on an ongoing basis while existing claims from previous periods may be approved. Up to 100 individual claims are quite common in a medium-sized construction project. It is therefore not possible to clearly allocate the costs to the approved claims, so that assumptions must be made when determining the value.

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

T€	**2019**	**2018**
Germany	7,818,592	7,876,652
Austria	2,678,665	2,541,497
Poland	1,129,217	975,346
Hungary	847,821	713,889
Czech Republic	782,779	706,445
Americas	713,511	667,015
Slovakia	369,043	514,490
Rest of Europe	342,788	349,475
Benelux	317,736	350,762
Switzerland	231,951	273,208
Romania	225,501	197,366
Sweden	205,270	178,343
Asia	179,062	162,128
Croatia	152,481	162,811
Serbia	148,108	111,034
Middle East	147,964	205,677
Denmark	99,485	91,710
Russia	71,420	77,459
Africa	66,013	57,133
Slovenia	48,707	68,338
Bulgaria	41,858	42,098
Total output volume	**16,617,972**	**16,322,876**

1 In 2018, interest expenses of T€ -22,095 were deducted.

(2) OTHER OPERATING INCOME

Other operating income includes insurance compensation and indemnification in the amount of T€ 56,862 (2018: T€ 47,067), exchange rate gains from currency fluctuations in the amount of T€ 3,331 (2018: T€ 8,684) as well as gains from the disposal of fixed assets without financial assets in the amount of T€ 55,967 (2018: T€ 73,438).

(3) CONSTRUCTION MATERIALS, CONSUMABLES AND SERVICES USED

T€	2019	2018
Construction materials, consumables	2,951,464	2,994,170
Services used	7,160,390	7,131,601
Construction materials, consumables and services used	**10,111,854**	**10,125,771**

Services used are mainly attributed to services of subcontractors and professional craftsmen as well as planning services, machine rentals and third-party repairs. The change of provisions for onerous contracts arising from construction contracts is included in this item.

(4) EMPLOYEE BENEFITS EXPENSE

T€	2019	2018
Wages	1,315,287	1,252,942
Salaries	1,769,175	1,730,834
Social security and related costs	603,400	581,625
Expenses for severance payments and contributions to employee provident fund	13,887	14,431
Expenses for pensions and similar obligations	12,604	9,556
Other social expenditure	30,796	29,553
Employee benefits expenses	**3,745,149**	**3,618,941**

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

Expenses from defined contribution plans amounted to T€ 12,447 (2018: T€ 11,539).

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

Average number of employees (FTE)	2019	2018
White-collar workers	32,480	31,662
Blue-collar workers	44,439	43,798
Total	**76,919**	**75,460**

(5) OTHER OPERATING EXPENSES

Other operating expenses of T€ 1,024,017 (2018: T€ 854,892) mainly include general administrative costs, travel and advertising costs, insurance premiums, impairment of receivables, the balance of allocations to and utilisation of provisions, legal and advisory costs, rental and lease costs, interest expenses from concession projects and losses on the disposal of assets (excluding financial assets). Other taxes amounting to T€ 53,226 (2018: T€ 59,535) are included.

Other operating expenses include losses from exchange rate differences from currency fluctuations in the amount of T€ 22,246 (2018: T€ 4,671).

The changes in the other operating expenses include impairments for expected credit losses under IFRS 9 in the financial year in the amount of T€ -4,975 as income (2018: T€ 3,183 expenses).

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

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

T€	2019	2018
Income from equity-accounted investments	44,322	87,622
Expenses arising from equity-accounted investments	-2,891	-3,663
Gains on the disposal of equity-accounted investments	95	0
Profit from construction consortia	135,449	166,519
Losses from construction consortia	-198,454	-167,302
Share of profit or loss of equity-accounted investments	**-21,479**	**83,176**

In 2019, the losses from joint ventures include risk provisions for litigations in joint ventures.

In 2018, the income from equity-accounted investments includes the non-cash revaluation amount for the remaining 50 % interest of PANSUEVIA due to the full acquisition of the company in the financial year, amounting to T€ 55,314.

(7) NET INCOME FROM INVESTMENTS

T€	2019	2018
Investment income	90,254	67,058
Expenses arising from investments	-12,704	-9,234
Gains on the disposal of investments	10,295	11,425
Impairment and reversal of impairment losses of investments	-5,111	-11,962
Losses on the disposal of investments	-18	-5
Net income from investments	**82,716**	**57,282**

Net income from investments includes the reversal of a risk provision of T€ 20,700 from a project in the Netherlands.

(8) DEPRECIATION AND AMORTISATION EXPENSE

Depreciations and impairments are represented in the consolidated statement of fixed assets. In the year under report impairments on intangible assets and on property, plant and equipment to the amount of T€ 18,140 (2018: T€ 3,930) and reversal of impairment losses in the amount of T€ 7 (2018: T€ 120) were made. Impairment on goodwill amounts to T€ 2,024 (2018: T€ 1,734). For goodwill impairments we refer to the details under item 12.

Depreciation and amortisation expense of intangible and tangible assets includes depreciation and amortisation of right-of-use assets for leases in the amount of T€ 58,607 (2018: T€ 0).

(9) NET INTEREST INCOME

T€	2019	2018
Interest and similar income	30,973	38,617
Interest expense and similar charges	-56,315	-66,049
Net interest income	**-25,342**	**-27,432**

Included in interests and similar income are exchange rates gains amounting to T€ 5,720 (2018: T€ 18,000) and interest portions from the plan assets for pension provisions in the amount of T€ 1,553 (2018: T€ 1,449).

Included in interest expense and similar charges are interest components from the allocation of severance payment and pension provisions amounting to T€ 9,525 (2018: T€ 8,825) as well as currency losses of T€ 11,653 (2018: T€ 13,352).

Interest from leases in the amount of T€ 6,263 (2018: T€ 0) is included in the interest expense and similar charges.

(10) INCOME TAX EXPENSE

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

T€	2019	2018
Current taxes	165,781	115,651
Deferred taxes	32,903	52,348
Income tax expense	**198,684**	**167,999**

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

T€	2019	2018
Change in hedging reserves	6,264	3,349
Actuarial gains/losses	13,704	1,285
Total	**19,968**	**4,634**

The reasons for the difference between the Austrian corporate income tax rate of 25 % valid in 2019 and the actual consolidated tax rate are as follows:

T€	2019	2018
EBT	**577,239**	**530,783**
Theoretical tax expenditure 25%	144,310	132,696
Differences to foreign tax rates	5,646	2,502
Change in tax rates	77	2,977
Non-tax deductible expenses	40,438	6,896
Tax-free earnings	-12,678	-25,574
Additional tax payments/tax refund	17,152	9,029
Change of valuation adjustment on deferred tax assets	2,514	38,668
Others	1,225	805
Recognised income tax	**198,684**	**167,999**

(11) EARNINGS PER SHARE

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

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

	2019	2018
Number of ordinary shares	110,000,000	110,000,000
Number of shares bought back	-7,400,000	-7,400,000
Number of shares outstanding as at 31.12.	**102,600,000**	**102,600,000**
Profit or loss attributable to equity holders of the parent company (consolidated profit/loss) T€	371,695	353,535
Weighted number of shares outstanding during the year	102,600,000	102,600,000
Earnings per share €	**3.62**	**3.45**

Notes on the items in the consolidated balance sheet

(12) INTANGIBLE ASSETS

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

No borrowing costs were capitalised for intangible assets in the year under report.

Notes to goodwill

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

T€	31.12.2019	31.12.2018
STRABAG Cologne (N+W)	128,838	128,838
STRABAG Cologne (S+E)	61,105	61,105
Czech Republic (S+E)	71,600	70,720
STRABAG Poland (N+W)	61,736	61,096
DIW Group (incl. SPFS Austria, SPFS Czech Republic; I+S)	51,795	50,931
Ed. Züblin AG (N+W)	17,057	17,057
Germany (various CGUs; N+W)	40,262	42,262
Construction materials (various CGUs; I+S)	9,015	10,953
Other	12,097	9,562
Total goodwill	**453,505**	**452,524**

The comparison of the carrying amounts with the recoverable amounts of the cash-generating units determined by the annual impairment test showed a need for goodwill impairment of T€ 2,024 (2018: T€ 1,734). This figure is shown under depreciation and amortisation. The recoverable amount of the impaired cash-generating unit amounts to T€ 7,915 (2018: T€ 629).

The impairments in the financial year concern a construction material company assigned to the segment International + Special Divisions. The recoverable amount of this cash-generating unit (CGU) corresponds to its fair value less costs to sell. The necessary impairment of the CGU exclusively affected the goodwill; impairment was not necessary for other assets of the unit.

The methods of measurement are explained in the section “Accounting policies” (Impairment of non-financial assets). The method applied here is a Level 3 measurement.

Regarding the sensitivity analysis of goodwill, we refer to our notes under “Estimates (a) Recoverability of goodwill” on page 225.

The following table presents the **key assumptions** used in calculating the recoverable amount for **significant goodwill**.

There were no intangible assets with indefinite useful lives allocated to the CGUs listed below.

T€	Carrying amount 31.12.2019	Methodology 31.12.2019	Detailed planning period 31.12.2019	Growth rate 31.12.2019	Discount rate after tax 31.12.2019
STRABAG Cologne (N+W)	128,838	FV less cost of disposal (Level 3) [2018: FV less cost of disposal (Level 3)]	4 (2018: 4)	0 (2018:0)	6.10 % (2018: 6.59 %)
STRABAG Cologne (S+E)	61,105	FV less cost of disposal (Level 3) [2018: FV less cost of disposal (Level 3)]	4 (2018: 4)	0 (2018:0)	6.43 % (2018: 6.99 %)
Czech Republic (S+E)	71,600	FV less cost of disposal (Level 3) [2018: FV less cost of disposal (Level 3)]	4 (2018: 4)	0 (2018:0)	6.70 % (2018: 7.30 %)
STRABAG Poland (N+W)	61,736	FV less cost of disposal (Level 3) [2018: FV less cost of disposal (Level 3)]	4 (2018: 4)	0 (2018:0)	6.82 % (2018: 7.43 %)
DIW Group (incl. SPFS Austria, SPFS Czech Republic; I+S)	51,795	FV less cost of disposal (Level 3) [2018: FV less cost of disposal (Level 3)]	4 (2018: 4)	0 (2018:0)	6.10 % (2018: 6.59 %)

The method used is a discounted cash flow model based on recognised valuation techniques, with the forecast of the cash flows calculated by the management on the basis of experience. An annual 5 % decrease of the cash flow and a simultaneous increase of the interest rate by one percentage point would not result in any impairment loss of the goodwill mentioned above. The key assumptions used to determine the recoverable amount were future cash flows and the cost of capital. Management does not consider that any reasonably possible change in the key assumptions would cause the carrying amount of the CGU which contains the abovementioned goodwill to exceed its recoverable amount.

Capitalised development costs

At the balance sheet date, development costs in the amount of T€ 0 (2018: T€ 0) were capitalised as intangible assets. A total of T€ 7,501 (2018: T€ 8,707) in development costs incurred in the 2019 financial year were recorded as expenses as the necessary capitalisation criteria were not met.

(13) RIGHTS FROM CONCESSION ARRANGEMENTS

STRABAG has held 100 % of PANSUEVIA GmbH & Co. KG of Jettingen-Scheppach since 28 September 2018.

The company concluded a concession arrangement with the Federal Republic of Germany to design, build and finance a section of the A8 motorway and to maintain and operate a section of the A8 motorway between Ulm and Augsburg.

In exchange, PANSUEVIA receives the right to charge trucks a uniform toll rate per kilometre on an approx. 57 km long concession section. The toll may be adapted annually. The term of the concession arrangement is set at 30 years and ends on 30 June 2041.

The development of the concession right can be found in the consolidated statement of fixed assets. The concession right is amortised over the term of 30 years on the basis of the use of the concession section. The annual income from the toll collections is recognised as revenue.

The right from the concession arrangement is offset by variable and fixed interest rate non-recourse financing in the amount of T€ 384,406 (2018: T€ 392,046) classified either as a current or non-current liability depending on the term to maturity. The resulting interest expenses are recognised under other operating expenses. The interest risk based on variable interest was hedged through the conclusion of interest rate swap agreements that satisfy the requirements for presentation as a cash flow hedge. The changes in the value of the interest rate swap are therefore recognised in the other comprehensive income.

(14) PROPERTY, PLANT AND EQUIPMENT

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

Borrowing costs in the amount of T€ 0 were capitalised for property, plant and equipment in the year under report (2018: T€ 1,612).

Leases

Lessee

The development of right-of-use assets from leases is shown in the consolidated statement of fixed assets.

