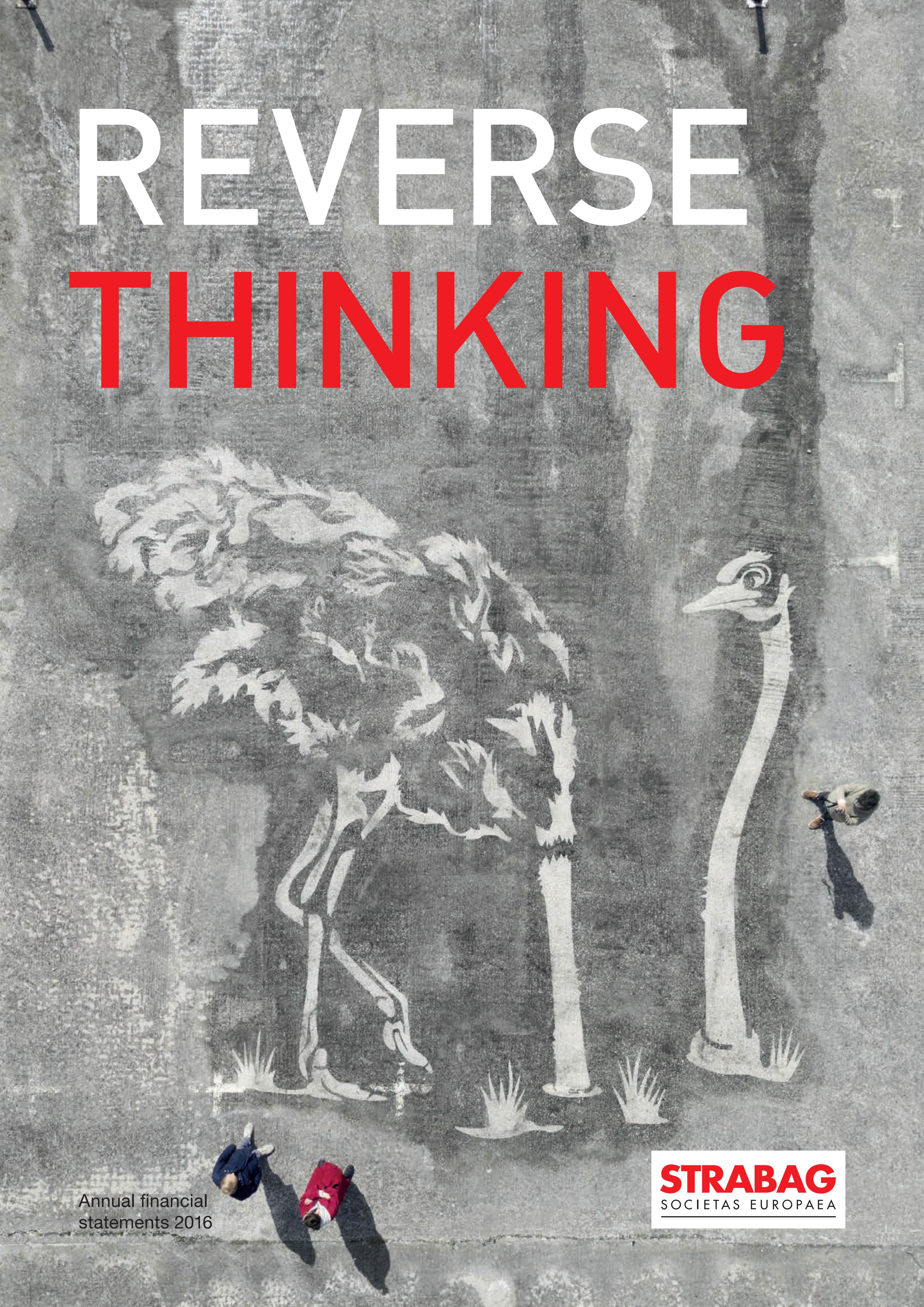

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Annual financial statements 2016

STRABAG SOCIETAS EUROPAEA

Content

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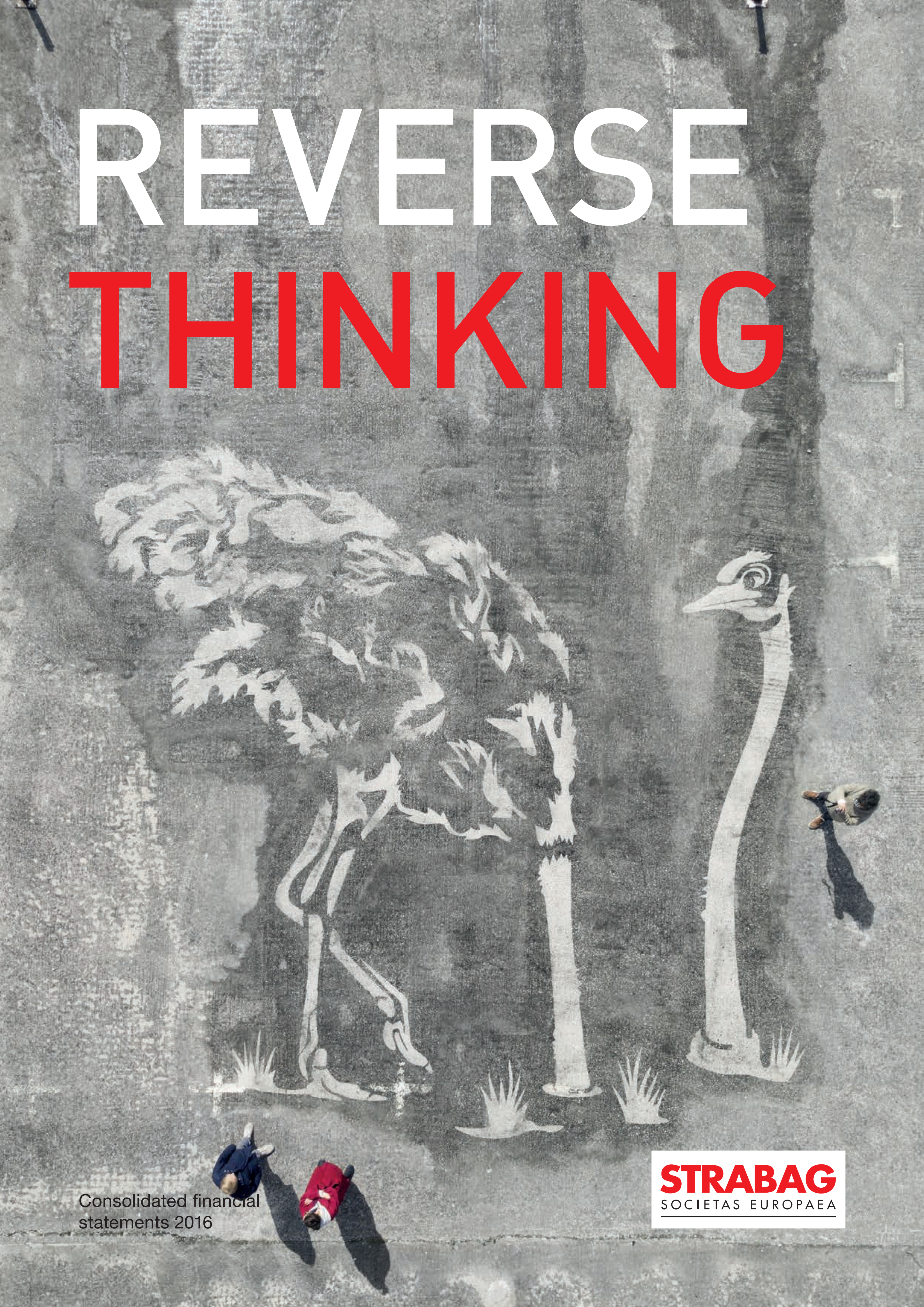


Consolidated financial statements 2016

STRABAG
SOCIETAS EUROPAEA

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

Consolidated income statement

T€	Notes	2016	2015
Revenue	(1)	12,400,465	13,123,476
Changes in inventories		51,393	-26,194
Own work capitalised		4,157	5,761
Other operating income	(2)	235,835	221,465
Construction materials, consumables and services used	(3)	-7,980,009	-8,619,028
Employee benefits expenses	(4)	-3,210,911	-3,158,252
Other operating expenses	(5)	-795,854	-826,900
Share of profit or loss of equity-accounted investments	(6)	106,178	61,889
Net income from investments	(7)	43,928	33,883
EBITDA		**855,182**	**816,100**
Depreciation and amortisation expense	(8)	-430,272	-475,057
EBIT		**424,910**	**341,043**
Interest and similar income		73,899	82,071
Interest expense and similar charges		-77,680	-106,490
Net interest income	**(9)**	**-3,781**	**-24,419**
EBT		**421,129**	**316,624**
Income tax expense	(10)	-139,133	-134,128
Net income		**281,996**	**182,496**
attributable to: non-controlling interests		4,344	26,210
attributable to: equity holders of the parent company		277,652	156,286
Earnings per share (€)	**(11)**	**2.71**	**1.52**

Statement of total comprehensive income

T€	Notes	2016	2015
Net income		**281,996**	**182,496**
Differences arising from currency translation		9,428	9,390
Recycling of differences arising from currency translation		-5,048	-3,706
Change in hedging reserves including interest rate swaps		-11,842	-3,609
Recycling of hedging reserves including interest rate swaps		21,838	24,703
Change in fair value of financial instruments under IAS 39		460	-193
Deferred taxes on neutral change in equity	(10)	-9,726	-4,121
Other income from equity-accounted investments		-10	698
Total of items which are later recognised (“recycled”) in the income statement		*5,100*	*23,162*
Change in actuarial gains or losses		-29,601	41,547
Deferred taxes on neutral change in equity	(10)	8,756	-11,357
Other income from equity-accounted investments		-17	34
Total of items which are not later recognised (“recycled”) in the income statement		*-20,862*	*30,224*
Other income		**-15,762**	**53,386**
Total comprehensive income		**266,234**	**235,882**
attributable to: non-controlling interests		3,159	30,279
attributable to: equity holders of the parent company		263,075	205,603

Consolidated balance sheet

T€	Notes	31.12.2016	31.12.2015
Intangible assets	(12)	496,402	510,801
Property, plant and equipment	(12)	1,927,739	1,881,520
Investment property	(13)	7,916	13,817
Equity-accounted investments	(14)	347,605	373,419
Other investments[1]	(15)	166,731	172,805
Receivables from concession arrangements	(18)	683,486	710,248
Other financial assets[1]	(18)	254,220	250,873
Deferred taxes	(16)	245,827	291,928
Non-current assets		**4,129,926**	**4,205,411**
Inventories	(17)	1,182,805	801,701
Receivables from concession arrangements	(18)	31,180	28,829
Trade receivables[1]	(18)	2,444,400	2,392,971
Non-financial assets	(18)	87,654	67,579
Income tax receivables[1]	(18)	112,804	55,687
Other financial assets	(18)	386,376	374,360
Cash and cash equivalents	(19)	2,003,261	2,732,330
Assets held for sale	(20)	0	70,000
Current assets		**6,248,480**	**6,523,457**
Assets		**10,378,406**	**10,728,868**
Share capital		110,000	114,000
Capital reserves		2,315,384	2,311,384
Retained earnings and other reserves		760,654	613,647
Non-controlling interests		78,551	281,604
Group equity	**(21)**	**3,264,589**	**3,320,635**
Provisions	(22)	1,111,727	1,093,379
Financial liabilities[2]	(23)	1,223,527	1,293,753
Non-financial liabilities	(23)	0	900
Other financial liabilities	(23)	63,750	16,780
Deferred taxes	(16)	21,390	36,064
Non-current liabilities		**2,420,394**	**2,440,876**
Provisions	(22)	810,362	774,051
Financial liabilities[3]	(23)	202,549	285,994
Trade payables[1]	(23)	2,818,000	2,994,309
Non-financial liabilities	(23)	367,977	383,753
Income tax liabilities	(23)	103,501	187,611
Other financial liabilities	(23)	391,034	341,639
Current liabilities		**4,693,423**	**4,967,357**
Equity and liabilities		**10,378,406**	**10,728,868**

1) In order to improve representation recognition-changes were made and previous year's figures were adjusted accordingly, see item (18) and item (23).
2) Thereof T€ 389,781 concerning non-recourse liabilities from concession arrangements (2015: T€ 439,377)
3) Thereof T€ 49,596 concerning non-recourse liabilities from concession arrangements (2015: T€ 50,153)

Consolidated cash flow statement

T€	Notes	2016	2015
Net income		281,996	182,496
Deferred taxes		15,620	-36,834
Non-cash effective results from consolidation		-3,544	-4,947
Non-cash effective results from equity-accounted investments		34,167	32,507
Depreciations/write-ups		435,697	505,070
Change in long-term provisions		-12,900	12,089
Gains/losses on disposal of non-current assets		-60,666	-32,406
Cash flow from earnings		*690,370*	*657,975*
Change in inventories		-99,698	9,473
Change in trade receivables, construction contracts and consortia		-2,939	192,808
Change in receivables from subsidiaries and receivables from participation companies		4,117	-21,641
Change in other assets		-75,199	-14,330
Change in trade payables, construction contracts and consortia		-187,840	206,531
Change in liabilities from subsidiaries and liabilities from participation companies		-3,626	14,931
Change in other liabilities		-94,914	95,565
Change in current provisions		33,896	99,039
Cash flow from operating activities		**264,167**	**1,240,351**
Purchase of financial assets		-39,034	-23,286
Purchase of property, plant, equipment and intangible assets		-412,455	-395,751
Inflows from asset disposals		189,191	97,388
Change in other financing receivables		-14,132	7,539
Change in scope of consolidation		-157,999	-6,097
Cash flow from investing activities		**-434,429**	**-320,207**
Issue of bank borrowings		51,773	107,462
Repayment of bank borrowings		-353,101	-237,479
Issue of bonds		0	200,000
Repayment of bonds		0	-100,000
Repayment of payables relating to finance leases		-5,032	-828
Change in other financing liabilities		17,130	-29,921
Change in non-controlling interests due to acquisition		-204,778	-222
Distribution of dividends		-70,170	-56,558
Cash flow from financing activities		**-564,178**	**-117,546**
Net change in cash and cash equivalents		**-734,440**	**802,598**
Cash and cash equivalents at the beginning of the period		2,726,647	1,906,038
Change in cash and cash equivalents due to currency translation		5,370	5,714
Change in restricted cash and cash equivalents		-3	12,297
Cash and cash equivalents at the end of the period	**(26)**	**1,997,574**	**2,726,647**

