

SUPERVISORY BOARD REPORT



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Dr. Alfred Gusenbauer

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

For 2017, the STRABAG Group had set itself the goal of maintaining an EBIT margin of at least 3 % on top of a record order backlog and rising output volume. In the end, the output growth reached 8 % and the EBIT margin stood at 3.3 % for the past financial year – which is especially remarkable because a non-operating, non-recurring item had affected the EBIT and distorted the margin positively to 3.4 % the year before. The adjusted EBIT margin in 2016 would have come to 3.2 %, which means that we can talk of an increase in the margin in operating terms for 2017.

Contributing to this success was the implementation of a comprehensive project-related risk management. A sustainably functioning risk management system that benefits all shareholders is of great importance to the Supervisory Board; after all, risk management is at the focus of its supervisory duties. The Supervisory Board is convinced that, in the medium and long term, sustainably increased margins will only be possible through comprehensive measures to recognise, analyse, assess, monitor and control risk. The Supervisory Board will continue to support and advise the Management Board in this matter.

Open exchange of information and opinion in five Supervisory Board meetings

In the 2017 financial year, the Supervisory Board correctly performed the responsibilities assigned to it by law, by the Articles of Association, by the

Austrian Code of Corporate Governance and by the Rules of Procedure. It accomplished these tasks by regularly advising the Management

Board in its management function as well as reviewing and monitoring its management agenda. The Supervisory Board convened five times and the Audit Committee held four meetings in 2017. The members of the Supervisory Board were duly represented at the respective board and committee meetings. All members of the Supervisory Board acted and made decisions independently as stipulated by the Austrian Code of Corporate Governance.

A lively exchange of information, as is usual, also took place outside of the regular board and committee meetings. On several occasions, the Management Board reported in writing on themes that had been taken up by individual members of the Supervisory Board.

During the Supervisory Board meetings, the Management Board regularly and extensively informed the Supervisory Board as to the market situation, the business development and the company's situation. All meetings were characterised by a very open discussion in the spirit of a detailed exchange of information and opinion. The intense dialogue allowed the Supervisory Board to always remain informed of STRABAG's strategic direction, its cash flows and financial performance, the personnel situation, investment and project development plans, and large projects. This provided the Supervisory Board with a very good overview of the business situation. The board also closely studied the corporate planning and the relevant variance analyses. For important business transactions, the Management Board always obtained consent from the Supervisory Board. The following agenda items of the Supervisory Board meetings demand special emphasis:

SUPERVISORY BOARD MEETING 1: 2017 PLANNING INCLUDING EXPENDITURES AND BUDGET SITUATION

On the agenda of the first Supervisory Board meeting on 20 February 2017 were the report on the current situation, the management report of 31 December 2016 including the planning for 2017 as well as investments and the finance

situation of 2016. All topics were discussed in detail with the Management Board. The Supervisory Board also dealt with the medium-term planning for the period 2018–2020.

SUPERVISORY BOARD MEETING 2: 2016 ANNUAL FINANCIAL STATEMENTS

In the second meeting of 24 April 2017, the Supervisory Board met with the Management Board to discuss the annual financial statements, the management report, the consolidated corporate governance report, the consolidated report on payments to governments, the consolidated financial statements, and the group management report of STRABAG SE for 2016. 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 2016 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. The meeting was also used to make preparations for the 2017 Annual General Meeting.

SUPERVISORY BOARD MEETING 3: REPORTING ON SPECIAL TOPICS

The Supervisory Board meeting of 21 July 2017 heard a report about the successful 13th Annual General Meeting of 23 June 2017. The

Management Board also informed the Supervisory Board in detail about the current situation of the group with special emphasis on the

squeeze-out and special representatives of STRABAG AG, Germany. The Management Board also reported extensively on the Alto Maipo mega-project in Chile and on the internal investigations

ongoing in relation with the anti-competitive accusations made against STRABAG AG in Austria.

SUPERVISORY BOARD MEETING 4: STATUS REPORT ON ACCUSATIONS OF ANTI-COMPETITIVE BEHAVIOUR IN AUSTRIA

During the Supervisory Board meeting of 18 September 2017, the Management Board responded to a request by the Supervisory Board to again address the current status of the internal investigations initiated by the Management Board into the anti-competitive accusations in Austria. In addition to a detailed strategy

discussion, other topics of the meeting included the current situation of the company and developments with regard to the group's infrastructure and real estate development projects. The Supervisory Board also approved the participation in the tender for three infrastructure development projects.

SUPERVISORY BOARD MEETING 5: ALTO MAIPO MEGAPROJECT IN CHILE

The meeting of 21 December 2017 focused on the Alto Maipo megaproject in Chile. The Management Board asked for approval of contractually atypical payment conditions in this project. Following a detailed presentation and analysis of the project, the topic of approval was thoroughly explained by the Management Board. The Supervisory Board then gave its approval. The Management Board also reported on the latest developments, especially with regard to

selected projects, and about the integration of the former Raiffeisen evolution project development GmbH into the group. In compliance with the obligations laid out in C-Rule 18a of the Austrian Code of Corporate Governance, the Management Board reported on the provisions taken to fight corruption in the company and invited KPMG to provide the Supervisory Board with an update on the compliance status check that had been commissioned by the Management Board.

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. Naturally, 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 2017 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 2017 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 2017 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 2017 consolidated financial statements and group management

report and 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 by the Supervisory Board. The Audit Committee also duly performed its obligations in accordance with Sec 92 Para 4a No 4 lit e) of the Austrian Stock Corporation Act (AktG) and reported to the Supervisory Board on the result of the financial audit. The report presented the degree to which the financial audit contributed to the reliability of the financial reporting and the role played by the Audit Committee in the process.

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

The Supervisory Board reviewed all documents as well as the report by the Audit Committee. In its meeting of 24 April 2018, it declared its agreement with the 2017 annual financial statements and consolidated financial statements and approved – and so adopted – the 2017 annual financial statements. It also approved the Management Board's proposal for the appropriation of net income. The Supervisory Board proposed appointing KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, as financial auditor and group financial auditor for the 2018 financial year, in accordance with the proposal of the Audit Committee. Also presented at the meeting of 24 April 2018 were the consolidated report on payments to governments pursuant to Sec 243d of the Austrian Commercial Code (UGB) in connection with Sec 267c as well as the Consolidated Non-Financial Report pursuant to Sec 267a UGB in connection with Sec 243b. 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, 24 April 2018