The cash outflows from leases in the 2019 financial year break down as follows:

T€	31.12.2019
Interest from leases	6,263
Redemption of leases	56,424
Variable lease payments	6,371
Payments for short-term leases	8,944
Total lease payments	**78,002**

Additionally, expenses for short-term equipment rentals in the amount of T€ 161,131 (2018: T€ 151,530) were incurred in the financial year.

To a minor extent, the STRABAG Group also rents office space to third parties and thus acts as a lessor. This particularly involves the Tech Gate building in Vienna. The annual rental income amounts to T€ 2,638 and is shown in other operating income.

The carrying amount of this building as of 31 December 2019 is T€ 70,073 and is recorded under property, plant and equipment (properties and buildings). Rental income in the next year and the following five years will remain roughly constant. All leases are classified as operating leases.

Restrictions on property, plant and equipment/purchase obligations

As at the balance sheet date there were T€ 54,033 (2018: T€ 80,189) in contractual commitments for acquisition of property, plant and equipment which were not considered in the financial statements.

Restrictions exist for non-current assets in the amount of T€ 287 (2018: T€ 326).

Investment property

The development of investment property is shown separately in the consolidated statement of fixed assets. The fair value of investment property amounts to T€ 5,704 as at 31 December 2019 (2018: T€ 5,834). The fair value was determined using internal valuation reports or by employing the fair value of development land at market prices.

The rental income from investment property in the 2019 financial year amounted to T€ 6,664 (2018: T€ 8,359) and direct operating expenses totalled T€ 6,475 (2018: T€ 6,108). Rental income in the next year and the following five years will remain roughly constant. In the financial year, as in the year before, no direct expenses were incurred from unlet investment property. Additionally, gains from asset disposals in the amount of T€ 0 (2018: T€ 356) and losses from asset disposals in the amount of T€ 40 (2018: T€ 0) were achieved. A reversal of impairment losses in the amount of T€ 0 was made in the financial year 2019 (2018: T€ 0).

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

(15) EQUITY-ACCOUNTED INVESTMENTS

T€	2019	2018
Carrying amount as at 1.1.	**378,617**	**350,013**
Additions in scope of consolidation	42,877	14,311
Disposals in scope of consolidation	0	-55,314
Acquisitions/contributions	23,250	10,433
Proportional annual results	41,526	83,960
Received distributions	-25,016	-22,911
Proportional other income	-6,627	-3,096
Other	-95	1,221
Carrying amount as at 31.12.	**454,532**	**378,617**

Notes on associates

Lafarge Cement CE Holding GmbH, Vienna, is a significant associate. The group's share of the capital and voting rights amounts to 30 %. The company is accounted for using the equity method. We also refer to item 34 (Notes on related parties).

The following financial information concerns the consolidated financial statements prepared in accordance with IFRS.

T€	2019	2018
Revenue	245,792	222,666
Income from continuing operations	30,470	13,916
Other income	-10,966	-5,156
Total comprehensive income	**19,504**	**8,760**
attributable to: non-controlling interests	3	91
attributable to: equity holders of the parent company	19,501	8,669

	31.12.2019	31.12.2018
Non-current assets	578,599	577,348
Current assets	144,061	152,887
Non-current liabilities	-173,855	-171,712
Current liabilities	-75,473	-74,696
Net assets	**473,332**	**483,827**
attributable to: non-controlling interests	4,123	4,120
attributable to: equity holders of the parent company	469,209	479,707

The financial information presented here can be transferred to the equity carrying amount of the Lafarge Cement CE Holding GmbH in the consolidated financial statements as follows:

T€	2019	2018
Group's share in net assets as at 1.1.	**143,912**	**150,311**
Group's share of net income from continuing operations	9,050	4,101
Group's share of other income	-3,200	-1,500
Group's share of total comprehensive income	5,850	2,601
Dividends received	-9,000	-9,000
Group's share in net assets as at 31.12.	**140,762**	**143,912**
Goodwill	87,084	87,084
Equity-carrying amount as at 31.12.	**227,846**	**230,996**

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from associates that would be insignificant by themselves:

T€	2019	2018
Total of equity-carrying amount as at 31.12.	105,782	100,849
Group's share of net income from continuing operations	19,405	8,949
Group's share of other income	-3,427	-1,574
Group's share of total comprehensive income	15,978	7,375

Notes on joint ventures

The following table arranges in aggregate form the carrying amount and the group's share of the profit and other income from joint ventures that would be insignificant by themselves:

T€	2019	2018
Total of equity-carrying amount as at 31.12.	120,904	46,772
Group's share of net income from continuing operations	13,072	70,910
Group's share of other income	0	-22
Group's share of total comprehensive income	13,072	70,888

Notes on accumulated losses from equity-accounted investments

Proportionate losses from equity-accounted investments in the amount of T€ 6,063 (2018: T€ 19,843) were not recognised in profit or loss, as the carrying amounts of these investments already are T€ 0.

Notes on consortia

The group classifies construction consortia as joint ventures and records their earnings under share of profit or loss of equity-accounted investments. The following table shows the group's ten most important consortia with regard to the output volume in the 2019 financial year.

Construction consortia	Stake in %
ARGE KORALMTUNNEL KAT 2, Austria (KAT)	85.00
ARGE NEUBAU DAIMLER HALLE 80 BREMEN, Germany (BRE)	45.00
ARGE NEUBAU TECHNISCHES RATHAUS MANNHEIM, Germany (MANN)	40.00
ARGE ROHTANG PASS HIGHWAY TUNNEL LOT 1, India (ROHT)	60.00
ARGE TULFES PFONS, Austria (TULF)	51.00
ARGE TUNNEL KRIEGSSTRASSE KARLSRUHE, Germany (KAR)	84.00
COMBINATIE HEREPOORT VOF, the Netherlands (HER)	37.50
CONSORCIO MAR 1, Colombia (MAR)	37.50
JV 5TH WATER SUPPLY SYSTEM TO JERUSALEM, Israel (JER)	99.90
T.H.V.HOUBEN-STRABAG QUARTIER BLEU HASSEL, Belgium (BLEU)	50.00

The financial information in the 2019 financial year on these consortia is presented 100 % before consolidation and valuation approaches deviating from the consortia balance sheet if applicable.

T€	Revenue	Non-current assets	Current assets	thereof cash and cash equivalents	Non-current liabilities	Current liabilities
MAR	103,966	38,561	26,400	9,650	0	64,961
TULF	90,683	9,332	50,098	50,098	0	59,430
KAT	86,474	5,840	61,468	546	0	67,308
HER	65,920	462	42,242	802	0	42,704
ROHT	47,575	4,343	37,306	5,327	0	41,649
BLEU	43,872	0	25,919	6,774	0	25,919
KAR	43,606	321	13,438	3,765	0	13,759
BRE	38,703	0	29,593	9,441	0	29,593
MANN	29,218	14	18,653	7,997	0	18,667
JER	28,648	6,884	20,859	6,166	0	27,743

In the 2019 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned consortia included T€ 19,187 in profits from consortia and T€ 50,970 in losses from consortia including impending losses.

The financial information in the 2018 financial year on these consortia is presented 100 % before consolidation and valuation approaches deviating from the consortia balance sheet if applicable.

T€	Revenue	Non-current assets	Current assets	thereof cash and cash equivalents	Non-current liabilities	Current liabilities
MAR	42,281	20,931	22,287	5,077	0	43,218
TULF	133,961	13,643	65,544	65,544	0	79,187
KAT	96,392	7,156	51,187	1,437	0	58,343
HER	60,614	500	30,413	207	0	30,913
ROHT	44,732	9,430	28,398	7,032	0	37,828
BLEU	22,960	0	15,566	1,979	0	15,566
KAR	27,072	700	8,805	2,195	0	9,505
BRE	90,124	2	51,277	40,226	0	51,279
MANN	7,306	17	6,863	1,302	0	6,880
JER	19,247	6,514	15,768	5,135	0	22,282

In the 2018 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned consortia included T€ 61,182 in profits from consortia and T€ 32,548 in losses from consortia including impending losses.

The business transactions with the consortia in the financial year can be presented as follows:

T€	2019	2018
Work and services performed	1,017,209	897,169
Work and services received	39,207	14,197
Receivables as at 31.12.	532,382	481,711
Liabilities as at 31.12.	498,565	322,432

(16) OTHER INVESTMENTS

The other investments in companies include investments in subsidiaries, associated companies, joint ventures and other investments which, being immaterial, are reported as not consolidated and are not included at equity in the consolidated financial statements. Detailed information on the group's investments (shares of more than 20 %) can be found in the list of subsidiaries, equity-accounted investments and investee companies which is included in the yearly financial report.

The development of the other investments in the financial year was as follows:

T€	Balance as at 1.1.2019	Currency translation	Changes in scope of consolidation	Additions	Transfers	Disposal	Impairment/ Reversal of impairment losses	Balance as at 31.12.2019
Investments in subsidiaries	86,071	0	-1,653	6,603	-134	-481	-3,790	86,616
Investments	99,226	215	-2,473	2,988	134	-10,323	-1,321	88,446
Other investments	**185,297**	**215**	**-4,126**	**9,591**	**0**	**-10,804**	**-5,111**	**175,062**

The development of the other investments in the previous financial year was as follows:

T€	Balance as at 1.1.2018	IFRS 9 Change	Currency translation	Changes in scope of consolidation	Additions	Transfers	Disposal	Impairment/ Reversal of impairment losses	Balance as at 31.12.2018
Investments in subsidiaries	82,711	0	0	1,107	12,948	284	-702	-10,277	86,071
Investments	99,987	5,299	690	-14,351	9,907	-284	-337	-1,685	99,226
Other investments	**182,698**	**5,299**	**690**	**-13,244**	**22,855**	**0**	**-1,039**	**-11,962**	**185,297**

(17) DEFERRED TAXES

Tax accruals and deferrals recognised in the balance sheet on temporary differences between the amounts stated in the IFRS financial statements and the respective tax amounts as well as on losses carried forward developed as follows:

T€	Balance as at 1.1.2019	Currency translation	Changes in scope of consolidation	Other changes	Balance as at 31.12.2019
Intangible assets and property, plant and equipment	34,548	396	0	4,365	39,309
Financial assets	613	5	0	5,668	6,286
Inventories	14,558	51	0	1,145	15,754
Trade and other receivables	103,262	63	0	7,698	111,023
Provisions	193,688	-383	263	-1,456	192,112
Liabilities	37,135	311	0	8,666	46,112
Tax loss carryforwards	58,148	-63	0	14,847	72,932
Deferred tax assets	**441,952**	**380**	**263**	**40,933**	**483,528**
Netting out of deferred tax assets and liabilities of the same tax authorities	-295,012	0	0	-50,899	-345,911
Deferred tax assets netted out	**146,940**	**380**	**263**	**-9,966**	**137,617**
Intangible assets and property, plant and equipment	-81,510	-151	0	-7,832	-89,493
Financial assets	-12,851	0	0	6,432	-6,419
Inventories	-8,828	-572	-72	-10,870	-20,342
Trade and other receivables	-208,352	147	-38	-40,584	-248,827
Provisions	-11,327	-150	0	7,036	-4,441
Liabilities	-15,360	4	0	-9,729	-25,085
Deferred tax liabilities	**-338,228**	**-722**	**-110**	**-55,547**	**-394,607**
Netting out of deferred tax assets and liabilities of the same tax authorities	295,012	0	0	50,899	345,911
Deferred tax liabilities netted out	**-43,216**	**-722**	**-110**	**-4,648**	**-48,696**

Deferred taxes on losses carried forward were capitalised as these can probably be offset with future taxable profits. The planning period is limited to five years.

No deferred tax assets were made for tax losses carried forward on the corporate income tax and on the German trade tax (Gewerbesteuer) totalling T€ 1,457,880 (2018: T€ 1,368,844), as their effectiveness as final tax relief is not sufficiently assured.

Of the non-capitalised losses carried forward T€ 1,295,907 (2018: T€ 1,274,665) have unrestricted use.

For the STRABAG SE tax group, Austria, deferred taxes were capitalised despite tax losses in the previous years as well as in the year under report. The recognised deferred taxes for losses carried forward amount to T€ 56,535 (2018: T€ 42,589), for the STRABAG SE tax group. This contains deferred tax assets on open one-seventh impairments in the amount of T€ 55,407 (2018: T€ 37,741). The Austrian Corporate Income Tax Act (Körperschaftsteuergesetz) requires a tax-effective impairment of investments to be claimed over a period of seven years.

The losses of the ongoing year and of the past were strongly influenced by negative special items. To avoid such negative projects, the group has continuously expanded and improved its opportunity and risk management and implemented organisational and strategic improvements. The tax planning for the STRABAG SE tax group for the next five years documents the usability of the tax loss carryforwards.