Statement of changes in equity

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2015	**114,000**	**2,311,384**	**659,165**	**-112,259**	**-87,578**	**2,884,712**	**259,588**	**3,144,300**
Net income	0	0	156,286	0	0	156,286	26,210	182,496
Differences arising from currency translation	0	0	0	0	6,290	6,290	-606	5,684
Change in hedging reserves	0	0	0	158	0	158	4	162
Change in financial instruments IAS 39	0	0	-194	0	0	-194	1	-193
Change in equity-accounted investments	0	0	33	-468	1,150	715	17	732
Change of actuarial gains and losses	0	0	35,385	0	0	35,385	6,162	41,547
Neutral change of interest rate swaps	0	0	0	20,529	0	20,529	403	20,932
Deferred taxes on neutral change in equity	0	0	-9,429	-4,137	0	-13,566	-1,912	-15,478
Total comprehensive income	**0**	**0**	**182,081**	**16,082**	**7,440**	**205,603**	**30,279**	**235,882**
Change in representation[1)]	0	0	-12,633	-1,288	13,921	0	-2,767	-2,767
Transactions concerning non-controlling interests due to acquisition	0	0	16	0	0	16	-238	-222
Transactions concerning non-controlling interests due to changes in scope of consolidation	0	0	0	0	0	0	0	0
Distribution of dividends[2)]	0	0	-51,300	0	0	-51,300	-5,258	-56,558
Balance as at 31.12.2015 = Balance as at 1.1.2016	**114,000**	**2,311,384**	**777,329**	**-97,465**	**-66,217**	**3,039,031**	**281,604**	**3,320,635**
Net income	0	0	277,652	0	0	277,652	4,344	281,996
Differences arising from currency translation	0	0	0	0	5,170	5,170	-790	4,380
Change in hedging reserves	0	0	0	-71	0	-71	0	-71
Change in financial instruments IAS 39	0	0	397	0	0	397	63	460
Change in equity-accounted investments	0	0	-17	-379	370	-26	-1	-27
Change of actuarial gains and losses	0	0	-28,926	0	0	-28,926	-675	-29,601
Neutral change of interest rate swaps	0	0	0	9,817	0	9,817	250	10,067
Deferred taxes on neutral change in equity	0	0	8,701	-9,639	0	-938	-32	-970
Total comprehensive income	**0**	**0**	**257,807**	**-272**	**5,540**	**263,075**	**3,159**	**266,234**
Transactions concerning non-controlling interests due to acquisition[3)]	0	0	-46,552	0	-1,831	-48,383	-204,280	-252,663
Transactions concerning non-controlling interests due to changes in scope of consolidation	0	0	0	0	0	0	1,571	1,571
Own shares	-4,000	4,000	0	0	0	0	0	0
Changes in equity-accounted investments	0	0	-995	0	0	-995	-23	-1.018
Distribution of dividends[4)]	0	0	-66,690	0	0	-66,690	-3,480	-70,170
Balance as at 31.12.2016	**110,000**	**2,315,384**	**920,899**	**-97,737**	**-62,508**	**3,186,038**	**78,551**	**3,264,589**

1) Due to changes in the presentation, non-controlling interests in Kommanditgesellschaften (limited partnership business entities) in the amount of T€ 2,767 were reclassified as other financial receivables or payables, and parts of the hedging reserves and foreign currency reserves were reclassified.
2) The total dividend payment of T€ 51,300 corresponds to a dividend per share of € 0.50 based on 102,600,000 shares.
3) The transactions largely concerned the acquisition of shares of Ed. Züblin AG, Stuttgart.
4) The total dividend payment of T€ 66,690 corresponds to a dividend per share of € 0.65 based on 102,600,000 shares.

Consolidated statement of fixed assets as at 31 December 2016

T€				Acquisition and production costs		
	Balance as at 31.12.2015	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions	Transfers
I. Intangible Assets						
1. Concessions, software, licences, rights	131,113	2,335	312	198	6,278	0
2. Goodwill	686,674	0	0	-1,489	0	0
3. Development costs	20,843	0	0	0	0	0
4. Advances paid	224	0	0	0	166	0
Total	**838,854**	**2,335**	**312**	**-1,291**	**6,444**	**0**
II. Tangible Assets						
1. Properties and buildings	1,400,253	111,080	5,604	2,261	32,523	2,979
2. Technical equipment and machinery	2,532,922	18,567	11,967	3,015	218,108	65,126
3. Other facilities, furniture and fixtures and office equipment	1,016,874	5,908	3,834	1,586	130,054	-981
4. Advances paid and facilities under construction	90,864	1,792	120	7,969	24,830	-67,124
Total	**5,040,913**	**137,347**	**21,525**	**14,831**	**405,515**	**0**
III. Investment Property	**164,350**	**0**	**0**	**0**	**496**	**0**

Consolidated statement of fixed assets as at 31 December 2015

T€				Acquisition and production costs		
	Balance as at 31.12.2014	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions	Transfers
I. Intangible Assets						
1. Concessions, software, licences, rights	135,079	590	1,684	36	3,070	0
2. Goodwill	681,632	5,513	4,242	3,771	0	0
3. Development costs	26,590	0	6,142	0	395	0
4. Advances paid	0	0	0	0	224	0
Total	**843,301**	**6,103**	**12,068**	**3,807**	**3,689**	**0**
II. Tangible Assets						
1. Properties and buildings	1,378,097	16,848	7,737	6,716	48,448	8,184
2. Technical equipment and machinery	2,658,844	7,730	6,547	21,713	166,276	-159,997
3. Other facilities, furniture and fixtures and office equipment	987,629	264	3,065	6,083	117,444	555
4. Advances paid and facilities under construction	69,994	3,398	0	-3,871	59,808	-17,714
Total	**5,094,564**	**28,240**	**17,349**	**30,641**	**391,976**	**-168,972**
III. Investment Property	**199,917**	**0**	**35,495**	**36**	**86**	**0**

1) Of this amount, impairments of T€ 46,090, reversal of depreciation T€ 584.
2) Of this amount, impairments of T€ 82,162, reversal of depreciation T€ 668.

		Accumulated depreciation									
Disposals	Balance as at 31.12.2016	Balance as at 31.12.2015	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions[1)]	Transfers	Disposals	Balance as at 31.12.2016	Values 31.12.2016	Values 31.12.2015
6,109	133,503	80,016	2,068	240	324	9,538	0	4,931	86,775	46,728	51,097
0	685,185	231,029	0	0	-12	4,884	0	0	235,901	449,284	455,645
20,843	0	17,008	0	0	0	3,835	0	20,843	0	0	3,835
0	390	0	0	0	0	0	0	0	0	390	224
26,952	**819,078**	**328,053**	**2,068**	**240**	**312**	**18,257**	**0**	**25,774**	**322,676**	**496,402**	**510,801**
48,875	1,494,617	561,931	25,588	1,801	745	57,724	7	14,244	629,950	864,667	838,322
143,191	2,682,580	1,898,952	11,800	6,215	5,353	235,808	3,244	130,383	2,018,559	664,021	633,970
85,872	1,063,735	698,510	4,330	2,808	1,434	115,961	-3,251	91,341	722,835	340,900	318,364
60	58,151	0	0	0	0	0	0	0	0	58,151	90,864
277,998	**5,299,083**	**3,159,393**	**41,718**	**10,824**	**7,532**	**409,493**	**0**	**235,968**	**3,371,344**	**1,927,739**	**1,881,520**
7,402	**157,444**	**150,533**	**0**	**0**	**0**	**2,522**	**0**	**3,527**	**149,528**	**7,916**	**13,817**

		Accumulated depreciation									
Disposals	Balance as at 31.12.2015	Balance as at 31.12.2014	Additions to scope of con-solidation	Disposals from scope of con-solidation	Currency translation	Additions[2)]	Transfers	Disposals	Balance as at 31.12.2015	Values 31.12.2015	Values 31.12.2014
5,978	131,113	77,866	486	1,672	-174	9,262	0	5,752	80,016	51,097	57,213
0	686,674	209,464	0	3,193	8	24,750	0	0	231,029	455,645	472,168
0	20,843	20,246	0	6,142	0	2,904	0	0	17,008	3,835	6,344
0	224	0	0	0	0	0	0	0	0	224	0
5,978	**838,854**	**307,576**	**486**	**11,007**	**-166**	**36,916**	**0**	**5,752**	**328,053**	**510,801**	**535,725**
50,303	1,400,253	523,759	3,237	2,465	1,736	62,512	0	26,848	561,931	838,322	854,338
155,097	2,532,922	1,865,362	330	4,180	17,394	262,412	-98,980	143,386	1,898,952	633,970	793,482
92,036	1,016,874	670,554	-1,253	2,732	4,726	110,287	28	83,100	698,510	318,364	317,075
20,751	90,864	19,827	0	0	0	0	-20	19,807	0	90,864	50,167
318,187	**5,040,913**	**3,079,502**	**2,314**	**9,377**	**23,856**	**435,211**	**-98,972**	**273,141**	**3,159,393**	**1,881,520**	**2,015,062**
194	**164,350**	**166,144**	**0**	**18,497**	**0**	**2,930**	**0**	**44**	**150,533**	**13,817**	**33,773**

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 2016, were drawn up under application of Section 245a Paragraph 2 of the Austrian Business Enterprise 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 Business Enterprise Code (UGB) were fulfilled as well.

In addition to a statement of comprehensive income, the financial statements include a cash flow statement in accordance with IAS 7, a statement of changes in equity and a statement of recognised income and expense (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 2016 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 became mandatory for financial years which start on 1 January 2016 or 1 February 2015.

	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)
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1.7.2014	1.2.2015
Annual Improvements to IFRS 2010–2012	1.7.2014	1.2.2015
Amendments to IFRS 11 Joint Arrangements: Accounting for the acquisition of an interest in a joint operation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Acceptable methods of depreciation and amortisation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41: Bearer Plants	1.1.2016	1.1.2016
Amendments to IAS 27 Separate Financial Statements: Equity method in separate financial statements	1.1.2016	1.1.2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment entities: Applying the consolidation exception	1.1.2016	1.1.2016
Amendments to IAS 1 Presentation of Financial Statements	1.1.2016	1.1.2016
Improvements project IFRS 2012–2014	1.1.2016	1.1.2016

The first-time application of the aforementioned IFRIC interpretations and IFRS standards had only minor impact on the consolidated financial statements as at 31 December 2016, as the changes were applicable only in certain cases. These also did not result in changes to the methods of accounting and valuation.

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 2016 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 9 (2009, 2010, 2013) Financial Instruments	1.1.2018	1.1.2018	is being analysed
IFRS 14 Regulatory Deferral Accounts	1.1.2016	n. a.[1]	no
IFRS 15 Revenue from Contracts with Customers	1.1.2018	1.1.2018	is being analysed
IFRS 16 Leasing	1.1.2019	n. a.	is being analysed
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sales or contributions of assets between an investor and its associate/joint venture	n. a.	n. a.	minor
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	n. a.	is being analysed
Amendments to IAS 7 Disclosure Initiative	1.1.2017	n. a.	is being analysed
Clarifications to IFRS 15 Revenue from Contracts with Customers	1.1.2018	n. a.	is being analysed
Amendments to IFRS 2 Share-based Payment Transactions	1.1.2018	n. a.	is being analysed
Amendments to IFRS 4 Insurance Contracts	1.1.2018	n. a.	is being analysed
Annual Improvements to IFRS 2014–2016	1.1.2018	n. a.	minor
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1.1.2018	n. a.	is being analysed
Amendments to IAS 40 Transfers of Investment Property	1.1.2018	n. a.	is being analysed

Consequences for the consolidated financial statements are expected especially from the application of the following standards and interpretations:

The amendments to **IAS 12** clarify that unrealised losses on debt instruments (from impairment losses on fair value) give rise to deferred tax assets on temporary differences. The amendments also clarify that, for all deductible temporary differences together, an evaluation must be made as to whether sufficient future taxable profits will be available against which the temporary differences can be utilised. The amendments specify how to determine probable future taxable profits.

IFRS 9 follows a new standard for the classification and measurement of financial assets and considers three categories of measurement (at fair value through profit and loss, at fair value through other comprehensive income and at amortised cost) based on the entity's business model or on the characteristics of the contractual cash flows of the financial asset in question. Impairment is to be measured using the new model of expected credit losses.

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 supersedes the corresponding standards in IAS 11, IAS 18 and IFRIC 15. STRABAG SE must change the way it presents its project development activities. It had previously been possible to recognise profit only after completion and sale of a property, IFRS now requires proportionate profit recognition for real estate projects that have already been sold but not yet completed. An impact assessment related to the changed presentation of order changes and claims as well as impending losses is still ongoing. Apart from this, no other significant effect is expected.

1) n. a. – endorsement process is still in progress

IFRS 16 supersedes the current standard and related interpretations on lease accounting (IAS 17, IFRIC 4, SIC 15 and SIC 27). It specifies how lessees and lessors will recognise, measure, prevent and disclose leases. IFRS 16 requires a lessee to recognise a right-of-use asset and a lease liability.

The application of the other new standards and interpretations is expected to have only a minor impact in the future on the consolidated financial statements.

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 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.

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 2016 financial year, T€ 0 (2015: T€ 4,464) in goodwill arising from capital consolidation were recognised as assets. Impairments in the amount of T€ 4,884 (2015: T€ 24,750) were made.

Immaterial subsidiaries are not consolidated; these are reported at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item other financial assets.

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 resulted in net goodwill in the amount of T€ 0 (2015: T€ 0), which is recognised as a component of equity-accounted investments.

Associates which are not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised 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 not recognised using the equity method are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised 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 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.

INVESTMENTS

Investments which do not constitute subsidiaries, joint ventures or equity-accounted investments are recognised at cost or at fair value in accordance with IAS 39 if this value can be reliably determined and recognised in the item 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 equity-accounted investments 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 2016 include STRABAG SE as well as all major domestic and foreign subsidiaries over which STRABAG SE either directly or indirectly has control. Associated companies 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 2016 consolidated financial statements are given in the list of consolidated companies and associates.

