

SUPERVISORY BOARD REPORT

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



Dr. Alfred Gusenbauer

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

Open exchange of information and opinion in six Supervisory Board meetings

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

During the meetings, the Supervisory Board was regularly and extensively informed by the

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

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

In its first meeting of the year on 1 March 2016, the Supervisory Board met with the Management Board to discuss the planning for the year 2016 as presented by the latter, in particular with regard to the budgeting and expenditure planning and under special consideration of the

acquisition of the minority interest of Ed. Züblin AG and the purchase of the Tech Gate Vienna office building near the STRABAG headquarters in Vienna. Other issues included the medium-term planning for the period 2017–2019.

SUPERVISORY BOARD MEETING 2: ANNUAL FINANCIAL STATEMENTS 2015

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

The Supervisory Board thereupon acknowledged completion of the 2015 financial report.

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

SUPERVISORY BOARD MEETING 3: PROJECT HOLSTEN AREAL, HAMBURG

Topic of the Supervisory Board meeting of 10 June 2016 was the obtaining of the Supervisory Board's consent for the acquisition of HOLSTEN Areal,

Hamburg, under an asset deal. The Supervisory Board approved the acquisition, but in the end the object could not be acquired.

SUPERVISORY BOARD MEETING 4: ACQUISITION OF OWN SHARES APPROVED

The Supervisory Board meeting of 15 July 2016 heard a report about the successful 12th Annual General Meeting. Following detailed information from the Management Board about the current situation of the company, the Supervisory Board

approved the Management Board's decision to exercise its authorisation to acquire own shares in accordance with Section 65 Para 1 No 8 of the Austrian Stock Corporation Act (AktG).

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

Upstream merger squeeze-out at STRABAG AG, Cologne

In the Supervisory Board meeting on 12 September 2016, the Management Board reported on the current situation of the group and the developments among the group's infrastructure and real estate development projects and asked for approval of the necessary measures to enact

an upstream merger squeeze-out. The Supervisory Board approved the attempt as well as the motion for a circular resolution regarding the acquisition of 80 % of the shares of Raiffeisen evolution project development GmbH – a transaction that was later also approved.

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

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

The Management Board also reported on the increase of the existing D&O liability insurance. The Supervisory Board took note of this with approval. It also approved participation in the bidding competition for a concession project in the

United Kingdom and authorised the use of the necessary resources if successful.

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

Consolidated financial statements awarded unqualified audit opinion

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

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

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

The auditor's and group financial auditor's reports were presented to the Supervisory Board. The Audit Committee thereupon reviewed the 2016 annual financial statements and the management report including the proposal for the appropriation of net income and the consolidated

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

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

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

Word of thanks to Management Board and all employees

By way of closing, the Supervisory Board would again like to express its gratitude and appreciation to the Management Board of STRABAG SE

and to all employees for their valuable contribution in the past financial year.



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