(18) INVENTORIES

T€	31.12.2019	31.12.2018
Construction materials, auxiliary supplies and fuel	229,263	234,456
Finished buildings	136,191	146,795
Unfinished buildings	263,724	145,361
Development land	291,538	284,653
Finished and unfinished goods	30,015	29,415
Payments made	32,815	49,477
Inventories	**983,546**	**890,157**

Impairment in the amount of T€ 5,378 (2018: T€ 2,862) was recognised on inventories excluding construction materials, auxiliary supplies and fuel. T€ 20,014 (2018: T€ 27,836) of the inventories excluding construction materials, auxiliary supplies and fuel were reported with the net realisable value.

For qualifying assets, interest on borrowings was recognised in the amount of T€ 2,253 (2018: T€ 1,796).

(19) RECEIVABLES FROM CONCESSION ARRANGEMENTS

STRABAG has a 100 % interest in the Hungarian M5 motorway concession company, AKA Alföld Koncesszios Autopalya Zrt., Budapest (AKA).

In the concession arrangement with the Hungarian state, AKA committed to develop, plan, finance and to build and operate the M5 motorway. The motorway itself is the property of the state; all vehicles and equipment necessary for motorway operation are to be transferred to the state free of charge following the end of the concession period.

In exchange, AKA will regularly receive an availability fee, independent of transit volume, from the Hungarian state for making the motorway available to the public. AKA bears the operator's risk of motorway closure and non-compliance of contractually agreed roadway criteria.

The route totals 156.5 km and was built in three phases. The concession period runs until 2031. A one-time extension for up to 17.5 years is possible.

All services provided under this concession arrangement are accounted for under the separate balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made by the state. The annual accumulation amount is recognised in revenue.

The contract also includes interest adjustment payments to be made by the Hungarian state. As a result, the state bears the interest risk from the financing of AKA. These interest adjustment payments represent a separate hedging transaction. Presentation is made as a cash flow hedge; as a result, changes in the fair value of the interest rate swap are recognised in other comprehensive income.

The market value of the interest rate swap in the amount of T€ -21,747 (2018: T€ -28,222) is also recognised as long-term receivables from concession arrangements.

Recognisable receivables from concession arrangements are offset by non-recourse financing in the amount of T€ 281,120 (2018: T€ 338,728), classified either as a current or non-current liability depending on the term to maturity. The resulting interest expense is recognised in other operating expenses.

(20) CONTRACT ASSETS AND CONTRACT LIABILITIES

The contract assets comprise the right to payment from construction contracts with customers as well as from project developments for the work performed by the reporting date. If the advances received exceed the payment rights, presentation is made under contract liabilities.

The **contractual balances** are comprised as follows:

T€	31.12.2019	31.12.2018
Contract assets (gross)	7,981,987	5,919,311
Advances received	-6,627,090	-4,636,404
Contract assets	**1,354,897**	**1,282,907**
Contract liabilities (gross)	-5,861,724	-5,914,866
Advances received	6,818,971	6,889,432
Contract liabilities	**957,247**	**974,566**

In the 2019 financial year, revenue was recognised in the amount of T€ 974,566 (2018: T€ 1,021,253) that had been contained under contract liabilities at the beginning of the financial year.

As of 31 December 2019, there are unsatisfied performance obligations from construction contracts with customers and project developments (order backlog) in the amount of T€ 15,026,196 (2018: T€ 14,228,066). The recognition of revenue from these performance obligations is expected with T€ 8,806,125 (2018: T€ 8,658,789) in the following financial year and with T€ 6,220,071 (2018: T€ 5,569,277) in the next four financial years.

In the year under report, no costs of contract initiation or contract satisfaction were capitalised as separate assets.

As is customary in the industry, the customer has the contractual right to retain part of the total amount of the invoice. As a rule, however, these retentions are redeemed by collateral (bank or group guarantees).

With regard to the contract assets and liabilities, we refer to our notes in the section “Estimates – (b) Recognition of revenue from construction contracts with customers and project developments“.

(21) TRADE RECEIVABLES

Trade receivables are comprised as follows:

	31.12.2019			31.12.2018		
T€	Total	thereof current	thereof non-current	Total	thereof current	thereof non-current
Trade receivables	1,267,117	1,267,117	0	1,332,571	1,332,571	0
Receivables from consortia	334,780	334,780	0	313,025	313,025	0
Advances paid to subcontractors	98,832	98,832	0	90,348	90,348	0
Trade receivables	**1,700,729**	**1,700,729**	**0**	**1,735,944**	**1,735,944**	**0**

(22) OTHER FINANCIAL ASSETS

Other financial assets are comprised as follows:

T€	31.12.2019 Total	31.12.2019 thereof current	31.12.2019 thereof non-current	31.12.2018 Total	31.12.2018 thereof current	31.12.2018 thereof non-current
Securities	27,237	0	27,237	25,324	0	25,324
Receivables from subsidiaries	123,342	123,265	77	97,329	96,302	1,027
Receivables from participation companies	147,952	65,152	82,800	210,746	115,744	95,002
Other financial assets	220,917	101,121	119,796	210,119	81,335	128,784
Other financial assets total	**519,448**	**289,538**	**229,910**	**543,518**	**293,381**	**250,137**

(23) CASH AND CASH EQUIVALENTS

T€	31.12.2019	31.12.2018
Securities	3,100	3,080
Cash on hand	1,273	1,291
Bank deposits	2,456,441	2,381,457
Cash and cash equivalents	**2,460,814**	**2,385,828**

(24) EQUITY

The fully paid in share capital amounts to € 110,000,000 and is divided into 109,999,997 no-par bearer shares and three registered shares.

As at 31 December 2019, STRABAG SE had acquired 7,400,000 no-par bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000. The acquisition extended between the period July 2011 and May 2013. The average purchase price per share was € 20.79.

Details as to the development of the equity of STRABAG SE are represented in the statement of changes in equity.

Long-term economic success, within the context of responsibility to our shareholders, customers, employees, suppliers, subcontractors and the company itself, is the primary entrepreneurial objective of the STRABAG Group. Working to pursue these goals, recognising opportunities and risks before and as they arise, and responsibly taking these into consideration safeguards the continuity of the group and protects the interests of the shareholders.

To guarantee the continuity of the company, the management and responsible employees assure that there is a balanced relationship between opportunities and risks during the selection of projects and assess the individual risks against the background of the overall company risk.

The group equity ratio target was defined at between 20 % and 25 % during the IPO of STRABAG SE in October 2007. The equity capital ratio is calculated from the carrying amount of the equity as at 31 December divided by the balance sheet total as at 31 December. The equity contains all parts of the equity according to the balance sheet: share capital, capital reserves, retained earnings and non-controlling interests.

The group equity ratio as at 31 December 2019 amounted to 31.5 % (2018: 31.6 %). With this equity base, the STRABAG Group will be able to participate increasingly in tenders for Public-Private Partnership (PPP) projects. This means that the necessary funds for a participation in equity capital are available and that the related change in the balance sheet total will be manageable.

If the group is awarded the tender for large-scale projects, or if a strategically suitable acquisition is made, the equity ratio could briefly fall below the set minimum. In this case, the company reserves the right to adjust the dividend payments to the shareholders or to issue new shares.

(25) PROVISIONS

T€	Balance as at 1.1.2019	Currency translation	Changes in scope of consolidation	Additions	Utilisation	Balance as at 31.12.2019
Provisions for severance payments	114,676	-790	138	10,656	0	124,680
Provisions for pensions	420,311	134	647	14,824	0	435,916
Construction-related provisions	375,807	-936	0	55,066	41,746	388,191
Personnel-related provisions	19,717	0	0	2,261	227	21,751
Other provisions	186,081	-593	0	62,382	81,493	166,377
Non-current provisions	**1,116,592**	**-2,185**	**785**	**145,189**	**123,466**	**1,136,915**
Construction-related provisions	354,998	-81	239	379,768	352,375	382,549
Personnel-related provisions[1]	180,424	-355	18	179,994	175,301	184,780
Other provisions	199,059	481	-110	326,119	199,572	325,977
Current provisions	**734,481**	**45**	**147**	**885,881**	**727,248**	**893,306**
Total	**1,851,073**	**-2,140**	**932**	**1,031,070**	**850,714**	**2,030,221**

The **actuarial assumptions as at 31 December 2019** used to calculate provisions for severance payments and pensions are represented as follows:

	Severance payments	Pension obligation Austria	Pension obligation Germany	Pension obligation Switzerland
Biometric tables	AVÖ 2018-P	AVÖ 2018-P	Dr. Klaus Heubeck	BVG 2015G
Discounting rate (%)	0.80	0.80	0.80	0.25
	(2018: 1.65)	(2018: 1.65)	(2018: 1.65)	(2018: 0.70)
Salary increase (%)	2.00	0.00	dependent on contractual	1.00
	(2018: 2.00)	(2018: 0.00)	adaption	(2018: 2.00)
Future pension increase (%)	dependent on contractual	dependent on contractual	1.50	0.25
	adaption	adaption	(2018: 1.50)	(2018: 0.25)
Retirement age for men	62	65	63–67	65
	(2018: 62)	(2018: 65)	(2018: 63–67)	(2018: 65)
Retirement age for women	62	60	63–67	64
	(2018: 62)	(2018: 60)	(2018: 63–67)	(2018: 64)

Sensitivity analysis

All other parameters remaining equal, a change in the discount rate by +/- 0.5 percentage points, a change in the salary increase by +/- 0.25 percentage points as well as a change in the pension increase by +/- 0.25 percentage points would have the following impact on the amount of the provisions for severance payments and pension obligations as at 31 December 2019:

T€	Change in discounting rate		Change in salary increase		Change in future pension increase	
Change[2]	**-0.5 %-points**	**+0.5 %-points**	**-0.25 %-points**	**+0.25 %-points**	**-0.25 %-points**	**+0.25 %-points**
Severance payments	-4,538	4,230	2,132	-2,196	n. a.	n. a.
Pension obligations	-42,111	37,763	693	-647	12,741	-13,155

1 In the other personnel-related provisions plan assets in the amount of T€ 2,635 (2018: T€ 2,487) are deducted.
2 Sign: - increase of obligation, + decrease of obligation

Provisions for severance payments show the following development:

T€	2019	2018
Present value of the defined benefit obligation as at 1.1.	**114,676**	**111,100**
Changes in scope of consolidation/currency translation	-652	-563
Current service costs	5,441	7,226
Interest costs	1,435	1,311
Severance payments	-4,057	-4,633
Actuarial gains/losses arising from experience adjustments	815	871
Actuarial gains/losses arising from change in the discount rate	7,022	-1,251
Actuarial gains/losses arising from demographic changes	0	615
Present value of the defined benefit obligation as at 31.12.	**124,680**	**114,676**

The **development of the provisions for pensions** is shown below:

T€	2019	2018
Present value of the defined benefit obligation as at 1.1.	**602,355**	**624,457**
Changes in scope of consolidation/currency translation	7,173	6,845
Current service costs	8,758	8,887
Interest costs	8,090	7,514
Pension payments	-45,971	-43,385
Actuarial gains/losses arising from experience adjustments	-2,597	1,176
Actuarial gains/losses arising from change in the discount rate	49,453	-10,863
Actuarial gains/losses arising from demographic changes	739	7,724
Present value of the defined benefit obligation as at 31.12.	**628,000**	**602,355**

The **plan assets for pension provisions** developed as follows in the year under report:

T€	2019	2018
Fair value of the plan assets as at 1.1.	**182,044**	**184,350**
Changes in scope of consolidation/currency translation	6,392	6,493
Income from plan assets	1,553	1,449
Contributions	7,457	8,432
Pension payments	-13,288	-18,430
Actuarial gains/losses	7,926	-250
Fair value of the plan assets as at 31.12.	**192,084**	**182,044**

The **plan assets** consist of the following risk groups:

T€	31.12.2019	31.12.2018
Shares[1]	28,252	20,882
Bonds[1]	64,236	60,977
Cash	1,284	1,893
Investment funds	4,076	5,061
Real estate	13,121	9,772
Liability insurance	61,530	58,341
Other assets	19,585	25,118
Total	**192,084**	**182,044**

1 All shares and bonds are traded in an active market.

The plan assets involve almost exclusively the assets of the pension foundation of STRABAG AG, Switzerland. Any investments in this regard are subject to the applicable laws and regulations governing the supervision of foundations. Capital investments are to be chosen by trained experts in such a way as to guarantee the investment goal of revenue-generating and risk-minimising asset management while taking into consideration security, risk distribution, returns and the liquidity to fulfil the pension purposes. The investment strategy can be adjusted on an annual basis in order to reflect market changes. Currently the split is 50 % in nominal value assets and 50 % in tangible assets.

The expected contributions to pension foundations in the following year will amount to T€ 3,809 (2018: T€ 3,998).