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 2016, 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 investments

The number of consolidated companies changed in the 2016 financial year as follows:

	Consolidation	**Equity method**
Situation as at 31.12.2014	**263**	**24**
First-time inclusions in year under report	9	1
First-time inclusions in year under report due to merger/accretion	4	0
Merger/accretion in year under report	-6	0
Exclusions in year under report	-13	-2
Situation as at 31.12.2015	**257**	**23**
First-time inclusions in year under report[1)]	53	4
First-time inclusions in year under report due to merger/accretion	5	0
Merger/accretion in year under report	-10	0
Exclusions in year under report	-8	-2
Situation as at 31.12.2016	**297**	**25**

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**
Artholdgasse Errichtungs GmbH, Vienna	95.00	1.1.2016[2)]
Blutenburg Projekt GmbH, Cologne	100.00	30.11.2016
Consorcio Züblin Geovita SpA, Santiago	100.00	1.5.2016
DC1 Immo GmbH, Vienna	100.00	26.4.2016
Gudrunstraße Errichtungs GmbH, Vienna	95.00	1.1.2016[2)]
Hexagon Projekt GmbH & Co. KG, Cologne	100.00	1.1.2016[2)]
I.C.S. "STRABAG" S.R.L., Chisinau	100.00	1.1.2016[2)]
JUKA Justizzentrum Kurfürstenanlage GmbH, Cologne	100.00	1.1.2016[2)]
LaVie Projektgesellschaft mbH & Co. KG, Dusseldorf	99.90	10.3.2016
Lift-Off GmbH & Co. KG, Cologne	100.00	10.11.2016
Mischek Bauträger Service GmbH, Vienna	100.00	1.1.2016[2)]
Mitterhofer Projekt GmbH & Co. KG, Cologne	100.00	25.5.2016
SRE Projekt 1 GmbH & Co. KG, Cologne	100.00	1.1.2016[2)]
STRABAG d.o.o. Sarajevo, Sarajevo	100.00	1.1.2016[2)]
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	100.00	30.6.2016
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart	100.00	15.4.2016
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	8.8.2016
Z. Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne	94.90	5.8.2016

1) Thereof 32 respectively one due to the acquisition of STRABAG Real Estate GmbH group, Vienna (formerly: Raiffeisen evolution project development GmbH)
2) Due to its increased business volume, the company was included in the scope of consolidation of the group for the first time effective 1 January 2016. The foundation/acquisition of the company occurred before 1 January 2016.

Consolidation SRE-group	Direct stake %	Date of acquisition or foundation
"BOYANA VIEW" EOOD, Sofia	100.00	22.12.2016
"VITOSHA VIEW" EOOD, Sofia	100.00	22.12.2016
AMFI HOLDING Kft., Budapest	100.00	22.12.2016
BHK KRAKÓW JOINT VENTURE Sp. z o.o., Warsaw	100.00	22.12.2016
BONDENO INVESTMENTS LTD, Limassol	100.00	22.12.2016
CONFINARIO LTD, Limassol	100.00	22.12.2016
EVOLUTION GAMMA Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION ONE Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION THREE Sp. z o.o., Warsaw	100.00	22.12.2016
EVOLUTION TWO Sp. z o.o., Warsaw	100.00	22.12.2016
EXP HOLDING Kft., Budapest	100.00	22.12.2016
Expert Kerepesi Kft., Budapest	100.00	22.12.2016
Hotel AVION Management s.r.o., Bratislava	100.00	22.12.2016
Hotel AVION s.r.o., Bratislava	100.00	22.12.2016
IVERUS ENTERPRISES LIMITED, Limassol	100.00	22.12.2016
KAFEX Kft., Budapest	100.00	22.12.2016
KFX Holding Kft., Budapest	100.00	22.12.2016
Leopold Ungar Platz 3 GmbH, Vienna	100.00	22.12.2016
ÓBUDA-APARTMAN Kft., Budapest	100.00	22.12.2016
OOO "RANITA", Moscow	100.00	22.12.2016
RE Beteiligungsholding GmbH, Vienna	100.00	22.12.2016
RE Klitschgasse Errichtungs GmbH, Vienna	67.00	22.12.2016
RE project development Kft., Budapest	100.00	22.12.2016
RE Projekt Errichtungs GmbH, Vienna	100.00	22.12.2016
RE Wohnraum GmbH, Vienna	100.00	22.12.2016
RE Wohnungseigentumserrichtungs GmbH, Vienna	100.00	22.12.2016
Sakela Beteiligungsverwaltungs GmbH, Vienna	100.00	22.12.2016
SQUARE One GmbH & Co KG, Vienna	94.00	22.12.2016
SQUARE Two GmbH & Co KG, Vienna	100.00	22.12.2016
STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH)	100.00	22.12.2016
TOV "RESURS PROEKTBUD", Kiev	100.00	22.12.2016
ZAO "PARK CENTER", St. Petersburg	100.00	22.12.2016
Merger/Accretion		
A 94 Autobahngesellschaft mbH & Co. KG, Cologne	100.00	1.1.2016[1)]
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	100.00	1.1.2016[1)]
DIW System Dienstleistungen Verwaltungs GmbH, Munich	100.00	1.1.2016[1)]
GRADEVINSKO DRUSTVO GRANIT ZAGREB d.o.o. za graditeljstvo i usluge, Zagreb	100.00	1.1.2016[1)]
GRASTO d.o.o., Ljubljana	100.00	1.1.2016[1)]
at-equity		
Messe City Köln GmbH & Co. KG, Hamburg	50.00	1.1.2016[2)]
Messe City Köln Generalübernehmer GmbH & Co. KG, Oststeinbek	50.00	1.1.2016[2)]
Schiffmühlenstraße 120 GmbH, Vienna	75.00	22.12.2016[3)]
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	35.32	1.1.2016[2)]

ACQUISITIONS

Per transfer agreement from 16 June 2016, 100 % of the shares of TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna, were acquired. The closing took place on 30 June 2016.

1) 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.
2) Due to its increased business volume, the company was included in the scope of consolidation of the group for the first time effective 1 January 2016. The foundation/acquisition of the company occurred before 1 January 2016.
3) There are deviating contractual provisions about the joint venture.

T€	**Acquisition TECH GATE VIENNA**
Acquired assets and liabilities	
Other non-current assets	77,335
Current assets	3,413
Non-current liabilities	3,508
Current liabilities	1,306
Consideration (purchase price)	**75,934**
Acquired cash and cash equivalents	-3,135
Net cash outflow from acquisition	**72,799**

Per contract from 2 December 2016, STRABAG acquired a further 80 % of the shares of STRABAG Real Estate GmbH-group, Vienna (formerly: Raiffeisen evolution project development GmbH) and now holds 100 % of the shares. With the acquisition, STRABAG expands its spectrum of project development services in Austria and Eastern Europe. The closing was on 22 December 2016.

The purchase price is preliminarily allocated to assets and liabilities as follows:

T€	**Acquisition SRE**
Acquired assets and liabilities	
Other non-current assets	6,191
Current assets	293,900
Non-controlling interests	1,573
Non-current liabilities	161,986
Current liabilities	13,603
Consideration (purchase price)	**122,929**
Non-cash purchase price component	-24,900
Acquired cash and cash equivalents	-8,178
Net cash outflow from acquisition	**89,851**

By applying the requirement regarding step acquisitions as outlined in IFRS 3 and IAS 27, the previous stake of 20 % of the capital shares of STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) was measured directly in profit or loss in the amount of T€ 3,386 on the fair value for 20 % of T€ 14,000.

The consolidation of companies included for the first time took place at the date of acquisition or a near reporting date, provided that this had no significant difference to an inclusion at the date of acquisition.

From the first-time consolidation of the other companies in the 2016 financial year, negative goodwill in the amount of T€ 2,224 (2015: T€ 3,797) occurred. This amount is reported under other operating income.

Assuming a fictitious first-time consolidation on 1 January 2016 for all acquisitions in the 2016 financial year, the consolidated revenue would amount to T€ 12,448,072. The consolidated net income in the financial year would change in the amount of T€ -14,258.

All companies which were consolidated for the first time in 2016 contributed T€ 29,168 to revenue (2015: T€ 72,261) and T€ 5,113 (2015: T€ -13,724) to net income.

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 31 December 2016, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
"Strabag Azerbaijan" L.L.C., Baku	Fell below significant level
Büro Campus Deutz Torhaus GmbH, Cologne	Fell below significant level
ECS European Construction Services GmbH, Mörfelden-Walldorf	Fell below significant level
Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH & Co.KG, Oststeinbek	Fell below significant level
Forum Mittelrhein Koblenz Kultur GmbH & Co. KG, Hamburg	Fell below significant level
Heimfeld Terrassen GmbH, Cologne	Fell below significant level
STRABAG Energy Technologies GmbH, Vienna	Fell below significant level

STRABAG Oy, Helsinki	Fell below significant level
Merger/Accretion[1]	
A 94 Autobahngesellschaft mbH & Co. KG, Cologne	Accretion
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	Merger
DIW System Dienstleistungen Verwaltungs GmbH, Munich	Merger
GRADEVINSKO DRUSTVO GRANIT ZAGREB d.o.o. za graditeljstvo i usluge, Zagreb	Merger
GRASTO d.o.o., Ljubljana	Merger
JHP spol. s r.o., Prague	Merger
MiTTaG spol. s.r.o., Prague	Merger
NE Sander Eisenbau GmbH, Sande	Merger
Rimex Gebäudemanagement GmbH, Ulm	Merger
STRABAG d.o.o. Beograd, Novi Beograd	Merger
at-equity	
PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart	Sale
STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH)	Consolidation

The disposals of assets and debt resulting from deconsolidation are comprised as follows:

T€	**Disposals from scope of consolidation**
Assets and liabilities	
Non-current assets	1,912
Current assets	24,082
Non-current liabilities	113
Current liabilities	21,199

Resulting profit in the amount of T€ 5,067 (2015: T€ 8,574) and losses in the amount of T€ -3,414 (2015: T€ -5,192) 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

A significant portion of the non-controlling interests in the group affects the inclusion of the subgroup STRABAG AG, Cologne[2].

T€	**Cologne**		**ZÜBLIN**[3]
	2016	**2015**	**2015**
Non-controlling interests (%)	6.37	6.37	42.74
Registered place of the parent company	Cologne	Cologne	Stuttgart
Headquarters	Germany	Germany	Germany
Non-current assets	1,141,283	1,096,341	364,482
Current assets	673,336	687,831	1,460,929
Non-current liabilities	-266,282	-302,863	-196,076
Current liabilities	-559,094	-590,548	-1,130,706
Net assets	**989,243**	**890,761**	**498,629**
Net assets attributable to non-controlling interests	65,089	59,667	213,731
Net assets attributable to STRABAG Group	924,154	831,094	284,898
Revenue	2,199,491	2,132,195	3,256,613
Net income	109,554	84,594	33,213
Other income	-4,392	15,451	8,204
Total comprehensive income	**105,162**	**100,045**	**41,417**
Net income attributable to non-controlling interests	8,011	7,203	14,151
Net income attributable to STRABAG Group	101,543	77,391	19,062
Other income attributable to non-controlling interests	-280	984	3,551

1) The companies listed under Merger/Accretion were merged with already consolidated companies or, as a result of accretion, formed part of consolidated companies.
2) No special protective regulations exist beyond the regulatory protective rights of non-controlling interests.
3) The table shows the financial information of Züblin with intercompany eliminations.

T€	Cologne 2016	2015	ZÜBLIN[1] 2015
Other income attributable to STRABAG Group	-4,112	14,467	4,653
Cash and cash equivalents	249,943	310,151	801,819
Cash flows from operating activities	69,661	241,788	63,580
Cash flows from investing activities	-93,439	-62,618	-79,898
Cash flows from financing activities	-35,323	-39,857	32,892
Dividends paid to non-controlling interests	-1,981	-2,671	-701
Net increase (net decrease) in cash and cash equivalents	**-59,101**	**139,313**	**16,574**
Carrying amount of the non-controlling interests	65,089	59,667	213,731
Intercompany eliminations	-9,704	-8,643	
Carrying amount of the non-controlling interests	55,385	51,024	

COMPENSATION CLAIMS AGAINST STRABAG SE

By resolution of the General Meeting of the company on 19 June 2015, Dr. Thomas Heidel was appointed special representative of STRABAG AG, Cologne, in accordance with Section 147 of the German Stock Corporation Act (AktG), for the purpose of asserting compensation claims arising from various transactions between companies of STRABAG AG, Cologne, and affiliated companies of STRABAG SE.

The special representative asserted compensation claims against STRABAG SE. Most of these claims are internal. Only 6.37 % involves claims on the part of non-controlling interest of STRABAG AG, Cologne, corresponding to a maximum of € 13.8 million.

The Management Board of STRABAG SE does not believe that there is any basis for these claims.

ACQUISITION OF NON-CONTROLLING INTERESTS

In the 2016 financial year, STRABAG SE acquired the outstanding minority interest of Ed. Züblin AG, Stuttgart, in the amount of 42.74 %. The group now holds 100 % of the shares. The fixed strike price amounted to € 210.3 million. The agreement also includes a variable portion dependent on the net income after minorities of Ed. Züblin AG, Stuttgart, in the financial years 2015 to 2019. The obligations from the variable purchase price are stated as other non-current financial liabilities.

Changes in non-controlling interest and in consolidated equity are reflected in the statement of changes in equity as transactions concerning non-controlling interests due to acquisitions.

The acquisition to 94.9 % of the shares was made in early April 2016. The winter losses up to this point are therefore still contained within the income attributable to the non-controlling shareholders.

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 consolidated companies and associates. The impact is shown in the statement of changes in equity under transactions concerning non-controlling interests.

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 AKA Alföld Koncesszios Autopalya Zrt., Budapest, whose functional currency is the euro.

The consolidated financial statements are prepared in euro, STRABAG's reporting currency.

1) The table shows the financial information of Züblin with intercompany eliminations.

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.

The most important currencies, including their average exchange rates on the reporting date, are listed under item 27. Currency translation differences of T€ 4,380 (2015: T€ 5,683) are recognised directly in equity in the financial year. Forward exchange operations (hedging) excluding deferred taxes in the amount of T€ -71 (2015: T€ 162) were recognised directly in equity.

Restatements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) were not necessary.

Consolidated companies and associates

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
"DOMIZIL" Bauträger GmbH, Vienna		727	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
Artholdgasse Errichtungs GmbH, Vienna		35	95.00
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 AG, Spittal an der Drau		48,000	100.00
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
BMTI-Baumaschinentechnik International GmbH, Trumau		1,454	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH, Vienna		36	100.00
BrennerRast GmbH, Vienna		35	100.00
BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H., Spittal an der Drau		37	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 AG, Raaba		28,350	100.00 1)
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
Gudrunstraße Errichtungs GmbH, Vienna		35	95.00
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
Leopold Ungar Platz 3 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

1) Direct stake amounted to 99.9984 % as at 31 December 2016 (31 December 2015: 98.14 %).