Asset-liability matching strategy

Pension payments in Switzerland are provided by pension foundations with funds dedicated to this purpose, while payments in Austria and in Germany are covered by readily available cash and cash equivalents as well as securities.

The actual return on plan assets amounted to T€ 9,128 (2018: T€ 690) in the financial year.

The following amounts for pension and severance provisions were recognised in the **income statement**:

T€	2019	2018
Current service costs	14,199	16,113
Interest costs	9,525	8,825
Return on plan assets	1,553	1,449

The **development of the net defined benefit obligation** for pension and severance provisions was as follows:

T€	31.12.2019	31.12.2018
Severance provisions obligation	124,680	114,676
Present value of the defined benefit obligation (pension provision)	628,000	602,355
Fair value of plan assets (pension provision)	-192,084	-182,044
Pension provision obligation	435,916	420,311
Obligation total	**560,596**	**534,987**

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2019 was as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	9,429	25,693	32,107	33,591	4,790
Provisions for pensions	36,572	145,239	145,843	197,840	165,760

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2018 was as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	7,737	24,812	30,227	37,388	6,556
Provisions for pensions	40,174	149,622	151,575	210,244	182,667

The **durations** (weighted average term) are shown in the following table.

Years	31.12.2019	31.12.2018
Severance payments Austria	9.05	9.29
Pension obligations Austria	8.47	8.36
Pension obligations Germany	11.69	11.17
Pension obligations Switzerland	15.20	15.20

Other provisions

The construction-related provisions include warranty obligations, costs of the contract execution and subsequent costs of invoiced contracts, as well as impending losses from projects pending which are not accounted for elsewhere. The personnel-related provisions essentially include bonus obligations and premiums, service anniversary bonuses, contributions to occupational funds as well as costs of the old age part-time scheme and expenses for personnel downsizing measures. Other provisions especially include provisions for damages and litigations.

(26) FINANCIAL LIABILITIES

T€	31.12.2019 Total	31.12.2019 thereof current	31.12.2019 thereof non-current	31.12.2018 Total	31.12.2018 thereof current	31.12.2018 thereof non-current
Bonds	400,000	200,000	200,000	500,000	100,000	400,000
Bank borrowings	721,888	104,829	617,059	863,330	175,709	687,621
Lease liabilities	300,319	50,680	249,639	0	0	0
Financial liabilities	**1,422,207**	**355,509**	**1,066,698**	**1,363,330**	**275,709**	**1,087,621**

Physical securities were established to cover liabilities to banks in the amount of T€ 48,886 (2018: T€ 54,882).

The bank borrowings involve non-recourse liabilities from concession arrangements in the amount of T€ 665,526 (thereof non-current: T€ 597,187). This value amounted to T€ 730,773 (thereof non-current: T€ 665,861) in the previous year.

(27) TRADE PAYABLES

T€	31.12.2019 Total	31.12.2019 thereof current	31.12.2019 thereof non-current	31.12.2018 Total	31.12.2018 thereof current	31.12.2018 thereof non-current
Trade payables	2,357,883	2,357,883	0	2,305,999	2,305,999	0
Liabilities from construction consortia	468,757	468,757	0	309,256	309,256	0
Trade payables	**2,826,640**	**2,826,640**	**0**	**2,615,255**	**2,615,255**	**0**

(28) OTHER FINANCIAL LIABILITIES

T€	31.12.2019 Total	31.12.2019 thereof current	31.12.2019 thereof non-current	31.12.2018 Total	31.12.2018 thereof current	31.12.2018 thereof non-current
Payables to subsidiaries	107,827	107,827	0	107,641	107,641	0
Payables to participation companies	12,770	12,770	0	11,858	11,858	0
Other financial liabilities	355,983	263,765	92,218	352,057	273,302	78,755
Other financial liabilities total	**476,580**	**384,362**	**92,218**	**471,556**	**392,801**	**78,755**

(29) CONTINGENT LIABILITIES

Guarantees

The company has issued the following guarantees:

T€	31.12.2019	31.12.2018
Guarantees without financial guarantees	174	182

(30) OFF-BALANCE SHEET TRANSACTIONS

In the construction industry, it is customary and necessary to provide various types of guarantees to secure the contractual obligations. These guarantees are usually issued by banks or credit insurers and most commonly comprise bid, contract performance, prepayment and warranty guarantees. In the event these guarantees are called upon, the relevant banks have a contractual right of recourse against the group. The risk that such guarantees are utilised and that a right of recourse arises materialises only if the primary contractual obligations are not properly performed.

Obligations and possible risks from such guarantees are recognised in the balance sheet as provisions or liabilities.

Not included in the balance sheet or the contingent liabilities as at 31 December 2019 are performance bonds in the amount of € 2.5 billion (2018: € 2.6 billion) of which an outflow of resources is unlikely.

As is customary in the industry, STRABAG SE shares liability with the other partners of consortia in which companies of the STRABAG Group hold a share interest.

(31) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The representation of the cash flow statement was made according to the indirect method and separated into the cash flows classified by operating, investing and financing activities. The cash and cash equivalents include exclusively cash on hand, bank deposits and short-term securities. Any effects from changes in the scope of consolidation were eliminated and represented in the cash flow from investing activities.

The **cash and cash equivalents** are composed as follows:

T€	**31.12.2019**	**31.12.2018**
Securities	3,100	3,080
Cash on hand	1,273	1,291
Bank deposits	2,456,441	2,381,457
Restricted cash and cash equivalents	0	0
Pledge of cash and cash equivalents	-845	-1,485
Cash and cash equivalents	**2,459,969**	**2,384,343**

Moreover, in construction projects executed through consortia there are cash and cash equivalents whose use can only be determined jointly with other partner companies.

The **cash flow from operating activities** in the reporting year contains the following items:

T€	**2019**	**2018**
Interest paid	36,546	45,587
Interest received	24,316	25,164
Taxes paid	122,740	90,357
Dividends received	88,144	70,522

The **cash flow from financing activities** for the financial year 2019 can be derived from the balance sheet items as follows:

T€	Bonds	Bank borrowings	Other financial liabilities[1]	Lease liabilities	Total
Balance as at 1.1.2019	**500,000**	**863,330**	**62,708**	**356,672**	**1,782,710**
Issue	0	16,650	0	0	16,650
Repayment	-100,000	-153,748	0	0	-253,748
Increase (+)/decrease (-) of financing	0	0	-4,493	-56,424	-60,917
Total cash flow from financing activities	**-100,000**	**-137,098**	**-4,493**	**-56,424**	**-298,015**
Currency translation	0	-2	-120	71	-51
Change in scope of consolidation	0	0	0	0	0
Other changes	0	-4,342	30,323	0	25,981
Total of non-cash-effective changes	**0**	**-4,344**	**30,203**	**71**	**25,930**
Balance as at 31.12.2019	**400,000**	**721,888**	**88,418**	**300,319**	**1,510,625**

The cash flow from financing activities can be derived as follows:

T€	Inflow (+) Outflow (-)
Total cash flows from financing activities	-298,015
Change in non-controlling interests due to acquisition	-3,586
Distribution of dividends	-110,014
Cash flow from financing activities	**-411,615**

The **cash flow from financing activities** for the financial year 2018 can be derived from the balance sheet items as follows:

T€	Bonds	Bank borrowings	Other financial liabilities[1]	Total
Balance as at 1.1.2018	**675,000**	**618,977**	**98,889**	**1,392,866**
Issue	0	33,465	0	33,465
Repayment	-175,000	-184,589	0	-359,589
Increase (+)/decrease (-) of financing	0	0	-20,068	-20,068
Total cash flow from financing activities	**-175,000**	**-151,124**	**-20,068**	**-346,192**
Currency translation	0	-368	-122	-490
Change in scope of consolidation	0	395,845	0	395,845
Other changes	0	0	-15,991	-15,991
Total of non-cash-effective changes	0	395,477	-16,113	**379,364**
Balance as at 31.12.2018	**500,000**	**863,330**	**62,708**	**1,426,038**

The cash flow from financing activities can be derived as follows:

T€	Inflow (+) Outflow (-)
Total cash flows from financing activities	-346,192
Change in non-controlling interests due to acquisition	-78,027
Distribution of dividends	-109,953
Cash flow from financing activities	**-534,172**

1 The recognition in the balance sheet was made under current and non-current other financial liabilities.

Notes on financial instruments

(32) FINANCIAL INSTRUMENTS

A financial instrument is a contract that results in a financial asset at one enterprise and a financial liability or equity instrument at another. Financial assets include especially cash and cash equivalents, trade receivables and other receivables and derivatives. Financial liabilities are obligations to pay cash or other financial assets on a regular basis. These include especially financial liabilities such as bank borrowings, bonds, lease liabilities and trade payables.

The **financial instruments** as at the balance sheet date were as follows:

T€	Measurement category according to IFRS 9	31.12.2019 Carrying amount	31.12.2019 Fair value	Measurement category according to IFRS 9	31.12.2018 Carrying amount	31.12.2018 Fair value
Assets						
Investments below 20 % (other investments)	FVPL	32,540	32,540	FVPL	40,660	40,660
Trade receivables	AC	1,601,896		AC	1,645,596	
Receivables from concession arrangements	AC	660,107		AC	694,752	
Other non-current financial assets	AC	202,673		AC	221,594	
Other current financial assets	AC	288,271		AC	291,537	
Cash and cash equivalents	AC	2,457,713		AC	2,382,749	
Securities	FVPL	27,237	27,237	FVPL	25,324	25,324
Cash and cash equivalents (securities)	FVPL	3,101	3,101	FVPL	3,080	3,080
Derivatives held for hedging purposes (receivables from concession arrangements)	Derivatives	-21,747	-21,747	Derivatives	-28,222	-28,222
Derivatives held for hedging purposes (other financial assets)	Derivatives	0	0	Derivatives	3,219	3,219
Derivatives other (other financial assets)	FVPL	1,266	1,266	FVPL	1,843	1,843
Liabilities						
Financial liabilities	FLaC	-1,422,207	-1,428,844	FLaC	-1,363,330	-1,367,175
Trade payables	FLaC	-2,826,640		FLaC	-2,615,255	
Other non-current financial liabilities	FLaC	-74,996		FLaC	-78,755	
Other current financial liabilities	FLaC	-367,466		FLaC	-381,808	
Derivatives held for hedging purposes (other financial liabilities)	Derivatives	-32,920	-32,920	Derivatives	-10,740	-10,740
Derivatives other (other financial liabilities)	FVPL	-1,199	-1,199	FVPL	-253	-253
	Measurement categories according to IFRS 9			**Measurement categories according to IFRS 9**		
	AC	5,210,660		AC	5,236,228	
	FVPL	62,945	62,945	FVPL	70,654	70,654
	FLaC	-4,691,309	-1,428,844	FLaC	-4,439,148	-1,367,175
	Derivatives	-54,667	-54,667	Derivatives	-35,743	-35,743
	Total	**527,629**	**-1,420,566**	**Total**	**831,991**	**-1,332,264**

No special disclosure of the fair value of financial instruments is represented if the carrying amount is a reasonable approximation of fair value.

Cash and cash equivalents, trade receivables and other receivables have for the most part short remaining terms. Accordingly, their carrying amounts on the balance sheet date approximate their fair value. The fair value of non-current financial assets corresponds to the present value of the related payments under consideration of the prevailing market parameters as far as market values were not available.

Trade payables and other financial liabilities typically have short terms; their carrying amounts approximate the fair value. The fair value of bonds, bank borrowing and lease liabilities are measured at the present value of the payments associated with them and under consideration of the relevant applicable market parameters as far as market values were not available. The fair value of the financial liabilities would qualify as a Level 1 measurement at T€ 407,994 (2018: T€ 515,295) and as a Level 2 measurement at T€ 1,020,850 (2018: T€ 851,880).

T€ 845 (2018: T€ 1,485) of cash and cash equivalents, T€ 2,672 (2018: T€ 2,672) of securities and T€ 1,755 (2018: T€ 1,758) of other financial instruments were pledged as collateral for liabilities.

The non-recourse liabilities related to concession projects (AKA and Pansuevia) are hedged using the income from concession arrangements.

The financial instruments recognised at fair value, classified by method of measurement (Level 1 to Level 3), are as follows.

Level 1: In measurement at market prices, the assets and liabilities are measured at the quoted prices in an active market for identical assets and liabilities.

Level 2: The measurement based on observable market input takes into account not only market prices but also directly or indirectly observable data.

Level 3: Other methods of measurement also consider data that are not observable on the markets.

STRABAG records reclassifications between different levels of the FV hierarchy at the end of the reporting period in which the change occurs.

The **fair values as at 31 December 2019** for financial instruments measured at fair value in the balance sheet were determined as follows:

T€	Level 1	Level 2	Level 3	Total
Assets				
Investments below 20 % (other investments)			32,540	32,540
Securities	27,237			27,237
Cash and cash equivalents (securities)	3,101			3,101
Derivatives held for hedging purposes		-21,747		-21,747
Derivatives other		1,266		1,266
Total	**30,338**	**-20,481**	**32,540**	**42,397**
Liabilities				
Derivatives held for hedging purposes		-32,920		-32,920
Derivatives other		-1,199		-1,199
Total		**-34,119**		**-34,119**

The **fair values as at 31 December 2018** for financial instruments measured at fair value in the balance sheet were determined as follows:

T€	Level 1	Level 2	Level 3	Total
Assets				
Investments below 20 % (other investments)			40,660	40,660
Securities	25,324			25,324
Cash and cash equivalents (securities)	3,080			3,080
Derivatives held for hedging purposes		-25,003		-25,003
Derivatives other		1,843		1,843
Total	**28,404**	**-23,160**	**40,660**	**45,904**
Liabilities				
Derivatives held for hedging purposes		-10,740		-10,740
Derivatives other		-253		-253
Total		**-10,993**		**-10,993**

During the financial years 2019 and 2018 , there were no transfers between the levels.

Financial instruments in Level 1

The fair value is determined on the basis of quoted prices in an active market. An active market exists if the prices are regularly established and readily available to the market participant. The quoted market price for the financial instruments presented in Level 1 corresponds to the bid price on 31 December 2019.

Financial instruments in Level 2

These financial instruments are not traded in an active market. They involve exclusively derivatives concluded for hedging purposes in the group. The fair value is determined using methods of measurement on the basis of observable market data. Specifically, measurement is made using interest yield and currency curves in proportion to the term of the derivative.

Financial instruments in Level 3

These financial instruments involve exclusively a large number of smaller investments below 20 % that are not traded on an active market. The fair value is determined on the basis of simplified company valuations.

T€	2019
Carrying amount as at 1.1.	**40,660**
Currency translation	201
Additions	172
Disposals	-8,732
Changes in fair value	239
Carrying amount as at 31.12.	**32,540**

Due to the broad diversification of the investments, no major fluctuations in value are expected in the future.

The following **derivatives** existed which are not offsettable but which can be set off in case of insolvency:

T€	31.12.2019			31.12.2018		
Bank	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Deutsche Bank AG	0	-14,115	**-14,115**	0	-7,894	**-7,894**
KfW IPEX-Bank	0	-4,252	**-4,252**	582	0	**582**
Norddeutsche Landesbank	0	-4,426	**-4,426**	914	0	**914**
Republic of Hungary	-21,747	0	**-21,747**	-28,222	0	**-28,222**
SEB AG	0	-5,693	**-5,693**	979	-2,887	**-1,908**
Société Générale	0	-4,434	**-4,434**	743	0	**743**
Total derivatives held for hedging purposes	**-21,747**	**-32,920**	**-54,667**	**-25,004**	**-10,781**	**-35,785**
Bayerische Landesbank	27	0	**27**	195	-38	**157**
Commerzbank AG	0	0	**0**	0	-26	**-26**
Crédit Agricole Corp. & Investment	0	-267	**-267**	206	-31	**175**
Deutsche Bank AG	0	0	**0**	0	0	**0**
Erste Group Bank AG	0	-32	**-32**	42	-17	**25**
ING Bank N.V.	84	0	**84**	30	-30	**0**
Landesbank Baden-Württemberg	408	-900	**-492**	835	-68	**767**
Raiffeisenbank International AG	44	0	**44**	116	0	**116**
SEB AG	379	0	**379**	135	0	**135**
UniCredit Bank Austria AG	324	0	**324**	284	-1	**283**
Total other derivatives	**1,266**	**-1,199**	**67**	**1,843**	**-211**	**1,632**
Total	**-20,481**	**-34,119**	**-54,600**	**-23,161**	**-10,992**	**-34,153**

No hedge accounting is used for other derivatives, but they are part of the economic hedging relationships.

The **net income effects of the financial instruments** according to valuation categories are as follows:

	2019				2018			
T€	**AC**	**FVPL**	**FLaC**	**Derivatives**	**AC**	**FVPL**	**FLaC**	**Derivatives**
Interest	21,150	0	-34,138	0	18,141	0	-40,707	0
Interest from concession projects	63,274	0	-22,548	-6,193	73,118	0	-15,964	-6,131
Result from securities	0	-803	0	0	0	-474	0	0
Impairment losses and reversal of impairment losses	-9,169	0	0	0	-23,425	0	0	0
Disposal profits/losses	0	1,863	0	0	0	11	0	0
Gains from derecognition of liabilities and payments of written-off receivables	831	0	10,054	0	47	0	9,484	0
Net income recognised in profit or loss	**76,086**	**1,060**	**-46,632**	**-6,193**	**67,881**	**-463**	**-47,187**	**-6,131**
Value changes recognised directly in equity	0	0	0	-12,688	0	0	0	-1,534
Net income	**76,086**	**1,060**	**-46,632**	**-18,881**	**67,881**	**-463**	**-47,187**	**-7,665**

Dividends and income from investments shown in net income from investments are part of operating income and therefore not part of net income of financial instruments.

Impairment losses, reversal of impairment losses and profits or losses from the disposal of financial assets without other investments and securities, as well as financial liabilities are carried in other income or other expenses.

Impairment losses, reversal of impairment losses and profits or losses from the disposal of other investments are carried in net income from investments. Impairment losses, reversal of impairment losses and profits or losses from the disposal of securities are carried in net interest income.

Principles of risk management

The STRABAG Group is subject to credit, market and liquidity risks related to its financial assets, financial liabilities and planned transactions. The goal of financial risk management is to minimise these risks through ongoing financially oriented activities.

The basics of the financial policy are set by the Management Board and monitored by the Supervisory Board. The implementation of the financial policy and responsibility for the risk management are the domain of the group treasury. Certain transactions require prior approval by the Management Board, which is regularly informed as to the scope and amount of the current risk exposure.

The group sees concentrations of risk with regard to interest rate risk, currency risk and credit risk as low because customers are located in different countries, belong to different industries and operate in largely independent markets.

The group's business activities are subject to market price risks that are customary in the industry. These risks are not hedged through derivatives or financial instruments but through other hedging activities including but not limited to contractual agreements.

Further explanations on risk management and financial instruments can be found in the group management report from 31 December 2019.

Interest rate risk

The financial instruments bear variable interest rates on the assets side, on the liabilities side there are both variable and fixed interest obligations. The risk of financial instruments bearing variable interest rates consists of increasing interest charges and sinking interest revenue resulting from an unfavourable change in market interest rates. Fixed interest obligations mainly result from the bonds issued by STRABAG SE amounting to a total of T€ 400,000.

The amount of bank deposits and bank borrowings according to currency – giving the average interest rate at balance sheet date – is represented as follows:

Bank deposits

Currency	Carrying amount 31.12.2019 T€	Weighted average interest rate 2019 %
EUR	1,625,584	0.03
PLN	240,694	1.20
HUF	56,051	0.01
CZK	172,962	0.66
Other	361,150	0.47
Total	**2,456,441**	**0.25**

Currency	Carrying amount 31.12.2018 T€	Weighted average interest rate 2018 %
EUR	1,730,357	0.03
PLN	142,250	1.20
HUF	44,756	0.00
CZK	179,446	0.39
Other	284,648	0.50
Total	**2,381,457**	**0.18**

Bank borrowings

Currency	Carrying amount 31.12.2019 T€	Weighted average interest rate 2019 %
EUR	721,880	1.14
Other	8	9.55
Total	**721,888**	**1.14**

Currency	Carrying amount 31.12.2018 T€	Weighted average interest rate 2018 %
EUR	860,513	1.26
Other	2,817	9.80
Total	**863,330**	**1.29**

Had the interest rate level at 31 December 2019 been higher by 100 basis points, then the EBT would have been higher by T€ 18,794 (2018: T€ 19,425) and the equity at 31 December 2019 would have been higher by T€ 57,323 (2018: T€ 61,022). Had the interest rate level been lower by 100 basis points, this would have meant a correspondingly lower equity and EBT. The calculation is made based on the level of interest-bearing financial assets and liabilities as at 31 December. Tax effects from interest rate changes were not considered.

Currency risk

Due to the decentralised structure of the group, characterised by local companies in the respective countries, mainly closed currency positions appear in the balance sheet. Loan financing and investments were predominantly made by the group companies in the respective country's local currency. Receivables and liabilities from business activities mainly offset each other in the same currency.

The internal financing of companies within the group using different functional currencies resulted in an earnings-relevant currency risk. To limit this risk derivative financial instruments are transacted. The market values of these hedging transactions in the amount of T€ 67 (2018: T€ 1,138) are recognised in profit or loss in the income statement. The hedging transactions are reported under other financial assets or other financial liabilities.

Development of the important **currencies in the group**:

Currency	Exchange rate 31.12.2019: 1 € =	Average rate 2019: 1 € =	Exchange rate 31.12.2018: 1 € =	Average rate 2018: 1 € =
HUF	330.5300	325.7517	320.9800	319.9725
CZK	25.4080	25.6588	25.7240	25.6784
PLN	4.2568	4.2990	4.3014	4.2684
CHF	1.0854	1.1111	1.1269	1.1516
CLP	843.6127	792.4677	794.3524	758.3645
USD	1.1234	1.1195	1.1450	1.1793

The following table shows the hypothetical changes in EBT and equity if the euro in the year **2019** had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	**change in EBT**	**change in equity**	**change in EBT**	**change in equity**
PLN	545	2,545	-545	-2,545
HUF	-12,250	5,903	12,250	-5,903
CHF	-3,985	-9,513	3,985	9,513
CZK	3,474	12,974	-3,474	-12,974
CLP	0	2,670	0	-2,670
USD	15,926	15,926	-15,926	-15,926
Other	-19,704	-19,704	19,704	19,704

The following table shows the hypothetical changes in EBT and equity if the euro in the year **2018** had been revalued or devalued by 10 % in relation to another currency:

T€	**Revaluation euro of 10%**		**Devaluation euro of 10%**	
Currency	**change in EBT**	**change in equity**	**change in EBT**	**change in equity**
PLN	-10,917	-3,418	10,917	3,418
HUF	-8,520	10,173	8,520	-10,173
CHF	-2,006	-7,330	2,006	7,330
CZK	8,100	17,600	-8,100	-17,600
Other	-9,415	-9,418	9,415	9,418

The calculation is based on original and derivative foreign currency holdings in non-functional currency as at 31 December as well as underlying transactions for the next twelve months. The effect on tax resulting from changes in currency exchange rates was not taken into consideration.

Cash flow hedges

Currency risks in the group result when the currency of the order differs from the functional currency of the company. The planned proceeds are received in the currency of the order (for example, euro or US dollar), while a substantial part of the associated costs is made in the local currency.

The group uses foreign exchange forwards to hedge against this risk. These contracts are classified as hedges against future payments and are presented as cash flow hedges.

The group designates exclusively the spot element of foreign exchange forwards and swaps to hedge its currency risk and applies a hedge ratio of 1:1 or 100 %. The spot element corresponds to that part of the fair value that is determined exclusively on the basis of the spot exchange rate. The interest element (forward element), on the other hand, is determined from the difference between the total fair value and the cash element. The forward element is excluded from designation and recognised as cost of hedging. The critical conditions of the foreign exchange forward or swap correspond to the hedged item.

To hedge against variable interest rate obligations, interest rate swaps are used especially with financing obligations from concession arrangements. This serves to hedge the variability of future cash flows from variable interest rate payments. Interest rate swaps are presented as cash flow hedges.

The group determines the existence of an economic relationship between the hedging instrument and the hedged item, for the purpose of assessing the effectiveness of the hedge, based on the interest rates benchmarks, terms, repricing dates and maturities of the nominal amounts.