Austria		Nominal capital T€/TATS	Direct stake %
Mobil Baustoffe GmbH, Spittal an der Drau		50	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
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, 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
SQUARE One GmbH & Co KG, Vienna		1	100.00
SQUARE Two GmbH & Co KG, Vienna		10	100.00
STRABAG AG, Spittal an der Drau		12,000	100.00
STRABAG Anlagentechnik GmbH, Thalgau		1,000	100.00
STRABAG Bau GmbH, Vienna		1,800	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 (formerly: Raiffeisen evolution project development GmbH)		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
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
Atlas Tower GmbH & Co. KG, Cologne		106	94.90
Baumann & Burmeister GmbH, Halle/Saale		51	100.00
BBS Baustoffbetriebe Sachsen GmbH, Hartmannsdorf	TDEM	30,000	100.00
BHG Bitumenhandelsgesellschaft mbH, Hamburg		26	100.00
BITUNOVA GmbH, Dusseldorf		256	100.00
Blees-Kölling-Bau GmbH, Cologne	TDEM	2,500	100.00
Blutenburg Projekt GmbH, Cologne		25	100.00
BMTI - Baumaschinentechnik International GmbH & Co. KG, Cologne		307	100.00
BRVZ Bau- Rechen- und Verwaltungszentrum GmbH & Co. KG, Cologne		30	100.00
CML Construction Services GmbH, Cologne		25	100.00
Deutsche Asphalt GmbH, Cologne		28	100.00
DIW Aircraft Services GmbH, Stuttgart		25	100.00
DIW Instandhaltung GmbH, Stuttgart		25	100.00
DIW Mechanical Engineering GmbH, Stuttgart		25	100.00
DIW System Dienstleistungen GmbH, Munich		25	100.00
DYWIDAG Bau GmbH, Munich		32	100.00
DYWIDAG International GmbH, Munich		5,000	100.00
DYWIDAG-Holding GmbH, Cologne		500	100.00
E S B Kirchhoff GmbH, Leinfelden-Echterdingen		1,500	100.00
Eberhard Pöhner Unternehmen für Hoch- und Tiefbau GmbH, Bayreuth		30	100.00
Ed. Züblin AG, Stuttgart		20,452	100.00
F 101 Projekt GmbH & Co. KG, Cologne		10	100.00
F. Kirchhoff GmbH, Leinfelden-Echterdingen		23,319	100.00
F.K. SYSTEMBAU GmbH, Münsingen		2,000	100.00
Fahrleitungsbau GmbH, Essen		1,550	100.00
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

Germany		Nominal capital T€/TDEM	Direct stake %
Hexagon Projekt GmbH & Co. KG, Cologne		10	100.00
Ilbau GmbH Deutschland, Berlin		4,700	100.00
Ilbau Liegenschaftsverwaltung AG, Hoppegarten		7,670	100.00
IQ Generalübernehmer GmbH & Co. KG, Oststeinbek		25	75.00
Josef Riepl Unternehmen für Ingenieur- und Hochbau GmbH, Regensburg		900	100.00
JUKA Justizzentrum Kurfürstenanlage GmbH, Cologne		26	100.00
LaVie Projektgesellschaft mbH & Co. KG, Dusseldorf		10	99.90
Lift-Off GmbH & Co. KG, Cologne		10	100.00
LIMET Beteiligungs GmbH & Co. Objekt Cologne KG, Cologne		10	94.00
LIMET Beteiligungs GmbH, Cologne	TDEM	50	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH, Krefeld		600	50.00[1)]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH, Lünen		250	100.00
MERK Timber GmbH, Aichach		1,534	100.00
Mineral Baustoff GmbH, Cologne		25	100.00
Mitterhofer Projekt GmbH & Co. KG, Cologne		10	100.00
MOBIL Baustoffe GmbH, Munich		100	100.00
NE Sander Immobilien GmbH, Sande		155	100.00
Pyhrn Concession Holding GmbH, Cologne		38	100.00
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung, Munderkingen	TDEM	51	100.00
ROBA Transportbeton GmbH, Berlin		520	100.00
RVB Gesellschaft für Recycling, Verwertung und Beseitigung von Abfällen mbH, Kelheim		25	100.00
SAT Straßensanierung GmbH, Cologne		30	100.00
SF-Ausbau GmbH, Freiberg		600	100.00
SRE Projekt 1 GmbH & Co. KG, Cologne		10	100.00
Stephan Holzbau GmbH, Gaildorf		25	100.00
STRABAG AG, Cologne		104,780	93.63
STRABAG Facility Management GmbH, Berlin		30	100.00
STRABAG Facility Services GmbH, Nuremberg		53	100.00
STRABAG GmbH, Bad Hersfeld		15,000	100.00
STRABAG Großprojekte GmbH, Munich		18,000	100.00
STRABAG Infrastructure & Safety Solutions GmbH, Cologne		9,220	100.00
STRABAG Infrastrukturprojekt GmbH, Bad Hersfeld		1,280	100.00
STRABAG International GmbH, Cologne		2,557	100.00
STRABAG Kieserling Flooring Systems GmbH, Hamburg		1,050	100.00
STRABAG Projektentwicklung GmbH, Cologne	TDEM	20,000	100.00
STRABAG Property and Facility Services GmbH, Münster		5,000	100.00
STRABAG Rail Fahrleitungen GmbH, Berlin		600	100.00
STRABAG Rail GmbH, Lauda-Königshofen		25	100.00
STRABAG Real Estate GmbH, Cologne		30,000	94.90[2)]
STRABAG Sportstättenbau GmbH, Dortmund	TDEM	200	100.00
STRABAG Umwelttechnik GmbH, Dusseldorf		2,000	100.00
STRABAG Unterstützungskasse GmbH, Cologne		26	100.00
STRABAG Wasserbau GmbH, Hamburg		6,833	100.00
Torkret GmbH, Stuttgart		1,023	100.00
TPA GmbH, Cologne		511	100.00
Turm am Mailänder Platz GmbH & Co. KG, Stuttgart		10	100.00
Wolfer & Goebel Bau GmbH, Stuttgart		25	100.00
Xaver Bachner GmbH, Straubing	TDEM	500	100.00
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Holzbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Sander Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG, Cologne		10	94.90
Z-Bau GmbH, Magdeburg		100	100.00
ZDE Sechste Vermögensverwaltung GmbH, Cologne		25	100.00
Züblin Chimney and Refractory GmbH, Cologne		511	100.00
Züblin Gebäudetechnik GmbH, Erlangen		25	100.00
Züblin Hoch- und Brückenbau GmbH, Bad Hersfeld		2,500	100.00
Züblin International GmbH, Stuttgart		2,500	100.00

1) The voting rights according to the contract of association amount to 50 % plus one vote.
2) Direct stake amounted to 100.00 % as at 31 December 2015.

Germany		Nominal capital T€/TDEM	Direct stake %
Züblin Projektentwicklung GmbH, Stuttgart	TDEM	2,557	94.88[1)]
Züblin Spezialtiefbau GmbH, Stuttgart	TDEM	6,000	100.00
Züblin Stahlbau GmbH, Hosena		1,534	100.00
Züblin Umwelttechnik GmbH, Stuttgart		2,000	100.00
Züblin Wasserbau GmbH, Berlin	TDEM	500	100.00

Egypt	Nominal capital TEGP	Direct stake %
Züblin Egypt LLC, Cairo	400	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 Benelux S.A., Antwerp	6,863	100.00
N.V. STRABAG Belgium S.A., Antwerp	18,059	100.00

Bosnia and Herzegovina	Nominal capital TBAM	Direct stake %
STRABAG d.o.o. Sarajevo, Sarajevo	10	100.00

Brunei Darussalam	Nominal capital TBND	Direct stake %
STRABAG (B) Sdn Bhd, Bandar Seri Begawan	25	100.00

Bulgaria	Nominal capital TBGN	Direct stake %
"BOYANA VIEW" EOOD, Sofia	5	100.00
"VITOSHA VIEW" EOOD, Sofia	500	100.00
STRABAG EAD, Sofia	13,313	100.00

Chile	Nominal capital TCLP	Direct stake %
Strabag SpA, Santiago de Chile	500,000	100.00
Züblin Chuquicamata SpA, Santiago de Chile	945,862	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 %
Züblin A/S, Trige	1,000	100.00
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	500	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 %
Züblin Inc., Saint John/NewBrunswick	100	100.00
Strabag Inc., Toronto	3,000	100.00

Croatia	Nominal capital THRK	Direct stake %
BRVZ d.o.o., Zagreb	20	100.00
CESTAR d.o.o., Slavonski Brod	1,100	74.90
MINERAL IGM d.o.o., Zapuzane	10,701	100.00
Pomgrad Inzenjering d.o.o., Split	25,534	100.00
PZC SPLIT d.d., Split	18,810	97.20[2)]
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[3)]

1) Direct stake amounted to 100.00 % as at 31 December 2015.
2) Direct stake amounted to 96.94 % as at 31 December 2015.
3) Direct stake amounted to 82.10 % as at 31 December 2015.

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

The Netherlands	Nominal capital T€	Direct stake %
STRABAG B.V., Vlaardingen	450	100.00
Züblin Nederland B.V., Vlaardingen	500	100.00

Oman	Nominal capital TOMR	Direct stake %
STRABAG OMAN L.L.C., Maskat	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
BMTI Sp. z o.o., Pruszkow	2,000	100.00
BRVZ Sp. z o.o., Pruszkow	500	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
SAT Sp. z o.o., Olawa	4,171	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o., Wroclaw	16,140	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 %
STRABAG SRL, Bucharest	43,519	100.00
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA, Cluj-Napoca	64,974	98.59
BITUNOVA Romania SRL, Bucharest	16	100.00
BRVZ SERVICII & ADMINISTRARE SRL, Bucharest	278	100.00
MINERAL ROM SRL, Brasov	10,845	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 %
OOO "RANITA", Moscow	10	100.00
SAO BRVZ Ltd, Moscow	313	100.00
ZAO "PARK CENTER", St. Petersburg	28,125	100.00
ZAO "Strabag", Moscow	14,926	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 %
BRVZ Sweden AB, Kumla	100	100.00
Nimab Entreprenad AB, Sjöbo	501	100.00
STRABAG AB, Stockholm	50	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 %
BMTI GmbH, Erstfeld		20	100.00
BRVZ Bau-, Rechen- und Verwaltungszentrum AG, Erstfeld		100	100.00
STRABAG AG, Schlieren		8,000	100.00

Serbia		Nominal capital TRSD/T€	Direct stake %
"PUTEVI" A.D. CACAK, Cacak		122,638	89.89[1)]
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
Vojvodinaput-Pancevo a.d. Pancevo, Pancevo	T€	4,196	100.00

Slovakia		Nominal capital T€	Direct stake %
BITUNOVA spol. s r.o., Zvolen		1,195	100.00
BRVZ s.r.o., Bratislava		33	100.00
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov		7	100.00
Hotel AVION Management s.r.o., Bratislava		5	100.00
Hotel AVION s.r.o., Bratislava		7	100.00
KSR - Kamenolomy SR, s.r.o., Zvolen		25	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 %
BRVZ center za racunovodstvo in upravljanje d.o.o., Ljubljana		9	100.00
DRP, 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 THB	Direct stake %
STRABAG Industries (Thailand) Co.,Ltd., Bangkok		180,000	100.00

Czech Republic		Nominal capital TCZK	Direct stake %
BHG CZ s.r.o., Budweis		200	100.00
BITUNOVA spol. s r.o., Jihlava		2,000	100.00
BMTI CR s.r.o., Brno		100	100.00
BOHEMIA ASFALT, s.r.o., Sobeslav		10,000	100.00
BRVZ s.r.o., Prague		1,000	100.00
Dalnicni stavby Praha, a.s., Prague		136,000	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 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., Budweis		1,000	100.00
ZÜBLIN stavebni spol. s r.o., Prague		100,000	100.00

Ukraine		Nominal capital TUAH	Direct stake %
Chustskij Karier, Zakarpatska		3,279	95.96
TOV "RESURS PROEKTBUD", Kiev		1,250	100.00
Zezelivskij karier TOW, Zezelev		13,130	99.36

Hungary		Nominal capital THUF/T€	Direct stake %
AKA Zrt., Budapest		24,000,000	100.00
AMFI HOLDING Kft., Budapest	T€	800	100.00
ASIA Center Kft., Budapest		1,830,080	100.00

1) Direct stake amounted to 85.02 % as at 31 December 2015.

Hungary		Nominal capital THUF/T€	Direct stake %
Bitunova Kft., Budapest		50,000	100.00
BMTI Kft., Budapest		2,000,000	100.00
BRVZ Kft., Budapest		1,545,000	100.00
EXP HOLDING Kft., Budapest	T€	4,556	100.00[1)]
Expert Kerepesi Kft., Budapest	T€	11	100.00
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
KAFEX Kft., Budapest	T€	464	100.00
KFX Holding Kft., Budapest	T€	10,511	100.00[1)]
KÖKA Kft., Budapest		761,680	100.00
Magyar Bau Holding Zrt., Budapest		20,000	100.00
OAT Kft., Budapest		25,000	100.00
ÓBUDA-APARTMAN Kft., Budapest	T€	279	100.00
RE project development Kft., Budapest		3,000	100.00
STRABAG Általános Építö Kft., Budapest		1,000,000	100.00
STRABAG Épitö Kft., Budapest		352,000	100.00
STRABAG Property and Facility Services Zrt., Budapest		20,000	51.00
STRABAG Vasútépítö Kft., Budapest		3,000	100.00
STRABAG-MML Kft., Budapest		510,000	100.00
Szentesi Vasútépítö Kft, Budapest		189,120	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 %
STRABAG ABU DHABI LLC, Abu Dhabi	150	100.00
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
CONFINARIO LTD, Limassol	1	100.00
IVERUS ENTERPRISES LTD, Limassol	2	100.00

The following list shows the associates included in the consolidated financial statement:

Austria	Nominal capital T€	Direct stake %
Erste Nordsee-Offshore-Holding GmbH, Vienna	100	49.90
Lafarge Cement CE Holding GmbH, Vienna	50	30.00
Schiffmühlenstraße 120 GmbH, Vienna	35	75.00[2)]
Zweite Nordsee-Offshore-Holding GmbH, Vienna	100	49.90

Germany		Nominal capital T€/TDEM	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	TDEM	300	33.33
Kieswerk Rheinbach GmbH & Co Kommanditgesellschaft, Rheinbach		256	50.00
Kieswerke Schray GmbH & Co. KG, Steißlingen		2,045	50.00
Messe City Köln GmbH & Co. KG, Hamburg		100	50.00
MesseCity Köln Generalübernehmer GmbH & Co. KG, Oststeinbek		25	50.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG, Mühlacker		3,100	25.00
PANSUEVIA GmbH & Co. KG, Jettingen-Scheppach		1,000	50.00
PANSUEVIA Service GmbH & Co. KG, Jettingen-Scheppach		50	50.00
SeniVita Social Estate AG, Bayreuth		10,000	46.00
Steinbruch Spittergrund GmbH, Erfurt		80	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG, Apfelstädt		2,582	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.
2) There are deviating contractual provisions about the joint venture.

Ireland	Nominal capital T€	Direct stake %
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED, Fermoy	50	20.00

Croatia	Nominal capital THRK	Direct stake %
Autocesta Zagreb-Macelj d.o.o., Krapina	88,440	51.00[1)]

The Netherlands	Nominal capital T€	Direct stake %
A-Lanes A15 Holding B.V., Nieuwegein	18	24.00

Qatar	Nominal capital TQAR	Direct stake %
Strabag Qatar W.L.L., Qatar	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	30.00

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 write-back once the reasons for the impairment no longer apply is not foreseen for goodwill.

1) There are deviating contractual provisions about the joint venture.

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 in 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 cost is 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	4–8

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.

LEASES

Finance leases

Leased assets are capitalised where STRABAG is the lessee and bears all the substantial risks and rewards associated with the asset in accordance with the criteria of IAS 17. The lease is capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The asset is depreciated over the shorter of the lease term or the economic life of the asset. The depreciation method used is the same as for comparable acquired or internally generated assets.

Payment obligations resulting from future lease payments are recognised as a liability. In this case, the present value of the minimum lease payment is to be used. In subsequent years, lease payments are apportioned between an interest component and a repayment component so that the lease liability has a constant rate of return. The interest component is recognised in profit or loss.

Operating leases

Both expenses as well as income from operating leases are recognised in the income statement using the straight-line method over the term of the respective lease.

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 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 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 two parameters growth rate and cost of capital for the impairment tests:

%	2016	2015
Growth rate	0.0–0.5	0.0–0.5
Cost of capital (after taxes)	5.6–7.1	6.1–7.5
Cost of capital (before taxes)	7.8–8.6	7.3–9.4

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.

A financial asset is initially recognised at fair value including transaction costs. Transaction costs incurred on the acquisition of financial assets measured at fair value through profit or loss are recognised in the income statement immediately. 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 IAS 39, with each category having its own measurement requirements. The classification is determined at initial recognition:

- Financial assets at fair value through profit or loss

  At STRABAG, financial assets measured at fair value through profit or loss comprise financial assets held for trading. A financial asset is classified in this category if it was acquired for the purpose of selling in the short term. Derivatives also belong to this category if they are not designated as hedging instruments. Assets in this category are classified as current assets if recovery is expected within twelve months. All other assets are classified as non-current. Changes in the value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are considered current assets if they do not mature more than twelve months after the balance sheet date respectively during the normal business cycle. If they do, they are classified as non-current assets. Loans and receivables are measured at amortised cost calculated using the effective interest method.

  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 payment to be made. The annual accumulation amount is recognised in other operating income, where it is balanced with the interest expense from related non-recourse financing.

The hedging transactions embedded in the concession arrangements are carried at fair value and shown in the item receivables from concession arrangements.

Trade receivables and other receivables are evaluated at their nominal value less impairment for realisable individual risks. Graduated impairment is formed according to risk groups in order to take general loan risks on customer receivables into consideration. Specific cases of default result in the derecognition of the receivables in question.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivative financial assets which were either classified in this category or which were not classified in any of the other categories presented here. Fair value changes on available-for-sale financial assets are recognised in other income. If assets in this category are sold or if they are subject to impairment, then the cumulative changes in fair value that were previously recognised in equity are recognised in profit or loss in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, and whenever there are indications of impairment, the carrying amounts of financial assets that are not measured at fair value through profit or loss are tested for their recoverability (impairment test). If there is an objective indication of impairment, an impairment loss is recognised in profit or loss in other operating expense or in net income from investments. Impairment losses are reversed if objective facts arise after the balance sheet date which speak for a reversal. The value increase of financial instruments measured at amortised cost may not exceed what the amortised cost would have been if the impairment had not been recognised. For equity instruments measured at cost, an increase in subsequent financial statements is not allowed.

Within the group, impairment losses are recognised if the debtor has considerable financial difficulties; if there is a high probability that insolvency proceedings will be commenced against him; if the issuer's technological, economic, legal and market environment changes substantially; or if the fair value of a financial instrument continually falls below the amortised cost.

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.

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 initially recognised at cost at the date the contract is entered into. In subsequent periods, derivative financial instruments are carried at fair value. Unrealised gains or losses on the measurement are recognised in the income statement if the conditions for hedge accounting directly in equity under IAS 39 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) or stock market prices, if available. If it is not possible to use stock market prices, 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 either as:

- hedge of the exposure to changes in the fair value of a recognised asset or liability (fair value hedge), or as
- hedge of the exposure to variability in cash flows (cash flow hedge).

In accounting for fair value hedges, both the derivative hedging instrument and the hedged item attributable to hedged risk are accounted for at fair value through profit or loss.

If, however, a derivative financial instrument is used as a hedging instrument in a cash flow hedge, the 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.

On concluding a transaction, the group documents the hedging relationship between the hedging instrument and the hedged item, the aim of its risk management as well as the underlying strategy for hedging transactions. An assessment is made at the beginning of a hedging relationship, with documentation provided continually thereafter, of whether the derivatives used in the hedge are effective or not in compensating the changes in fair value or cash flow of the hedged item.

The critical term match method is used to determine the prospective hedge effectiveness. The retrospective effectiveness is determined using 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 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, equity-accounted investments and participation companies 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.

CONSTRUCTION CONTRACTS

The results from construction contracts are realised using the percentage of completion method under IAS 11. Determination of the stage of completion is made on the basis of the actual output volume attained by the balance sheet date.

If the results from a contract can be reliably determined and the contract is likely to be profitable, then the contract revenue is recognised in proportion to the stage of completion over the duration of the contract. If the total contract cost is likely to exceed the total contract revenue, then the expected loss is recognised immediately in full as an expense. Presentation is made as an impairment loss on receivables relating to construction contracts or as a provision if the impending loss that is expected exceeds the receivables from construction contracts from the specific project.

If, due to uncertainties in the construction schedule, the future results cannot be reliably determined, the construction contract is recognised at contract cost.

If the costs incurred plus recognised profits exceed the payments received for it, then this is shown on the assets side under receivables from construction contracts. Vice versa, this is reported on the liabilities side under liabilities from construction contracts.

The results, in the case of construction contracts which are carried out in consortia, are realised according to the percentage of completion method in accordance with the degree of completion as at the balance sheet date. Impending losses arising from further construction work are accounted for by means of appropriate depreciation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all liquid assets which at the date of acquisition or investment have a remaining term of less than three months. 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 benefit 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 over the past few years 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 22.

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. The overpaid amounts from construction contracts are qualified as non-financial liabilities.

FINANCIAL LIABILITIES

Financial liabilities comprise original liabilities and the negative fair values of derivative financial instruments.

Original liabilities are recognised in the consolidated balance sheet if STRABAG has a contractual obligation to transfer cash or other financial assets to another party. Original liabilities are initially recognised at fair value. Any premiums, discounts or other differences between the cash inflow and the repayment amount are distributed over the financing term using the effective interest rate method and stated on an accruals basis in interest 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 rate method.

CONTINGENT LIABILITIES

Contingent liabilities are present or possible future obligations which are not reflected in the balance sheet as liabilities because 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. The amount of the contingent liabilities reported corresponds to the amount of existing guarantees outstanding as at the balance sheet date.

REVENUE RECOGNITION

Revenue comprises the fair value of the considerations received or receivable for the sale of goods and services in the ordinary course of business.

Revenues from the construction contracts are realised according to the percentage of completion method. The output volume actually attained at the balance sheet date serves as a benchmark for the degree of completion.

Revenues from the sale of proprietary projects, from trade to and services for consortia, from property and facility services, from other services and from the sale of construction materials are realised with the transfer of power to dispose and the related opportunities and risks and/or with the rendering of the services.

Supplementary 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 in profit or loss immediately when they arise, revenue from supplementary claims is recognised generally after receipt of written recognition from the client or, in the event that payment is received before the written recognition, with the payment itself.

Revenue that is to be seen as purely transitory due to consortial structures, as well as its corresponding expense, is not recognised.

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.

Dividends and the share of profits from investments are recognised if a legal right to payment exists.

Interest income is recognised as it accrues using the effective interest rate method.

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 on page 183 (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 financial statements as well as on realistic assumptions about 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€ -3,136 (2015: T€ -3,593) while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ -8,897 (2015: T€ -8,536). These two effects together would trigger an impairment loss of T€ -12,156 (2015: T€ -11,715).

(B) RECOGNITION OF REVENUE FROM CONSTRUCTION CONTRACTS

Revenue from construction contracts is recognised using the percentage of completion method. The group estimates the actual output concluded by the balance sheet date as a percentage of the total volume of the order as well as the remaining contract cost to be incurred. If the contract cost exceeds the total contract revenue, then the expected loss is recognised as an expense. Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred.

(C) INVESTMENTS IN LAFARGE CEMENT CE HOLDING GMBH

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€ 241,864 on 31 December 2016 (2015: T€ 247,622). 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 (2015: T€ 0), while an isolated increase of the cost of capital by one percentage point would lead to an impairment of T€ -303 (2015: T€ -4,234). These two effects together would trigger an impairment loss of T€ -12,254 (2015: T€ -16,277).

(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) SEVERANCE AND PENSION PROVISIONS

The present value of the 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 pension obligations are based in part on market conditions. Further information and sensitivity analyses can be found in item 22.

(G) 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. The same applies to provisions in connection with litigations.

Notes on the items of the consolidated income statement

(1) REVENUE

The revenue of T€ 12,400,465 (2015: T€ 13,123,476) is attributed in particular to revenue from construction contracts, revenue from own projects, trade to and services for consortia, as well as other services. Revenue from construction contracts including the realised part of profits according to the level of completion of the respective contract (percentage of completion method) amounts to T€ 10,413,176 (2015: T€ 11,144,325), the revenues from property and facility management services amount to T€ 1,057,241 (2015: T€ 1,036,525).

Revenues according to business fields and regions are represented individually in the segment reporting.

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 joint ventures and associates:

T€	2016	2015
Germany	6,269,951	6,256,111
Austria	2,098,624	2,002,984
Poland	773,742	940,760
Czech Republic	630,558	764,599
Slovakia	461,165	716,335
Hungary	448,123	594,262
Switzerland	378,340	342,713
Americas	348,345	309,931
Benelux	308,928	301,671
Middle East	266,651	314,484
Romania	253,715	241,228
Denmark	234,388	219,284
Sweden	179,069	239,704
Rest of Europe	150,467	167,449
Russia	138,862	230,387
Asia	131,086	91,800
Serbia	89,279	46,222
Italy	81,614	187,803
Africa	78,024	120,371
Croatia	78,069	68,040
Slovenia	65,135	98,414
Bulgaria	26,897	35,212
Total output volume	**13,491,032**	**14,289,764**

(2) OTHER OPERATING INCOME

Other operating income includes revenue from letting and leasing in the amount of T€ 27,183 (2015: T€ 18,547), insurance compensation and indemnification in the amount of T€ 39,121 (2015: T€ 34,893), and exchange rate gains from currency fluctuations in the amount of T€ 15,620 (2015: T€ 15,688) as well as gains from the disposal of fixed assets without financial assets in the amount of T€ 59,226 (2015: T€ 44,285).

Interest income from concession arrangements which is included in other operating income is represented as follows (see also notes on item 18):

T€	2016	2015
Interest income	62,218	64,194
Interest expense	-26,810	-29,134
Net interest income	**35,408**	**35,060**

(3) CONSTRUCTION MATERIALS, CONSUMABLES AND SERVICES USED

T€	2016	2015
Construction materials, consumables	2,684,913	3,076,296
Services used	5,295,096	5,542,732
Construction materials, consumables and services used	**7,980,009**	**8,619,028**

Services used are mainly attributed to services of subcontractors and professional craftsmen as well as planning services, machine rentals and third-party repairs.

(4) EMPLOYEE BENEFITS EXPENSE

T€	2016	2015
Wages	1,078,340	1,066,781
Salaries	1,542,468	1,513,198
Social security and related costs	531,583	528,394
Expenses for severance payments and contributions to employee provident fund	20,932	19,478
Expenses for pensions and similar obligations	11,119	1,524
Other social expenditure	26,469	28,877
Employee benefits expense	**3,210,911**	**3,158,252**

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 proportion of interest included in the expenses for severance payments as well as for pensions and similar obligations is recognised in the item net interest income.

Expenses from defined contribution plans amounted to T€ 9,894 (2015: T€ 9,184).

The **average number of employees** with the proportional inclusion of all participation companies is as follows:

Average number of employees	2016	2015
White-collar workers	28,458	28,552
Blue-collar workers	43,381	44,763
Total	**71,839**	**73,315**

(5) OTHER OPERATING EXPENSES

Other operating expenses of T€ 795,854 (2015: T€ 826,900) 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 and losses on the disposal of assets (excluding financial assets). Other taxes amounting to T€ 41,462 (2015: T€ 43,603) are included.

Other operating expenses include losses from exchange rate differences from currency fluctuations in the amount of T€ 5,427 (2015: T€ 16,318).

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€	2016	2015
Income from equity-accounted investments	50,875	20,706
Expenses arising from equity-accounted investments	-29,513	-26,591
Profit from construction consortia	154,793	135,274
Losses from construction consortia	-69,977	-67,500
Share of profit or loss of equity-accounted investments	**106,178**	**61,889**

The expenses from equity-accounted investments include mainly the Zweite Nordsee-Offshore Holding GmbH, Vienna. The income from equity-accounted investments includes a non-operating profit in the amount of T€ 27,811 due to the sale of PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart.

(7) NET INCOME FROM INVESTMENTS

T€	2016	2015
Investment income	53,409	69,234
Expenses arising from investments	-10,824	-12,319
Gains on the disposal of investments	7,360	7,654
Impairment and write-up of investments	-5,425	-29,747
Losses on the disposal of investments	-592	-939
Net income from investments	**43,928**	**33,883**

(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€ 41,206 (2015: T€ 57,412) were made. Impairment on goodwill amounts to T€ 4,884 (2015: T€ 24,750). For goodwill impairments we refer to the details under item 12.

(9) NET INTEREST INCOME

T€	2016	2015
Interests and similar income	73,899	82,071
Interests and similar charges	-77,680	-106,490
Net interest income	**-3,781**	**-24,419**

Included in interests and similar charges are interest components from the allocation of severance payment and pension provisions amounting to T€ 13,501 (2015: T€ 13,510), security impairment losses of T€ 121 (2015: T€ 981) as well as currency losses of T€ 17,910 (2015: T€ 22,294).

Included in interests and similar income are gains from exchange rates amounting to T€ 30,925 (2015: T€ 30,723) and interest components from the plan assets for pension provisions in the amount of T€ 1,935 (2015: T€ 2,343).