The amounts of the hedged items as at 31 December 2019 are as follows:

T€ **Hedged item**	**Value changes in the basis for effectiveness measurement**	**Hedging reserves**	**Cost-of-hedging reserves**
Exchange risk			
USD sale	15,241	-16,018	321
Interest rate risk			
Interest AKA	-2,104	-33,158	0
Interest PANSUEVIA	23,321	-25,612	0
Total	**36,458**	**-74,788**	**321**

The amounts of the hedged items as at 31 December 2018 are as follows:

T€ Hedged item	Value changes in the basis for effectiveness measurement	Hedging reserves	Cost-of-hedging reserves
Exchange risk			
USD sale	10,600	-10,600	72
Interest rate risk			
Interest AKA	-2,608	-45,395	0
Interest PANSUEVIA	6,416	-5,602	0
Interest A-WAY	94	-253	0
Total	**14,502**	**-61,850**	**72**

The hedging instruments as at 31 December 2019 were comprised as follows:

T€ Hedge	Nominal value	Carrying amount	Balance sheet item where the hedge is presented	OCI change in value of the hedge	Cost of hedging recognised in OCI	Recycling amount from hedging reserves	Recycling amount from cost-of-hedging reserves	P&L item where the recycling value is recognised
Exchange risk								
USD sale	173,580	-15,697	other financial liabilities	-15,241	278	9,824	-29	revenue
Interest rate risk								
Interest rate swap AKA	281,120	-21,747	receivables from concession arrangements	2,104	0	10,134	0	other operating expenses
Interest rate swaps PANSUEVIA	257,875	-17,223	other financial liabilities	-23,321	0	3,310	0	other operating expenses
Interest rate swap A-WAY	0	0	other financial liabilities	0	0	253	0	interest expense
Total	**712,575**	**-54,667**		**-36,458**	**278**	**23,521**	**-29**	

Possible sources of ineffectiveness in these hedging relationships include:

- the effect of counterparty and own credit risk on the fair value of derivatives not reflected in the change in the fair value of the hedged cash flows attributable to interest rates changes
- differences in the repricing dates of the hedging instrument and the underlying transactions
- changes in the expected value of the cash flows from the underlying transaction being hedged and from the hedging instrument

In the 2019 financial year, no amounts from value changes resulting from ineffectiveness were recognised in the income statement.

The hedging instruments as at 31 December 2018 were comprised as follows:

T€ Hedge	Nominal value	Carrying amount	Balance sheet item where the hedge is presented	OCI change in value of the hedge	Cost of hedging recognised in OCI	Recycling amount from hedging reserves	Recycling amount from cost-of-hedging reserves	P&L item where the recycling value is recognised
Exchange risk								
USD sale	170,306	-10,528	other financial liabilities	-10,600	72	0	0	n. a.
Interest rate risk								
Interest rate swap AKA	338,728	-28,222	receivables from concession arrangements	2,608	0	11,725	0	revenue
Interest rate swaps PANSUEVIA	262,999	3,218	other financial assets	-6,416	0	814	0	interest expense
Interest rate swap A-WAY	8,833	-253	other financial liabilities	-94	0	357	0	interest expense
Total	**780,866**	**-35,785**		**-14,502**	**72**	**12,896**	**0**	

In the 2018 financial year, no amounts from value changes resulting from ineffectiveness were recognised in the income statement.

On 31 December 2019, the group held the following instruments for the purpose of hedging exchange rate and interest rate fluctuation:

		Maturity	
T€	**1–6 months**	**6–12 months**	**> 1 year**
Foreign exchange forward			
Nominal amount in TUSD	81,000	84,000	30,000
Average USD-CLP forward rate	665.88	694.09	689.40
Interest rate swap			
Nominal amount in TEUR	32,951	32,408	473,636
Average fixed interest rate (%)	2.64	2.61	1.79

On 31 December 2018, the group held the following instruments for the purpose of hedging exchange rate and interest rate fluctuation:

		Maturity	
T€	**1–6 months**	**6–12 months**	**> 1 year**
Foreign exchange forward			
Nominal amount in TUSD	90,000	90,000	15,000
Average USD-CLP forward rate	651.22	649.59	652.63
Interest rate swap			
Nominal amount in TEUR	40,699	30,867	538,994
Average fixed interest rate (%)	2.83	2.63	1.89

The reconciliation of the equity components as at 31 December 2019 is as follows:

T€	**Hedging reserves**	**Cost-of-hedging reserves**
As at 1.1.	**-76,148**	**72**
Fair value changes		
Currency risk	-15,241	278
Interest rate risk	-21,217	0
Recycling		
Currency risk	9,824	-29
Interest rate risk	13,697	0
Deferred taxes		
Currency risk	1,347	-87
Interest rate risk	5,004	0
Change in hedging reserves from equity-accounted investments	-4,349	0
As at 31.12.	**-87,083**	**234**

The reconciliation of the equity components as at 31 December 2018 is as follows:

T€	**Hedging reserves**	**Cost-of-hedging reserves**
As at 1.1.	**-78,797**	**0**
Fair value changes		
Currency risk	-10,600	72
Interest rate risk	-3,902	0
Recycling		
Currency risk	0	0
Interest rate risk	12,896	0
Deferred taxes		
Currency risk	2,978	0
Interest rate risk	371	0
Change in hedging reserves from equity-accounted investments	906	0
As at 31.12.	**-76,148**	**72**

Credit risk

Credit risks arise when contractual parties do not meet their payment obligations by the date of settlement. Such risks exist with regard to payments of receivables from the operating business as well as the contractual cash flows from debt instruments in the category of measured at amortised cost (AC). To manage the credit risk from the operating business, STRABAG established a credit risk management system in line with the market rates and customers.

The maximum credit risk of the financial assets corresponds to the carrying amounts presented in the balance sheet.

The risk for receivables from clients can be rated as low due to the wide dispersion, a constant creditworthiness check and the presence of the public sector as an important client.

The risk of default for other primary financial instruments shown on the assets side can also be regarded as low, as the contract partners are mainly financial institutions with the highest level of creditworthiness and/or the risk of default has been significantly reduced as a result of assumed liabilities of third parties.

STRABAG SE holds no non-financial assets as security collateral. Financial collateral is only of minor importance, as the large number of public-sector customers presents hardly any payment risk. The performance of work for private customers is largely secured by payments of advance consideration.

Impairments on trade receivables and on contract assets are determined using the simplified approach. The impairments are determined taking into consideration the country-specific risks and the creditworthiness of the customers.

Impairments, considered individually, are also made of financial assets if the carrying amount of the financial asset is higher than the present value of the future cash flows. This can be triggered by financial difficulties, insolvency of the client, breach of contract or significant default of payment. These impairments are composed of many individual items of which none, seen alone, is significant.

During the period under report, there were no material changes with regard to the determination methods and criteria that were applied.

The risk provision as at 31 December 2019 for trade receivables and for contract assets developed as follows during the financial year:

T€	Trade receivables	Contract assets
Gross carrying amount as at 31.12.2019	**1,717,616**	**1,359,922**
Lifetime ECL as at 1.1.	**6,897**	**5,268**
Exchange differences/change in scope of consolidation	-15	-18
Change due to ECL proprietary projects	0	-136
Change due to volume change	-1,265	334
Change due to rating change	-870	-423
Lifetime ECL as at 31.12.	**4,747**	**5,025**
Impairment as at 1.1.	**106,920**	**0**
Exchange differences/change in scope of consolidation	159	0
Allocation/utilisation	3,894	0
Impairment as at 31.12.	**110,973**	**0**
Net carrying amount as at 31.12.2019	**1,601,896**	**1,354,897**

In addition, expected credit losses on other financial assets amounting to T€ 3,373 (2018: T€ 5,330) exist as at 31 December 2019.

The risk provision as at 31 December 2018 for trade receivables and for contract assets developed as follows during the financial year:

T€	Trade receivables	Contract assets
Gross carrying amount as at 31.12.2018	**1,759,412**	**1,288,175**
Lifetime ECL as at 1.1.	**4,809**	**3,640**
Exchange differences/change in scope of consolidation	-35	-20
Addition ECL proprietary projects	0	1,483
Change due to volume change	1,884	15
Change due to rating change	239	150
Lifetime ECL as at 31.12.	**6,897**	**5,268**
Impairment as at 1.1.	**100,140**	**0**
Exchange differences/change in scope of consolidation	-927	0
Allocation/utilisation	7,706	0
Impairment as at 31.12.	**106,919**	**0**
Net carrying amount as at 31.12.2018	**1,645,596**	**1,282,907**

The following overview summarises by risk class the gross carrying amounts of the financial assets for the 2019 financial year for which the expected credit losses were recognised over the entire remaining life:

T€	Trade receivables	Contract assets
Low risk	1,599,946	1,247,824
Medium risk	84,726	72,345
High risk	32,944	39,753
Gross carrying amount as at 31.12.2019	**1,717,616**	**1,359,922**

The following overview summarises by risk class the gross carrying amounts of the financial assets for the 2018 financial year, for which the expected credit losses were recognised over the entire remaining life:

T€	Trade receivables	Contract assets
Low risk	1,488,557	1,161,103
Medium risk	192,631	78,866
High risk	78,224	48,206
Gross carrying amount as at 31.12.2018	**1,759,412**	**1,288,175**

The risk classes were determined according to the probabilities of default depending on country risk and creditworthiness of the debtors. Below 0.55 % is assumed to be low, between 0.55 % and 1 % medium, and above 1 % high risk.

In addition, financial guarantees in the amount of T€ 14,481 (2018: T€ 62,145) are issued (low risk). Theoretically these guarantees can be used at any time, leading to a short-term outflow of liquidity.

Liquidity risk

Liquidity for the STRABAG SE Group means not only solvency in the strict sense but also the availability of the necessary financial margin for mainstay business through sufficient aval lines.

To guarantee financial flexibility, liquidity reserves are kept in the form of cash and credit lines for cash and aval loans. The STRABAG SE Group keeps bilateral credit lines with banks and syndicated cash and aval credit lines in the amount of € 0.4 billion (2018: € 0.4 billion) respectively € 2.0 billion (2018: € 2.0 billion). The overall line for cash and aval loan amounts to € 7.9 billion (2018: € 7.8 billion). The syndicated surety credit line contains covenants which were fulfilled at the balance sheet date.

The medium- and long-term liquidity needs have so far also been covered by the issue of corporate bonds. In the years 2012 and 2013, STRABAG issued bonds of € 100 million and € 200 million, respectively, with a term to maturity of seven years each. The most recent was a € 200 million seven-year bond floated in 2015. In the 2019 financial year, the € 100 million bond issued in 2012 was repaid in full. As per 31 December 2019, STRABAG SE had two bonds with a total volume of € 400 million on the market.

The following **payment obligations** arise from the financial liabilities (interest payments based on interest rate as at 31 December and redemption) for the subsequent years:

Payment obligations as at 31 December 2019

T€	Carrying amount 31.12.2019	Cash flows 2020	Cash flows 2021–2024	Cash flows after 2024
Bonds	400,000	209,250	203,250	0
Bank borrowings	721,888	118,131	310,601	374,663
Lease liabilities	300,319	56,942	192,111	178,481
Financial liabilities	**1,422,207**	**384,323**	**705,962**	**553,144**

Payment obligations as at 31 December 2018

T€	Carrying amount 31.12.2018	Cash flows 2019	Cash flows 2020–2023	Cash flows after 2023
Bonds	500,000	113,500	419,000	0
Bank borrowings	863,330	192,919	340,836	422,898
Financial liabilities	**1,363,330**	**306,419**	**759,836**	**422,898**

The trade payables and the other liabilities without derivatives essentially lead to cash outflows in line with the maturity at the amount of the carrying amounts. For financial guarantees see page 258. The payment obligations from leasing liabilities amount to T€ 56,450 for 2021, T€ 48,417 for 2022, T€ 45,409 for 2023 and T€ 41,835 for 2024.

Segment report

(33) SEGMENT REPORTING

The rules of IFRS 8 Operating Segments apply to the segment reporting. IFRS 8 prescribes defining the segments and reporting the earnings on the basis of the internal reporting (management approach). Segment assets are not disclosed as these do not form part of the regular internal reporting.

The internal reporting in the STRABAG Group is based on Management Board areas, which also represent the segments. The settlement between the single segments is made at arm's length prices.

The segment North + West bundles the construction activities in Germany, Poland, Benelux and Scandinavia as well as the ground engineering activities.

The segment South + East comprises the construction activities in Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe and Russia and the environmental engineering business.

The segment International + Special Divisions includes the international construction activities, tunnelling, services, real estate development and infrastructure development as well as the construction materials business.

In addition, there are the Central Divisions and Central Staff Divisions, which handle services in the areas of accounting, group financing, technical development, machine management, quality management, logistics, legal affairs, contract management etc. These services are included in the segment Other.