(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€	2016	2015
Current taxes	123,513	170,962
Deferred taxes	15,620	-36,834
Income tax expense	**139,133**	**134,128**

The following tax components are recognised directly in equity in the statement of comprehensive income:

T€	2016	2015
Change in hedging reserves	-9,866	-4,215
Actuarial gains/losses	8,756	-11,357
Fair value of financial instruments under IAS 39	140	94
Total	**-970**	**-15,478**

The reasons for the difference between the Austrian corporate income tax rate of 25 % valid in 2016 and the actual consolidated tax rate are as follows:

T€	2016	2015
EBT	**421,129**	**316,624**
Theoretical tax expenditure 25 %	105,283	79,156
Differences to foreign tax rates	4,148	-3,936
Change in tax rates	-27,132	0
Non-tax deductible expenses	10,422	9,401
Tax-free earnings	-3,504	-4,853
Tax effects of results from equity-accounted investments	-2,228	-2,073
Depreciation of goodwill/capital consolidation	6,214	2,994
Additional tax payments/tax refund	9,641	9,482
Change of valuation adjustment on deferred tax assets	37,573	44,136
Others	-1,284	-179
Recognised income tax	**139,133**	**134,128**

(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.

	2016	2015
Number of ordinary shares	110,000,000	114,000,000
Number of shares bought back	-7,400,000	-11,400,000
Number of shares outstanding as at 31.12.	102,600,000	102,600,000
Profit or loss attributable to equity holders of the parent (consolidated profit/loss) T€	277,652	156,286
Weighted number of shares outstanding during the year	102,600,000	102,600,000
Earnings per share €	**2.71**	**1.52**

Notes on the items in the consolidated balance sheet

(12) INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

The composition of and changes in intangible assets, goodwill, and property, plant and equipment is shown in the consolidated statement of fixed assets.

No borrowing costs were capitalised for property, plant and equipment, or for intangible assets in the year under report, as significant qualifying assets were not produced or acquired after 1 January 2009.

Notes to goodwill

The goodwill at the balance sheet date is composed as follows:

T€	31.12.2016	31.12.2015
STRABAG Cologne[1)]	178,803	178,803
Czech Republic S + O	67,325	67,320
STRABAG Poland	59,588	61,633
Germany N + W (various CGUs)	59,475	58,862
DIW Group (incl. SPFS Czech Republic, Austria)	50,884	45,713
Züblin	14,938	14,938
Construction materials	8,621	13,504
Other	9,650	14,872
Goodwill	**449,284**	**455,645**

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€ 4,884 (2015: T€ 24,750). This figure is shown under depreciation and amortisation.

The impairment of T€ 4,884 concerns mainly a construction materials company assigned to the segment International + Special Divisions. The impairment became necessary due to a reduction in the output and earnings estimate for the future. The recoverable amount of this cash-generating unit (CGU) corresponds to its fair value less costs of disposal. The necessary impairment of the CGU exclusively affected the goodwill; impairment was not necessary for other assets of the CGU.

The methods of measurement are explained on page 183 (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 190.

The following table presents the key assumptions used in calculating the recoverable amount for significant goodwill. 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 below. There were no intangible assets with indefinite useful lives allocated to the CGUs listed below.

1) Is composed of goodwill from CGU STRABAG Cologne North + West in the amount of T€ 117,698 (2015: T€ 117,698) and CGU STRABAG Cologne South + East in the amount of T€ 61,105 (2015: T€ 61,105).

T€	Carrying amount 31.12.2016	Methodology 31.12.2016	Detailed planning period 31.12.2016	Growth rate 31.12.2016	Discount rate after tax 31.12.2016
STRABAG Cologne N + W	117,698	FV less cost of disposal (Level 3)	4	0	6.02
STRABAG Cologne S + O	61,105	FV less cost of disposal (Level 3)	4	0	6.53
Czech Republic S + O	67,325	FV less cost of disposal (Level 3)	4	0	6.93
STRABAG Poland	59,588	FV less cost of disposal (Level 3)	4	0	7.10
DIW Group (incl. SPFS Czech Republic, Austria)	50,884	FV less cost of disposal (Level 3)	4	0	6.02

Capitalised development costs

At the balance sheet date, development costs in the amount of T€ 0 (2015: T€ 3,835) were capitalised as intangible assets. In the 2016 financial year, development costs in the amount of T€ 8,156 (2015: T€ 8,288) were incurred, of which T€ 0 (2015: T€ 395) were capitalised.

Leasing

The carrying amounts from property leasing in the amount of T€ 6,417 (2015: T€ 11,349) as at the balance sheet date are included in property, plant and equipment assets.

Offset against these are liabilities arising from the present value of leasing obligations amounting to T€ 5,304 (2015: T€ 10,336).

The terms of the finance leases for property are between four and 20 years, while those for machinery are between two and eight years.

The following payment obligations will arise from financial leases in subsequent financial years:

	Present values		Minimum payments	
T€	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Term up to one year	370	729	628	1,190
Term between one and five years	1,705	3,383	2,514	4,760
Term over five years	3,229	6,224	3,614	6,814
Total	**5,304**	**10,336**	**6,756**	**12,764**

The reconciliation of minimum lease payments with payables relating to finance leases recognised as at 31 December is as follows:

T€	31.12.2016	31.12.2015
Minimum lease payments 31.12.	**6,756**	**12,764**
Interest	-1,452	-2,428
Finance leases 31.12.	**5,304**	**10,336**

In addition to the finance leases, there are also operating leases for the utilisation of technical equipment and machinery. The expenses from these contracts are recognised in the income statement. The payments made for the financial year 2016 amount to T€ 94,259 (2015: T€ 98,472).

Payment obligations arising from operating lease agreements in subsequent business years are represented as follows:

T€	31.12.2016	31.12.2015
Term up to one year	67,852	68,833
Term between one and five years	115,524	124,911
Term over five years	29,489	36,124
Total	**212,865**	**229,868**

Restrictions on property, plant and equipment/purchase obligations

As at the balance sheet date there were T€ 83,068 (2015: T€ 52,710) 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€ 2,399 (2015: T€ 2,405).

(13) 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€ 8,279 as at 31 December 2016 (2015: T€ 17,500). The fair value was determined using internal reports based on a discounted cash flow analysis or by employing the fair value of development land at market prices.

The rental income from investment property in the 2016 financial year amounted to T€ 6,660 (2015: T€ 6,541) and direct operating expenses totalled T€ 6,579 (2015: T€ 6,144). 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€ 2,181 (2015: T€ 443) and losses from asset disposals in the amount of T€ 0 (2015: T€ 150) were achieved. A write-back in the amount of T€ 0 was made in the financial year 2016 (2015: T€ 500).

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.

(14) EQUITY-ACCOUNTED INVESTMENTS

T€	2016	2015
Carrying amount as at 1.1.	**373,419**	**401,622**
Additions to scope of consolidation	7,543	0
Disposals from scope of consolidation	-14,000	-1,754
Acquisitions/contributions	16,999	6,004
Proportional annual results	-6,449	-7,224
Received distributions	-26,674	-25,283
Disposals of carrying values	-2,189	-784
Proportional other income	-1,044	838
Carrying amount as at 31.12.	**347,605**	**373,419**

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 29 notes on related parties.

The following financial information concerns the consolidated financial statements prepared in accordance with IFRS.

T€	2016	2015
Revenue	181,477	187,856
Income from continuing operations	8,029	3,513
Other income	2,825	4,175
Total comprehensive income	**10,854**	**7,688**
attributable to: non-controlling interests	46	8
attributable to: equity holders of the parent company	10,808	7,681

	31.12.2016	31.12.2015
Non-current assets	591,028	609,599
Current assets	170,385	148,214
Non-current liabilities	-71,489	-82,992
Current liabilities	-169,925	-135,676
Net assets	**519,999**	**539,145**
attributable to: non-controlling interests	4,065	4,019
attributable to: equity holders of the parent company	515,934	535,126

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€	2016	2015
Group's share in net assets as at 1.1.	**160,538**	**167,234**
Group's share of net income from continuing operations	2,341	1,017
Group's share of other income	901	1,287
Group's share of total comprehensive income	3,242	2,304
Dividends received	-9,000	-9,000
Group's share in net assets as at 31.12.	**154,780**	**160,538**
Fair value adjustment	87,084	87,084
Equity-carrying value as at 31.12.	**241,864**	**247,622**

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€	2016	2015
Total of equity-carrying values as at 31.12.	79,497	118,517
Group's share of net income from continuing operations	17,236	-7,415
Group's share of other income	-928	-555
Group's share of total comprehensive income	16,309	-7,970

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€	2016	2015
Total of equity-carrying values as at 31.12.	26,244	7,280
Group's share of net income from continuing operations	1,785	513
Group's share of other income	0	0
Group's share of total comprehensive income	1,785	513

Notes on accumulated losses from equity-accounted investments

Proportionate losses from equity-accounted investments in the amount of T€ -21,486 (2015: T€ -13,237) were not recognised in profit or loss, as the carrying amounts of these investments already are T€ 0.

Notes on construction 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 joint ventures in the 2016 financial year.

Construction consortia	Stake in %
ARGE BAB A9 Holledau FRM, Germany (BAB A9)	50.00
ARGE BAU BSH, Germany (BSH)	50.00
ARGE Hafentunnel Bremerhaven, Germany (BREM)	67.00
ARGE Koralmtunnel KAT 2, Austria (KAT)	85.00
ARGE Rohtang Pass Highway Tunnel, India (Rohtang)	60.00
ARGE Tulfes Pfons, Austria (TULF)	51.00
ARGE Tunnel Albastieg Ulm, Germany (ALB)	60.00
ARGE Tunnel Rastatt, Germany (RAST)	50.00
JV Hafen Mauritius, Mauritius (Maur)	50.00
JV Metro Nordhavnen, Denmark (Metro)	60.00

The financial information in the 2016 financial year on construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	Thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BAB A9	50,345	0	4,651	2,099	0	4,651
BSH	62,994	0	29,817	22,939	0	29,817
BREM	33,258	505	4,224	119	0	4,729
KAT	122,911	13,991	47,601	10,443	0	61,592
Rohtang	35,845	13,651	25,913	2,286	0	39,564
TULF	97,072	28,708	19,766	13,064	0	48,474
ALB	77,631	9,846	9,527	1,360	0	19,373
RAST	121,346	28,599	26,100	11,092	0	54,699
Maur	35,066	1,647	15,844	4,470	0	17,491
Metro	57,892	8,179	8,415	6,790	0	16,594

In the 2016 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 27,934 in profits from construction consortia and T€ -15,124 in losses from construction consortia including impending losses.

The financial information in the 2015 financial year on these construction consortia is presented 100 % before consolidation.

T€	Revenue	Non-current assets	Current assets	Thereof cash and cash equivalents	Non-current liabilities	Current liabilities
BAB A9	459	0	33	0	0	33
BSH	59,924	0	32,499	29,779	0	32,499
BREM	16,386	246	2,307	742	0	2,553
KAT	118,154	18,413	34,879	6,928	0	53,292
Rohtang	41,098	14,886	15,390	4,396	0	30,276
TULF	61,485	36,314	34,295	29,817	0	70,609
ALB	65,830	20,947	5,444	2,226	0	26,391
RAST	39,533	3,789	23,129	7,188	0	26,918
Maur	38,846	2,611	32,286	4,315	0	34,897
Metro	33,828	823	13,771	12,533	0	14,594

In the 2015 financial year, the share of profit or loss of equity-accounted investments recorded for the above-mentioned construction consortia included T€ 20,524 in profits from construction consortia and T€ -11,434 in losses from construction consortia including impending losses.

The business transactions with the construction consortia in the financial year can be presented as follows:

T€	2016	2015
Work and services performed	913,658	836,529
Work and services received	32,656	74,765
Receivables as at 31.12.	522,202	408,945
Liabilities as at 31.12.	284,599	307,669

(15) 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 nor are 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 participation companies which is included in the annual financial report.

The development of the financial assets in the financial year was as follows:

T€	Balance as at 1.1.2016	Currency translation	Change in scope of consoli-dation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2016
Investments in subsidiaries	93,448	0	-12,077	5,317	282	-4,975	-4,613	77,382
Participation companies	79,357	32	-1,386	16,718	-282	-4,278	-812	89,349
Financial assets	**172,805**	**32**	**-13,463**	**22,035**	**0**	**-9,253**	**-5,425**	**166,731**

The development of the financial assets in the previous financial year was as follows:

T€	Balance as at 1.1.2015	Currency translation	Change in scope of consoli-dation	Additions	Transfers	Disposal	Impairment/ Write-up	Balance as at 31.12.2015
Investments in subsidiaries	110,021	76	210	12,730	-258	-3,834	-25,497	93,448
Participation companies	86,077	542	0	4,669	258	-7,939	-4,250	79,357
Financial assets	**196,098**	**618**	**210**	**17,399**	**0**	**-11,773**	**-29,747**	**172,805**

(16) 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 1.1.2016	Currency translation	Change in scope of consolidation	Other changes	Balance as at 31.12.2016
Intangible assets and property, plant and equipment	21,148	135	0	8,286	29,569
Financial assets	3,452	-15	0	11,077	14,514
Inventories	5,067	-80	0	240	5,227
Trade and other receivables	41,417	-9	0	-5,322	36,086
Provisions	193,426	-742	-160	26,074	218,598
Liabilities	27,614	-257	0	-2,504	24,853
Tax loss carryforward	180,301	19	0	-72,502	107,818
Deferred tax assets	**472,425**	**-949**	**-160**	**-34,651**	**436,665**
Netting out of deferred tax assets and liabilities of the same tax authorities	-180,497	0	0	-10,341	-190,838
Deferred tax assets netted out	**291,928**	**-949**	**-160**	**-44,992**	**245,827**
Intangible assets and property, plant and equipment	-49,432	1	-3,508	4,314	-48,625
Financial assets	-6,130	0	0	-1,096	-7,226
Inventories	-15,005	-247	-8,917	5,740	-18,429
Trade and other receivables	-134,659	-235	-1,142	9,801	-126,235
Provisions	-4,335	1	0	1,569	-2,765
Liabilities	-7,000	0	0	-1,948	-8,948
Deferred tax liabilities	**-216,561**	**-480**	**-13,567**	**18,380**	**-212,228**
Netting out of deferred tax assets and liabilities of the same tax authorities	180,497	0	0	10,341	190,838
Deferred tax liabilities netted out	**-36,064**	**-480**	**-13,567**	**28,721**	**-21,390**

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.

The Austrian Corporate Income Tax Act (Körperschaftsteuergesetz) requires a tax-effective impairment of investments to be claimed over a period of seven years. The deferred tax assets on losses carried forward contain open one-seventh impairments in the amount of T€ 12,008 (2015: T€ 18,296).

No deferred tax assets were made for tax losses carried forward of T€ 1,144,073 (2015: T€ 1,010,036), as their effectiveness as final tax relief is not sufficiently assured.

Of the non-capitalised losses carried forward T€ 1,046,183 (2015: T€ 936,013) 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 deemed cost of losses carried forward in excess of the earnings arising from the reversal of existing taxable temporary differences amounts to T€ 56,742 (2015: T€ 95,696) for the STRABAG SE tax group.

The losses of the ongoing year and of the past were strongly influenced by negative special items. To avoid such negative projects, the group expanded and improved its opportunity and risk management and implemented the organisational and strategic improvements out of the analysis results of the “STRABAG 2013ff” task force. The tax planning for the STRABAG SE tax group for the next five years documents the usability of the tax loss carryforwards.

(17) INVENTORIES

T€	31.12.2016	31.12.2015
Construction materials, auxiliary supplies and fuel	279,768	271,100
Finished buildings and goods	164,186	124,345
Unfinished buildings and goods	560,009	303,780
Development land	100,895	83,128
Payments made	77,947	19,348
Inventories	**1,182,805**	**801,701**

As a result of the acquisition of the STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH), the inventories increased by T€ 261,676.

In the financial year, impairment respectively appreciation in the amount of T€ -2,193 (2015: T€ 1,521) was recognised on inventories excluding construction materials, auxiliary supplies and fuel. T€ 60,711 (2015: T€ 60,491) 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€ 4,431 (2015: T€ 2,833).

(18) RECEIVABLES AND OTHER ASSETS

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 agreement 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 other operating income.

A part of the availability fee consists of interest adjustment payments of the Hungarian state. As a result, the state bears the interest risk from the financing of AKA. These interest adjustment payments represent an embedded hedging transaction which is measured separately in accordance with IAS 39.11. Presentation is made as a cash flow hedge; as a result, changes in the fair value of the interest rate swap are recognised directly in equity.

The market value of the interest rate swap in the amount of T€ -48,973 (2015: T€ -53,392) 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€ 439,377 (2015: T€ 489,530), classified either as a current or non-current liability depending on the term to maturity. The resulting interest expense is recognised in other operating income.

Receivables and other assets are comprised as follows:

T€	31.12.2016 total	31.12.2016 thereof current	31.12.2016 thereof non-current	31.12.2015 total	31.12.2015 thereof current	31.12.2015 thereof non-current
Receivables from concession arrangements	**714,666**	**31,180**	**683,486**	**739,077**	**28,829**	**710,248**
Receivables from construction contracts	*4,339,418*	*4,339,418*	*0*	*5,094,145*	*5,094,145*	*0*
Advances received	*-3,471,735*	*-3,471,735*	*0*	*-4,209,732*	*-4,209,732*	*0*
Net receivable from construction contracts	867,683	867,683	0	884,413	884,413	0
Other trade receivables and receivables from consortia	1,529,288	1,529,288	0	1,494,609	1,494,609	0
Advances paid to subcontractors	47,429	47,429	0	13,949	13,949	0
Trade receivables	**2,444,400**	**2,444,400**	**0**	**2,392,971**	**2,392,971**	**0**
Non-financial assets	**87,654**	**87,654**	**0**	**67,579**	**67,579**	**0**
Income tax receivables	**112,804**	**112,804**	**0**	**55,687**	**55,687**	**0**
Securities	26,497	0	26,497	29,100	0	29,100
Receivables from subsidiaries	133,719	125,781	7,938	127,432	116,599	10,833
Receivables from participation companies	269,883	118,230	151,653	260,703	134,476	126,227
Other financial assets	210,497	142,365	68,132	207,998	123,285	84,713
Other financial assets total	**640,596**	**386,376**	**254,220**	**625,233**	**374,360**	**250,873**

Change in representation

The other trade receivables include an insignificant level of receivables with a remaining term of more than twelve months but within the normal business cycle. Last year's other trade receivables in the amount of T€ 75,089 were reclassified from non-current to current.

Non-current securities in the amount of T€ 29,100, which last year had been reported as other financial assets, were reclassified as other non-current financial assets.

The income tax receivables are entirely presented as current. The previous year's value was adapted accordingly.

The **receivables from construction contracts** as at the balance sheet date are represented as follows:

T€	31.12.2016	31.12.2015
All contracts in progress at balance sheet date		
Costs incurred to balance sheet date	7,800,418	8,548,269
Profits arising to balance sheet date	440,519	460,508
Accumulated losses	-356,784	-388,629
Less receivables recognised under liabilities	-3,544,735	-3,526,003
Receivables from construction contracts	**4,339,418**	**5,094,145**

Receivables from construction contracts amounting to T€ 3,544,735 (2015: T€ 3,526,003) are recognised in liabilities, as advances received exceed the receivables.

As usual in the industry, the customer has the contractual right to retain part of the total amount of the invoice. As a rule these retentions are, however, redeemed by collateral (bank or group guarantees).

In the reporting period, impairment on other trade receivables developed as follows:

T€	2016	2015
Other trade receivables before impairment as at 31.12.	**1,680,667**	**1,648,280**
Impairment as at 1.1.	**153,671**	**137,365**
Currency translation	-322	735
Changes in scope of consolidation	-102	-4,405
Allocation/utilisation	-1,868	19,976
Impairment as at 31.12.	**151,379**	**153,671**
Carrying amount of other trade receivables as at 31.12.	**1,529,288**	**1,494,609**

(19) CASH AND CASH EQUIVALENTS

T€	31.12.2016	31.12.2015
Securities	3,085	3,231
Cash on hand	1,440	4,360
Bank deposits	1,998,736	2,724,739
Cash and cash equivalents	**2,003,261**	**2,732,330**

(20) ASSETS HELD FOR SALE

There were no assets held for sale as at 31 December 2016.

The assets held for sale as at 31 December 2015 were attributable exclusively to the hydraulic engineering activities. In December 2015, the group reached an agreement with Netherlands-based Royal Boskalis Westminster N.V., a leading service provider in the field of dredging and marine infrastructure, on the most important points of the sale of its hydraulic engineering business. As part of an asset deal for € 70 million, Hamburg-based STRABAG Wasserbau GmbH, the leader in the German dredging sector, transferred its equipment, staff and a series of maintenance contracts to the buyer. The hydraulic engineering activities formed part of the segment North + West. In the 2015 financial year write-offs in the amount of T€ 21,701 were made.

The transaction took place on 1 April 2016.

(21) 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 2016, STRABAG SE had acquired 7,400,000 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.

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016.

The Management Board was further authorised to acquire own shares pursuant to Section 65 Paragraph 1 No. 8 as well as Paragraphs 1a and 1b AktG on the stock market or over-the-counter to the extent of up to 10 % of the share capital, also to the exclusion of proportionate selling rights that may accompany such an acquisition (reverse exclusion of subscription rights). At the same time, the Management Board was authorised to decide, in accordance with Section 65 Paragraph 1b AktG, to sell or assign own shares in a manner other than on the stock market or through a public tender.

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 2016 amounted to 31.5 % (2015: 31.0 %). 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.

(22) PROVISIONS

T€	Balance as at 1.1.2016	Currency translation	Changes in scope of consolidation	Additions	Release	Utilisation	Balance as at 31.12.2016
Provisions for severance payments	96,131	490	2,119	11,277	0	0	110,017
Provisions for pensions	451,500	-1	0	5,983	0	0	457,482
Construction-related provisions	437,326	-2,585	125	47,938	173	45,041	437,590
Personnel-related provisions	57,797	0	20	8,844	0	1,074	65,587
Other provisions	50,625	109	1,369	14,351	0	25,403	41,051
Non-current provisions	**1,093,379**	**-1,987**	**3,633**	**88,393**	**173**	**71,518**	**1,111,727**
Construction-related provisions	335,405	75	-455	370,048	0	329,604	375,469
Personnel-related provisions[1]	150,185	528	1,158	148,927	0	150,473	150,325
Other provisions	288,461	490	619	277,607	37,849	244,760	284,568
Current provisions	**774,051**	**1,093**	**1,322**	**796,582**	**37,849**	**724,837**	**810,362**
Total	**1,867,430**	**-894**	**4,955**	**884,975**	**38,022**	**796,355**	**1,922,089**

1) In the other personnel-related provisions plan assets in the amount of T€ 1,037 (2015: T€ 817) are deducted.

The **actuarial assumptions as at 31 December 2016** (in brackets as at 31 December 2015) 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 2008-P	AVÖ 2008-P	Dr. Klaus Heubeck	BVG 2015G
Discounting rate (%)	1.60	1.60	1.60	0.50
	(2015: 2.30)	(2015: 2.30)	(2015: 2.30)	(2015: 0.80)
Salary increase (%)	2.00	0.00	dependent on contractual adaption	2.00
	(2015: 2.00)	(2015: 0.00)		(2015: 2.00)
Future pension increase (%)	dependent on contractual adaption	dependent on contractual adaption	1.40	0.25
			(2015: 1.70)	(2015: 0.25)
Retirement age for men	62	65	63–67	65
	(2015: 62)	(2015: 65)	(2015: 63–67)	(2015: 65)
Retirement age for women	62	60	63–67	64
	(2015: 62)	(2015: 60)	(2015: 63–67)	(2015: 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 2016:

T€	**Change in discounting rate**		**Change in salary increase**		**Change in future pension increase**	
Change[1)]	**-0.5 %-points**	**+0.5 %-points**	**-0.25 %-points**	**+0.25 %-points**	**-0.25 %-points**	**+0.25 %-points**
Severance payments	-4,524	4,205	2,138	-2,206	n. a.	n. a.
Pension obligations	-41,354	36,966	11,444	-11,916	871	-838

Provisions for severance payments show the following development:

T€	**2016**	**2015**
Present value of the defined benefit obligation as at 1.1.	**96,131**	**97,660**
Changes in scope of consolidation	2,119	0
Current service costs	4,753	1,525
Interest costs	1,841	1,581
Severance payments	-3,439	-3,120
Actuarial gains/losses arising from experience adjustments	2,877	885
Actuarial gains/losses arising from changes in the discount rate	5,735	-2,400
Present value of the defined benefit obligation as at 31.12.	**110,017**	**96,131**

The **development of the provisions for pensions** is shown below:

T€	**2016**	**2015**
Present value of the defined benefit obligation as at 1.1.	**664,981**	**711,800**
Changes in scope of consolidation/currency translation	1,921	21,771
Current service costs	12,164	11,464
Interest costs	11,660	11,929
Pension payments	-50,155	-51,381
Actuarial gains/losses arising from experience adjustments	-5,053	-5,810
Actuarial gains/losses arising from changes in the discount rate	29,270	-34,792
Actuarial gains/losses arising from demographic adjustments	-1,580	0
Present value of the defined benefit obligation as at 31.12.	**663,208**	**664,981**

1) Sign: - increase of obligation, + decrease of obligation

The **plan assets for pension provisions** developed as follows in the year under report:

T€	2016	2015
Fair value of the plan assets as at 1.1.	**213,481**	**205,866**
Changes to the scope of consolidation/currency translation	1,754	20,673
Income from plan assets	1,935	2,343
Contributions	10,580	11,314
Pension payments	-23,672	-26,145
Acturial gains/losses	1,648	-570
Fair value of the plan assets as at 31.12.	**205,726**	**213,481**

The **plan assets** consist of the following risk groups :

T€	31.12.2016	31.12.2015
Shares[1)]	23,119	23,631
Bonds[1)]	79,021	86,227
Cash	25,938	29,146
Investment funds	5,095	5,104
Real estate	10,034	9,192
Liability insurance	55,363	56,376
Other assets	7,156	3,805
Total	**205,726**	**213,481**

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 assets are to be invested to 80 % in nominal investments such as cash and receivables in a fixed monetary amount and to 20 % in real investments such as shares and real estate.

The expected employer contributions to pension foundations in the following year will amount to T€ 5,095 (2015: T€ 5,291).

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€ 3,281 (2015: T€ 1,472) in the financial year.

The following amounts for pension and severance provisions were recognised in the **income statement**:

T€	2016	2015
Current service cost	16,917	12,989
Interest cost	13,501	13,510
Return on plan assets	1,935	2,343

The **development of the net defined benefit obligation** for pension and severance provisions was as follows:

T€	31.12.2016	31.12.2015
Severance provisions obligation	110,017	96,131
Present value of the defined benefit obligation (pension provisions)	663,208	664,981
Fair value of plan assets (pension provisions)	-205,726	-213,481
Pension provisions obligation	457,482	451,500
Obligation total	**567,499**	**547,631**

1) All shares and bonds are traded in an active market.

The **actuarial adjustments** to pension and severance provisions are represented as follows:

T€	31.12.2016	31.12.2015
Experience adjustments of severance provisions	8,612	-1,515
Experience adjustments of pension provisions	20,989	-40,032
Adjustments	**29,601**	**-41,547**

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2016 is as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	7,501	25,844	28,599	38,823	9,016
Provisions for pensions	38,716	163,447	160,593	232,891	215,773

The **maturity profile** of the benefit payments from the net defined benefit liability as at 31 December 2015 is as follows:

T€	< 1 year	1–5 years	6–10 years	11–20 years	> 20 years
Provisions for severance payments	6,756	23,016	25,090	38,025	9,655
Provisions for pensions	41,468	171,717	167,165	249,456	245,641

The **durations** (weighted average term) are shown in the following table:

Years	2016	2015
Severance payments Austria	9.39	9.45
Pension obligations Austria	8.94	8.90
Pension obligations Germany	11.27	10.20
Pension obligations Switzerland	15.10	15.00

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, 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.

(23) LIABILITIES

T€	31.12.2016 Total	31.12.2016 thereof current	31.12.2016 thereof non-current	31.12.2015 Total	31.12.2015 thereof current	31.12.2015 thereof non-current
Bonds	675,000	0	675,000	675,000	0	675,000
Bank borrowings	745,772	202,179	543,593	894,411	285,265	609,146
Liabilities from finance leases	5,304	370	4,934	10,336	729	9,607
Other liabilities	0	0	0	0	0	0
Financial liabilities	**1,426,076**	**202,549**	**1,223,527**	**1,579,747**	**285,994**	**1,293,753**
Receivables from construction contracts	*-3,544,735*	*-3,544,735*	*0*	*-3,526,003*	*-3,526,003*	*0*
Advances received	*4,171,524*	*4,171,524*	*0*	*4,170,088*	*4,170,088*	*0*
Net liabilities from construction contracts[1)]	626,789	626,789	0	644,085	644,085	0
Other trade payables and payables to consortia	2,191,211	2,191,211	0	2,350,224	2,350,224	0
Trade payables	**2,818,000**	**2,818,000**	**0**	**2,994,309**	**2,994,309**	**0**
Non-financial liabilities	**367,977**	**367,977**	**0**	**384,653**	**383,753**	**900**
Income tax liabilities	**103,501**	**103,501**	**0**	**187,611**	**187,611**	**0**
Payables to subsidiaries	111,348	111,348	0	120,912	120,912	0
Payables to participation companies	31,742	31,742	0	18,620	18,620	0
Other financial liabilities	311,694	247,944	63,750	218,887	202,107	16,780
Other financial liabilities total	**454,784**	**391,034**	**63,750**	**358,419**	**341,639**	**16,780**

Change in representation

The other trade payables include an insignificant level of payables with a remaining term of more than twelve months which, however, lie within the normal operating cycle. Last year's other trade payables in the amount of T€ 78,370 were therefore reclassified from non-current to current.