Segment reporting for the financial year 2019

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**8,106,935**	**4,915,786**	**3,450,573**	**144,678**		**16,617,972**
Revenue	**7,555,751**	**4,879,498**	**3,216,674**	**16,651**	**0**	**15,668,574**
Inter-segment revenue	158,387	94,484	309,404	912,966		
EBIT	**310,205**	**121,967**	**183,968**	**869**	**-14,428**	**602,581**
thereof share of profit or loss of equity-accounted investments	18,588	7,559	-47,719	93	0	-21,479
Interest and similar income	0	0	0	30,973	0	30,973
Interest expense and similar charges	0	0	0	-56,315	0	-56,315
EBT	**310,205**	**121,967**	**183,968**	**-24,473**	**-14,428**	**577,239**
Investments in property, plant and equipment, and in intangible assets	0	0	0	689,244	0	689,244
Reversal of impairment losses, depreciation and amortisation	0	0	2,024	508,690	0	510,714
thereof extraordinary reversal of impairment losses, depreciation and amortisation	0	0	2,024	18,133	0	20,157

Segment reporting for the financial year 2018

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**7,827,484**	**4,639,263**	**3,740,298**	**115,831**		**16,322,876**
Revenue	**7,242,416**	**4,521,813**	**3,437,820**	**19,783**	**0**	**15,221,832**
Inter-segment revenue	116,114	130,304	315,535	855,708		
EBIT	**161,398**	**142,027**	**198,691**	**859**	**55,240**	**558,215**
thereof share of profit or loss of equity-accounted investments	-28,693	18,893	37,110	552	55,314	83,176
Interest and similar income	0	0	0	38,617	0	38,617
Interest expense and similar charges	0	0	0	-66,049	0	-66,049
EBT	**161,398**	**142,027**	**198,691**	**-26,573**	**55,240**	**530,783**
Investments in property, plant and equipment, and in intangible assets	0	0	0	644,988	0	644,988
Reversal of impairment losses, depreciation and amortisation	1,734	0	0	392,654	0	394,388
thereof extraordinary reversal of impairment losses, depreciation and amortisation	1,734	0	0	3,811	0	5,545

Reconciliation of the sum of the segment earnings to EBT according to IFRS financial statements

Income and expense in the internal reporting are essentially shown in accordance with IFRS. An exception is income taxes, including those applicable to deferred tax, which are not considered in the internal reporting.

The basis for the internal reporting is formed by all subsidiaries. In the IFRS financial statements, earnings from companies which were not fully consolidated or reported using the equity method are recognised in conformity with dividends, transfer of earnings and/or depreciation and amortisation. For this reason, the internal reporting does not conform with EBIT and EBT in the consolidated financial statements in terms of the investment result.

Other minor differences result from entries in other consolidations.

Reconciliation of the internal reporting to IFRS financial statements is allocated as follows:

T€	2019	2018
Net income from investments	-12,934	2,463
Non-operating step-up profit	0	55,314
Other consolidations	-1,494	-2,537
Total	**-14,428**	**55,240**

Breakdown of revenue by geographic region

T€	2019	2018
Germany[1]	7,517,553	7,592,651
Austria[1]	2,800,751	2,658,357
Rest of Europe[1]	4,587,779	4,194,381
Rest of world[1]	762,491	776,443
Revenue	**15,668,574**	**15,221,832**

Presentation of revenue by region is done according to the company's registered place of business.

Other notes

(34) NOTES ON RELATED PARTIES

The core shareholders of STRABAG SE are the Haselsteiner Group, as well as the Raiffeisen-Holding NÖ-Wien Group, the UNIQA Group and MKAO “RASPERIA TRADING LIMITED“, owned by Russian businessman Oleg Deripaska. A syndicate agreement remains in effect between the core shareholders.

Arm's-length finance and insurance transactions exist with the Raiffeisen Holding NÖ-Wien Group and the UNIQA Group. The payables on 31 December 2019 to Raiffeisen Group relating to financing and current accounts amounted to T€ 32,980 (2018: T€ 37,817). The interest expense in the 2019 financial year amounted to T€ 3,911 (2018: T€ 2,936).

Premiums for insurance contracts with the UNIQA Group were recognised as an expense in the amount of T€ 774 (2018: T€ 763).

Haselsteiner Group

The Haselsteiner Group holds 5.1% of Strabag Real Estate GmbH, Cologne, a 5.1% share in five real estate companies of the Züblin subgroup and 5.1% of Züblin Projektentwicklung GmbH. The income from real estate companies attributable to the Haselsteiner Group is included in net interest income at T€ 93. For the remaining companies, the amount recognised in income attributable to non-controlling interests in 2019 amounts to T€ 1,513 (2018: T€ 932). In the 2019 financial year, the dividends from the above-mentioned companies amounted to T€ 110 (2018: T€ 127).

The business relations between STRABAG SE and the companies of the Haselsteiner Group during the financial year are presented below.

T€	2019	2018
Work and services performed	35,954	19,328
Work and services received	5,711	5,307
Receivables as at 31.12.	19,953	9,647
Liabilities as at 31.12.	1,209	37

1 To clarify the comparability, the comparison period was adjusted.

Basic Element

The Basic Element Group, a group with numerous industrial holdings, among other things in the area of construction, construction materials and infrastructure, is owned by Russian businessman Oleg Deripaska.

In the 2019 financial year, as in the previous year, there were no business relations with the companies of the Basic Element Group.

The US Department of the Treasury's Office of Foreign Assets Control (OFAC) on 6 April 2018 designated various persons, including Oleg Deripaska, as so-called Specially Designated Nationals (SDN) and imposed economic sanctions on them. This also applies to companies that are more than 50 % owned by these persons, meaning that MKAO "RASPERIA TRADING LIMITED" (Rasperia), a direct shareholder of Strabag SE, must also be designated as a SDN. The payment of dividends to Rasperia would therefore subject STRABAG SE to the risk of having secondary sanctions imposed on it.

To avoid such serious consequences, no dividends have been paid to Rasperia starting with the 2018 financial year. Dividends payable to Rasperia, less capital gains tax, in the amount of T€ 53,722 (previous year: T€ 26,861) are recognised as other current financial liabilities.

IDAG

IDAG Immobilienbeteiligung u. -Development GmbH is entirely held by private foundations whose beneficiaries are the Haselsteiner Group and the Raiffeisen-Holding NÖ-Wien Group. It is the business purpose of IDAG Immobilienbeteiligung u. -Development GmbH to develop property and to participate in property projects.

STRABAG's headquarters in Vienna and office buildings in Graz are held in the real estate portfolio of subsidiaries of IDAG Immobilienbeteiligung u. -Development GmbH. The buildings are let to the STRABAG Group at the usual market conditions. Rental costs arising from both buildings in the 2019 financial year amounted to T€ 8,451 (2018: T€ 8,340). Under IFRS 16, these leases are recognised as right-of-use assets and lease liabilities. The consolidated financial statements as of 31 December 2019 show right-of-use assets of T€ 73,049 and lease liabilities of T€ 44,816. The lease liabilities are presented less the rental deposits of T€ 28,929. Other services in the amount of T€ 88 (2018: T€ 312) were obtained from the IDAG Group.

Furthermore, revenues of T€ 1,116 (2018: T€ 1,014) were made with IDAG Immobilienbeteiligung u. -Development GmbH in the 2019 financial year. At the balance sheet date of 31 December 2019, the STRABAG Group had receivables from rental deposits amounting to T€ 0 (2018: T€ 28,209) from IDAG Immobilienbeteiligung u. -Development GmbH.

Investments in equity-accounted investments

Lafarge Cement CE Holding GmbH bundles the cement activities of Lafarge, a market leader in construction materials manufacturing, and STRABAG in the countries of Central Europe. The joint activities aim at maintaining a commensurate cement supply in the group's core countries. In 2019, STRABAG procured cement services worth T€ 23,137 (2018: T€ 27,388) from Lafarge. At the balance sheet date, there were liabilities to Lafarge Cement CE Holding GmbH Group in the amount of T€ 698 (2018: T€ 1,003).

The **business transactions with the other equity-accounted investments** can be presented as follows:

T€	2019	2018
Work and services performed	231,641	113,803
Work and services received	68,670	46,216
Receivables as at 31.12.	45,202	14,764
Liabilities as at 31.12.	17,249	16,661
Financing receivables as at 31.12.	78,365	92,067

For information about consortia we refer to item 15 (Notes on consortia).

Concerning business transactions with the Management Board members and employees of the first management level (management in key positions) and with their family members and companies which are controlled by the management in key positions or decisively influenced by them in the year under report, services worth T€ 386 (2018: T€ 299) were provided and services worth T€ 56 (2018: T€ 176) were procured. At the balance sheet dates, there were receivables in the amount of T€ 3 (2018: T€ 73) and liabilities in the amount of T€ 0 (2018: T€ 17) out of these business relations.

The total remuneration including any severance and pension payments, as well as other long-term payments for employees of the first management level amounted to T€ 20,378 (2018: T€ 19,573) in the year under report. Of this amount, T€ 20,185 (2018: T€ 19,398) is attributable to the current remuneration and T€ 193 (2018: T€ 175) to severance and pension payments.

(35) NOTES ON THE MANAGEMENT AND SUPERVISORY BOARDS

Management Board

Dr. Thomas Birtel (CEO)
Mag. Christian Harder
Klemens Haselsteiner (since 1 January 2020)
Dipl.-Ing. Dr. Peter Krammer
Dipl.-Ing. Siegfried Wanker
Dipl.-Ing. (FH) Alfred Watzl

Supervisory Board

Dr. Alfred Gusenbauer (Chairman)
Mag. Erwin Hameseder (Vice Chairman)
Dr. Andreas Brandstetter
Thomas Bull
Mag. Kerstin Gelbmann
Dr. Oleg G. Kotkov

Dipl.-Ing. Andreas Batke (works council)
Miroslav Cerveny (works council)
Magdolna P. Gyulainé (works council)
Georg Hinterschuster (works council)
Wolfgang Kreis (works council)

The total salaries of the Management Board members in the financial year amount to T€ 8,269 (2018: T€ 7,163). The severance payments for Management Board members amount to T€ 118 (2018: T€ 149).

The remunerations for the Supervisory Board members in 2019 amounted to T€ 162 (2018: T€ 162). Neither the Management Board members nor the Supervisory Board members of STRABAG SE received advances or loans.

(36) EXPENSES FOR THE AUDITOR

The expenses for the auditor, KPMG Austria GmbH, incurred in the financial year amount to T€ 1,360 (2018: T€ 1,279) of which T€ 1,282 (2018: T€ 1,250) were for the audit of the consolidated financial statements (including the audit of separate financial statements of group companies) and T€ 78 (2018: T€ 29) for other services.

(37) EVENTS AFTER THE BALANCE SHEET DATE

Like all industries, the STRABAG Group has also been impacted by the COVID-19 coronavirus disease, which on 11 March 2020 was declared a pandemic by the World Health Organisation. Especially those European countries in which the STRABAG Group generates most of its operating revenue have been particularly hard hit by COVID-19 and the associated government directives to prevent and contain its spread.

Every country has introduced its own measures to prevent the spread of COVID-19. These measures have included lock-downs and stay-at-home orders resulting in a restricted movement of goods, services and people between the European countries.

The restrictions have had a negative impact on the business operations of STRABAG SE, particularly on construction activity. Construction processes must be adapted and special protective measures implemented while dealing with the limited availability of (human and material) resources. This always involves a change in the intensity of the work performed.

The impact has differed greatly from country to country. In March 2020, for example, regular construction operations were suspended in the home market of Austria for around ten days before being gradually ramped up again. Approximately 1,000 construction sites were affected by this measure. In addition, all construction work was ordered halted in countries such as Italy and Belgium, which are of minor importance for the STRABAG Group in terms of size.

Risks resulting from disruptions in the STRABAG Group's supply chain can be partially cushioned by its high level of value added in raw materials. The existing inventory of construction equipment, machinery and other vehicles benefit the group in this regard as well. Precautions are also being taken as part of the business continuity management to ensure that business activity is maintained to the full extent as much as possible in the event of disruptions.

As the directives issued in the first quarter of 2020 and the associated impact on the business operations proved to be quite different in the individual countries, across-the-board measures within the group made little sense. Action must be taken on a country-by-country basis. The Management Board of STRABAG SE has therefore been working together with the local management, the occupational safety specialists and the specialists from the service companies to continuously evaluate the risks in the individual group countries. This ensures that necessary decisions are made quickly and implemented effectively.

In all decisions made in connection with COVID-19, however, the Management Board must also always take into account its responsibility towards its employees. As a result of the mostly small, decentralised structures compared to other industries, the construction sector has a lower risk of simultaneous infection or quarantine of a critical part of the staff; nevertheless, the risk of infection must be further reduced with suitable measures such as avoiding in-person events, providing the workforce with hygiene information and supplies or enabling remote working where possible. It should be noted, however, that the number of known infected and quarantined persons among the workforce at the beginning of April 2020 remained relatively low and that the number of acute cases has been quite stable.

It is difficult to estimate how long the restrictions will last. As the situation is unlikely to return to normal in the short term, however, negative consequences are to be expected for the 2020 financial year. Due to the numerous uncertainties, it is not yet possible to determine the exact impact on output, revenue and earnings and on the targeted EBIT margin of STRABAG SE. As of early April 2020, it was not yet clear to what extent the negative impact from the suspension of construction activity and productivity losses due to restricted site operations can be offset by any subsequent positive effects in the 2020 financial year.

(38) DATE OF AUTHORISATION FOR ISSUE

In Austrian companies organised as corporations limited by shares, the consolidated financial statements prepared by the Management Board are approved by the Supervisory Board. The STRABAG SE Supervisory Board meeting for the approval of the consolidated financial statements for the year ended 31 December 2019 will take place on 23 April 2020.

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Staff Divisions and Central Divisions BMTI, TPA as well as CML Construction Services

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Klemens Haselsteiner
Responsibility Central Divisions Digitalisation, Innovation and Business Development as well as Zentrale Technik, Responsibility Subdivision NN Russia

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment South + East (except Subdivision NN Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the individual financial statements of the parent company[1] give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Villach, 8 April 2020
The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Staff Divisions and Central Divisions BMTI, TPA as well as CML Construction Services

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Klemens Haselsteiner
Responsibility Central Divisions Digitalisation, Innovation and Business Development as well as Zentrale Technik, Responsibility Subdivision NN Russia

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment South + East (except Subdivision NN Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

1 The individual financial statements are included in the yearly financial report.

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

STRABAG SE,
Villach, Austria,

and its subsidiaries ("the Group"), which comprise the consolidated Balance Sheet as at 31 December 2019, and the Consolidated Income Statement and Statement of total Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation No. 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Measurement of construction contracts and revenue and earnings from construction contracts

Refer to notes section (15) and (20)

Risk for the Consolidated Financial Statements

Revenue recognized in the consolidated financial statements of STRABAG SE as of 31 December 2019 mainly consists of revenue from construction contracts, which is accounted for by reference to their stage of completion (over time recognition using an output-oriented method on the basis of the work already performed). Furthermore, the item share of profit or loss of equity-accounted investments includes significant amounts of profit or loss from projects managed in cooperation with partners in construction consortia, which are also measured over time based on an output method.

The stage of completion for construction contracts, whether executed alone or in cooperation with partners, is updated on an ongoing basis by means of periodic reporting. Besides the services already performed and the order backlog, in particular taking contract deviations and supplementary claims into account, periodic reporting also includes the costs incurred to date as well as remaining costs to be incurred. The data used in the measurement of construction contracts includes estimates regarding the progress and expected outcome of the projects. Profit or loss is recognized by reference to the stage of completion of a project (over time recognition using an output-oriented method on the basis of the work already performed).

Technically complex and demanding projects, in particular, involve the risk that estimated total cost deviate considerably from actual cost incurred. Additionally, there is also a risk that receivables from construction contracts and construction consortia are not recoverable.

Our Response

We have evaluated the measurement of construction contracts and revenue and earnings from construction contracts as follows:

- Our audit procedures included the assessment of controls in connection with the recognition and measurement of construction contracts as well as detailed tests of individual cases for significant large projects and random samples of other projects.
- In the course of testing internal controls in respect of the accounting for projects, we critically analyzed the relevant controls and performed an assessment of their operating effectiveness. These controls include, on the one hand, automated IT-supported controls for the purpose of determining the relevant amounts respective in the financial statements as well as system test routines for identifying abnormalities, and on the other hand manual controls in connection with order acceptance, ongoing project management as well as project monitoring and finalization of projects.

The tests of individual cases primarily included the following audit procedures:

- Systematic and detailed inquiries regarding selected significant construction contracts, in order to verify the correct accounting method, particularly in respect of project risks
- Sample-based examination of contracts in respect of their components significant to the assessment
- Discussions with the Management Board and the operating management regarding individually significant projects in order to assess the planning assumptions.
- A critical analysis of the internal project reporting, in order to evaluate whether all known information was taken into account in the preparation of the financial statements
- Sample-based evaluation of the recoverability of accounts receivable from construction contracts (contract assets) and construction consortia
- Retrospective assessment of individually significant projects in connection with estimation uncertainties

Furthermore, we analyzed whether the required disclosures in the notes to the consolidated financial statements include all necessary explanations in regards to revenue recognized from construction contracts and construction consortia and whether they appropriately describe the significant estimation uncertainties.

Recoverability of deferred tax assets

Refer to notes section (17)

Risk for the Financial Statements

Deferred tax assets represent a significant asset of STRABAG SE.

Before offsetting, deferred tax assets recognized in the consolidated financial statements of STRABAG SE as of 31 December 2019 amount to EUR 483,528 k (thereof EUR 72,932 k from tax loss carryforwards). Furthermore, deferred tax assets were not recognized for tax loss carryforwards amounting to EUR 1,457,880 k, since utilization of the tax losses is not sufficiently assured. Recognition of deferred tax assets is based mainly on the expected realization of future taxable profits as well as tax planning opportunities available to the entity.

Due to the significance of deferred tax assets recognized and those not recognized as well as existing uncertainties in respect of their recoverability, this represents a key audit matter.

Our response

We have evaluated the recoverability of deferred tax assets as follows:

- Our audit procedures included the assessment of controls in connection with the recognition and measurement of deferred tax assets and assumptions made by the Management Board and representatives of the operating divisions in respect of future taxable profit as well as tax planning opportunities.

- We compared the estimated future profits used as input data with the planning for the group of which the Supervisory Board has taken notice.

- Furthermore, we compared the assumed earnings trend of the group with its historic data, specifically taking into account its sensitivity with regard to performance and outcome. Tax planning opportunities were analyzed particularly in regard to their feasibility.

- Furthermore, we examined whether the Notes to the consolidated financial statements include all required disclosures in connection with deferred tax assets and whether all significant estimation uncertainties have been described adequately.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

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

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

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

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

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL REQUIREMENTS

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

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

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report. We expect the annual report to be provided to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 28 June 2019 and were appointed by the supervisory board on 28 June 2019 to audit the financial statements of Company for the financial year ending on that date.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 March 1999. We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Mag. Ernst Pichler.

Linz, 8 April 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag. Ernst Pichler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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

The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

GLOSSARY

AktG	Austrian Stock Corporation Act (Aktiengesetz)
ATX	Austrian Traded Index; the index of leading shares of the Vienna Stock Exchange (Wiener Börse)
BCMS	Business Compliance Management System
BIM	Building Information Modelling
Book value per share	Book value of equity/number of outstanding shares
BPM	Business process management
BREEAM	Building Research Establishment Environmental Assessment Methodology; a rating system for environmental and social-cultural aspects of sustainable building
BRVZ	Bau-Rechen- und Verwaltungszentrum = STRABAG entity providing intercompany services in IT and administration
CAD	Computer-aided design
CAPEX	Capital expenditure, investments; acquisition of financial assets + acquisition of intangible assets as well as property, plant and equipment + changes to the scope of consolidation
Capital employed	Total of group equity + interest-bearing debt
Carbon footprint	Measure of carbon emissions caused by an activity
Cash flow	Cash and cash equivalents being received and spent
CDO	Chief Digital Officer
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CEST	Central European Summer Time
CFO	Chief Financial Officer
CML	Contract Management & Legal Service
CO_2	Carbon dioxide (greenhouse gas)
Code of Conduct	Guidelines which reflect the company's policy; compliance is mandatory for all employees, directors and officers
Compliance	Abidance with applicable laws and relevant regulations
Construction value chain	The individual steps and actions required to create a product or deliver a service in the construction industry
Corporate Governance	A code of conduct for publicly listed companies; corporate governance comprises all guidelines which maximise transparency and control in order to avoid conflicts of interest
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Cost-plus-fee	Contract model under which the client pays the contractor a previously agreed percentage of the costs of the project as a fee
CPS	Common project standards
CR	Corporate responsibility
DCF method	Discounted cash flow method
DGNB	German Society for Sustainable Construction (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.)
Directors' dealings	Transactions with company securities by company directors or officers
Dividend yield	Ratio of dividend to price per share at year's end in %
Due diligence	investigation and analysis carried out with reasonable care
Earnings per share	Net income after minorities/weighted average number of shares
EBIT	Earnings before interest and taxes
EBIT margin	Ratio of EBIT to revenue in %
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDA margin	Ratio of EBITDA to revenue in %
ECB	European Central Bank
EECFA	Eastern European Construction Forecasting Association
ENCORD	European Network of Construction Companies for Research and Development
Equity method	Method of consolidation of shares in associated companies and joint ventures; mostly companies in which STRABAG holds a stake between 20 % and 50 %
Equity ratio	Ratio of book value of equity to balance sheet total
ERP systems	Enterprise Resource Planning
Four-eyes principle	Principle according to which an activity is carried out and monitored by different persons
FTE	Full-Time Equivalents
GDP	Gross Domestic Product
Gearing ratio	Net debt/total group equity
GRI	Global Reporting Initiative
HRD	Human Resource Development
HSE	Health/safety/environment

IASB	International Accounting Standards Board, issues the IFRS
ICS	Internal control system
IFRS	Financial reporting standards and interpretations adopted by the International Accounting Standards Board (IASB)
IQM	Integrated Quality Management
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
ISO 14001	International standard designed to help organisations establish environmental management systems
ISO 50001	International standard designed to help organisations establish energy management systems
LEED	Leadership in Energy and Environmental Design
NaDiVeg	Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz)
Net debt	Financial liabilities - non-recourse debt + severance and pension provisions - cash and cash equivalents; called net cash in case of negative result
ÖCGK	Austrian Corporate Governance Code (Österreichischer Corporate Governance Kodex)
ÖGNI	Austrian Sustainable Building Council (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft)
OHSAS 18001	British Standard Occupational Health and Safety Assessment
Order backlog	Future revenues from contracts signed to a specific date less work already accomplished
p. a.	per annum/per year
P/E ratio	Price-earnings ratio
Payout ratio	Dividends/earnings per share in %
PPP	Public-Private Partnership; project which is funded and operated through a partnership of private investors and public-sector institutions
Pro rata temporis	lat. “at the rate for the time”; allocation of an amount at a rate proportional to the time allotted
Risk management	An approach to recognise potential risks to the company and develop strategies to manage these risks
RMS	Risk Management System
ROCE	Return on Capital Employed; (Net income + interest on debt - interest tax shield (25 %))/(average group equity + interest-bearing debt)
SCC	Safety Certificate Contractors
SE	Societas Europaea = a public company in the European Union and the European Economic Area registered in accordance with EU corporate law
SPS	Strategic Procurement Solution
Sureties	Bank guarantees or surety bonds
Task force	A unit temporarily established to work on a single defined activity
Total shareholder return	Measure of performance of stocks and shares over time
TPA	STRABAG entity for quality assurance and innovation
UGB	Austrian Commercial Code (Unternehmensgesetzbuch)
UN	United Nations
UV	Ultraviolet
WBI	Vienna Stock Exchange Share Index, made up of all companies listed on the Vienna Stock Exchange (Wiener Börse Index)
WHM	Workplace Health Management
WHO	World Health Organization

FINANCIAL CALENDAR

Annual Report 2019	**29 April 2020**
Disclosure	7:30 a.m.
Investor and analyst conference call	3:00 p.m.
Trading Statement January–March 2020	**28 May 2020**
Disclosure	7:30 a.m.
Notice of Annual General Meeting	22 May 2020
Shareholding confirmation record date	9 June 2020
Annual General Meeting 2020	**19 June 2020**
Start 10:00 a.m.	
at Tech Gate Vienna	
Semi-Annual Report 2020	**31 August 2020**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Trading Statement January–September 2020	**12 November 2020**
Disclosure	7:30 a.m.
Ex-dividend date	26 November 2020
Record date	27 November 2020
Payment date for dividend[1]	30 November 2020

All times are CET/CEST. Please find the roadshow schedule on the website www.strabag.com > Investor Relations > Company Calendar.

1 Entitlement to and payment of the dividend is subject to the condition precedent that the total amount of liquid assets of the company and of all companies fully consolidated in accordance with the applicable International Accounting Standards (IFRS/IAS), plus any contractually agreed but unused loans, does not fall below € 1 billion as at 31 October 2020 even if the dividend is paid out.

IMPRINT

Owner, editor and publisher

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The Annual Report was prepared with the highest possible attention to detail. All information was verified. In case of discrepancy the German version prevails. The possibility of rounding errors, printing errors or misprints, however, cannot be completely excluded. The Annual Report contains information and forecasts related to the future development of STRABAG SE. These forecasts represent estimates made on the basis of all available information at the time of publication. Should the assumptions underlying the forecasts fail to appear, the actual results could deviate from the expectations.

Many of the projects contained in this Annual Report were carried out in joint ventures. We hereby extend a warm “thank you” to all our partners.

Creative support in preparing this Annual Report: Rosebud

Photos: Bernd Preiml

We would like to thank all our employees who took pictures of the Safety Days and made the photos available to us.

Copy editing: be.public Corporate & Financial Communications GmbH

Production: 08/16 printproduktion gmbh

This Annual Report is also available in German.