In order to secure liabilities to banks amounting to T€ 116,594 (2015: T€ 127,443) real securities have been booked.

(24) CONTINGENT LIABILITIES

The company has issued the following guarantees:

T€	31.12.2016	31.12.2015
Guarantees without financial guarantees	174	155

1) The prepayment exceeding the receivables from construction contracts shown here is qualified as non-financial.

(25) 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 liability as at 31 December 2016 are performance bonds in the amount of € 2.1 billion (2015: € 2.1 billion) of which an outflow of resources is unlikely.

As is customary in the industry, STRABAG SE shares liability with the other partners of construction consortia in which companies of the STRABAG Group hold a share interest.

Other notes

(26) 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 of changes in consolidation were eliminated and represented in the cash flow from investing activities.

The **cash and cash equivalents** are composed as follows:

T€	31.12.2016	31.12.2015
Securities	3,085	3,231
Cash on hand	1,440	4,360
Bank deposits	1,998,736	2,724,739
Restricted cash abroad	-5,034	-5,559
Pledge of cash and cash equivalents	-653	-124
Cash and cash equivalents	**1,997,574**	**2,726,647**

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€	2016	2015
Interest paid	49,466	67,384
Interest received	37,318	49,086
Taxes paid[1)]	274,567	101,046
Dividends received	85,476	81,428

(27) 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, liabilities arising from financial leases and trade payables. Initial recognition is carried out in principle using settlement date accounting.

The financial assets are derecognised when the claims to payment from the investment extinguish or have been transferred and the group has largely transferred all risks and opportunities which are related with the property.

1) Without the withholding tax refund from the German financial authorities in the amount of T€ 13,984 to the Austrian-based Ilbau Liegenschaftsverwaltung GmbH for dividends of Eberhardt Baugesellschaft mbH.

The **financial instruments** as at the balance sheet date were as follows:

T€	Measurement category according to IAS 39	31.12.2016 Carrying value	31.12.2016 Fair value	31.12.2015 Carrying value	31.12.2015 Fair value
Assets					
Trade receivables	L&R	2,444,400		2,392,971	
Receivables from concession arrangements	L&R	763,639		792,469	
Other financial assets	L&R	613,434		594,930	
Cash and cash equivalents	L&R	2,000,176		2,729,099	
Valuation at historical costs		**5,821,649**		**6,509,469**	
Securities	AfS	26,497	26,497	29,100	29,100
Cash and cash equivalents (securities)	AfS	3,085	3,085	3,231	3,231
Derivatives held for hedging purposes (receivables from concession arrangements)		-48,973	-48,973	-53,391	-53,391
Derivatives held for hedging purposes (other financial assets)		665	665	1,202	1,202
Valuation at fair value		**-18,726**	**-18,726**	**-19,858**	**-19,858**
Liabilities					
Financial liabilities	FLaC	-1,426,076	-1,471,785	-1,579,747	-1,619,725
Trade payables	FLaC	-2,191,211		-2,350,224	
Other financial liabilities	FLaC	-451,738		-355,993	
Valuation at historical costs		**-4,069,025**	**-1,471,785**	**-4,285,964**	**-1,619,725**
Derivatives held for hedging purposes		-3,046	-3,046	-2,426	-2,426
Valuation at fair value		**-3,046**	**-3,046**	**-2,426**	**-2,426**
Total		**1,730,852**	**-1,493,557**	**2,201,221**	**-1,642,009**
Measurement categories					
Loans and receivables (L&R)		5,821,649		6,509,469	
Available for sale (AfS)		29,582	29,582	32,331	32,331
Financial liabilities measured at amortised costs (FLaC)		-4,069,025	-1,471,785	-4,285,964	-1,619,725
Derivatives held for hedging purposes		-51,354	-51,354	-54,615	-54,615
Total		**1,730,852**	**-1,493,557**	**2,201,221**	**-1,642,009**

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 values 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 liabilities arising from financial leases 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€ 719,498 (2015: T€ 712,661) and as a Level 2 measurement at T€ 752,287 (2015: T€ 907,064).

T€ 653 (2015: T€ 124) of cash and cash equivalents, T€ 2,787 (2015: T€ 2,694) of securities and T€ 1,696 (2015: T€ 1,620) of other financial instruments were pledged as collateral for liabilities. The non-recourse liabilities related to receivables from concession arrangements are hedged using the income from receivables 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 inputs 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.

The **fair values** as at 31 December 2016 for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	26,497		26,497
Cash and cash equivalents (securities)	3,085		3,085
Derivatives held for hedging purposes		-48,308	-48,308
Total	**29,582**	**-48,308**	**-18,726**
Liabilities			
Derivatives held for hedging purposes		-3,046	-3,046
Total		**-3,046**	**-3,046**

The **fair values** as at 31 December 2015 for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
Assets			
Securities	29,100		29,100
Cash and cash equivalents (securities)	3,231		3,231
Derivatives held for hedging purposes		-52,189	-52,189
Total	**32,331**	**-52,189**	**-19,858**
Liabilities			
Derivatives held for hedging purposes		-2,426	-2,426
Total	**0**	**-2,426**	**-2,426**

During the financial years 2016 and 2015, 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 2016.

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.

At the end of the reporting period, the STRABAG Group had no financial instruments classified in Level 3.

As at **31 December 2016**, the following derivatives existed which are not offsettable but which can be set off in case of insolvency.

T€	31.12.2016			31.12.2015		
Bank	**Assets**	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Bayerische Landesbank	254	-49	**205**	0	-239	**-239**
Commerzbank AG	0	-1,704	**-1,704**	97	-127	**-30**
Crédit Agricole Corp. & Investment	370	-215	**155**	563	-163	**400**
Erste Group Bank AG	26	0	**26**	0	0	**0**
ING Bank N.V.	0	0	**0**	162	0	**162**
Landesbank Baden-Württemberg	0	0	**0**	381	-49	**332**
Republic of Hungary	-48,973	0	**-48,973**	-53,392	0	**-53,392**
SEB AG	15	-1,078	**-1,063**	0	-1,574	**-1,574**
UniCredit Bank Austria AG	0	0	**0**	0	-274	**-274**
Total	**-48,308**	**-3,046**	**-51,354**	**-52,189**	**-2,426**	**-54,615**

The **net income effects of the financial instruments** according to valuation categories are as follows:

T€	2016				2015			
	L&R	**AfS**	**FLaC**	**Derivatives**	**L&R**	**AfS**	**FLaC**	**Derivatives**
Interest	38,101	0	-46,148	0	47,424	0	-69,702	0
Interest from receivables from concession arrangements	62,218	0	-19,995	-6,815	64,194	0	-21,776	-7,358
Result from securities	0	644	0	0	0	708	0	0
Impairment losses	-26,031	259	0	80	-56,161	-363	0	8,054
Disposal losses/profits	0	648	0	0	0	873	0	0
Gains from derecognition of liabilities and payments of written off receivables	1,305	0	6,722	0	514	0	4,082	0
Net income recognised in profit or loss	**75,593**	**1,551**	**-59,421**	**-6,735**	**55,971**	**1,218**	**-87,396**	**696**
Value changes recognised directly in equity	0	-558	0	9,996	0	-311	0	21,094
Net income	**75,593**	**993**	**-59,421**	**3,261**	**55,971**	**907**	**-87,396**	**21,790**

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, disposal gains and disposal losses of loans & receivables (L&R) and of financial liabilities measured at amortised cost (FLaC) are carried in other income or other expenses.

Impairment losses, reversal of impairment losses, disposal gains and disposal losses of the financial instruments are carried in net income from investments if they are investments in subsidiaries or participation companies, otherwise in net interest income.

Derivative instruments are used exclusively to hedge existing risks resulting from changes in currency and interest rates. The use of derivative financial instruments in the group is subject to the appropriate approval and control procedures. The connection to a mainstay business is a must, trading is not permissible.

Principles of risk management

The STRABAG Group is subject to credit, market and liquidity risks related to its assets, 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.

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€ 675,000.

As at 31 December 2016, following **hedging transactions** existed:

T€	31.12.2016		31.12.2015	
	Nominal value	Market value	Nominal value	Market value
Interest rate swaps	559,987	-51,755	738,252	-55,019

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 value 31.12.2016 T€	Weighted average interest rate 2016 %
EUR	1,378,369	0.07
PLN	201,052	1.23
CZK	160,264	0,20
HUF	23,506	0.45
Others	235,545	0.27
Total	**1,998,736**	**0.23**

Bank borrowings

Currency	Carrying value 31.12.2016 T€	Weighted average interest rate 2016 %
EUR	742,131	1.60
Others	3,641	9.85
Total	**745,772**	**1.64**

Had the interest rate level at 31 December 2016 been higher by 100 basispoints, then the EBT would have been higher by T€ 15,285 (2015: T€ 19,952) and the equity at 31 December 2016 would have been higher by T€ 40,016 (2015: T€ 51,046). Had the interest rate level been lower by 100 basispoints, 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 remaining currency risk mainly results when the currency of the order deviates from the functional currency of the subsidiary affected.

The internal financing of companies within the group using different functional currencies resulted in an earnings-relevant currency risk.

This applies in particular to orders which are concluded in euro. The planned proceeds are received in the currency of the order while a substantial part of the associated costs is made in the local currency.

In order to limit the remaining currency risk and secure the calculation, derivative financial instruments are transacted. As at **31 December 2016**, the following hedging transactions existed for the **underlying transactions**[1)] mentioned below:

T€ Currency	Expected cash flows 2017	Expected cash flows 2018	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	84,025	0	84,025	254	-67
PLN	39,502	0	39,502	351	-148
AED	9,100	0	9,100	26	0
Others	16,678	0	16,678	34	-49
Total	**149,305**	**0**	**149,305**	**665**	**-264**

As at **31 December 2015**, the following hedging transactions existed for the **underlying transactions**[1)] mentioned below:

T€ Currency	Expected cash flows 2016	Expected cash flows 2017	Total	Positive market value of the hedging transaction	Negative market value of the hedging transaction
HUF	107,370	0	107,370	362	-513
PLN	58,110	0	58,110	664	0
CZK	55,666	0	55,666	0	-165
AED	13,780	0	13,780	48	0
Others	12,300	0	12,300	56	-48
Total	**247,226**	**0**	**247,226**	**1,130**	**-726**

Of the derivative financial instruments classified as cash flow hedges as at 31 December 2015, T€ 0 were recycled from equity and recognised in the consolidated income statement in the 2016 financial year (2015: T€ 178). This did not result in any deferred tax effect in the 2016 financial year (2015: tax expense of T€ -34).

Development of the important **currencies in the group**:

Currency	Exchange rate 31.12.2016: € 1 =	Average rate 2016: € 1 =	Exchange rate 31.12.2015: € 1 =	Average rate 2015: € 1 =
HUF	309.8300	311.9092	315.9800	309.5867
CZK	27.0210	27.0423	27.0230	27.2695
PLN	4.4103	4.3744	4.2639	4.1841
CHF	1.0739	1.0909	1.0835	1.0646

Essentially, the Polish zloty, the Czech crown, the Hungarian forint and the Swiss franc are affected by revaluation (devaluation). The following table shows the hypothetical changes in EBT and equity if the euro in the year 2016 had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	Δ in EBT	Δ in equity	Δ in EBT	Δ in equity
PLN	19,604	19,604	-19,604	-19,604
HUF	7,098	7,098	-7,098	-7,098
CHF	-6,409	-6,409	6,409	6,409
CZK	15,560	15,560	-15,560	-15,560
Other	1,726	1,726	-1,726	-1,726

1) Not entirely represented as hedge accounting

The following table shows the hypothetical changes in EBT and equity if the euro in the year 2015 had been revalued or devalued by 10 % in relation to another currency:

T€	Revaluation euro of 10 %		Devaluation euro of 10 %	
Currency	Δ in EBT	Δ in equity	Δ in EBT	Δ in equity
PLN	9,398	9,398	-9,398	-9,398
HUF	-2,234	-2,234	2,234	2,234
CHF	-8,772	-8,772	8,772	8,772
CZK	14,224	14,224	-14,224	-14,224
Other	-1,786	-1,786	1,786	1,786

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.

Credit risk

The maximum risk of default of the financial assets, without cash and cash equivalents, on the balance sheet date is T€ 3,848,185 (2015: T€ 3,982,275) and corresponds to the carrying amounts presented in the balance sheet. Thereof T€ 2,444,400 (2015: T€ 2,392,972) involve trade receivables. Receivables from construction contracts and receivables from consortia involve ongoing construction projects and are therefore not yet payable for the most part. Of the remaining trade receivables only insignificant amounts are overdue and not impaired.

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.

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 54,853 (2015: T€ 34,125).

Financial assets are impaired item by item if the carrying amount of the financial assets 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. The impairment is composed of many individual items of which none, seen alone, is significant. In addition to the estimation of the creditworthiness risk, the relevant country risk is also taken into consideration. Graduated valuation adjustments are formed according to risk groups to take into consideration general credit risks.

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 a syndicated cash and aval credit line in the amount of € 0.4 billion respectively € 2.0 billion. The overall line for cash and aval loan amounts to € 7.5 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 2011, 2012 and 2013, STRABAG issued bonds of € 175 million, € 100 million and € 200 million, respectively, with a term to maturity of seven years each. The most recent was a € 200 million bond floated in 2015. As per 31 December 2016, STRABAG SE had four bonds with a total volume of € 675 million on the market. Depending on the market situation and the appropriate need, further bond issuances are planned.

The following **payment obligations** arise from the financial liabilities (interest payments based on interest rates as at 31 December and redemption) for the subsequent years:

Payment obligations as at 31 December 2016

T€	Carrying value 31.12.2016	Cash flows 2017	Cash flows 2018–2021	Cash flows after 2021
Bonds	675,000	21,813	522,813	203,241
Bank borrowings	745,772	217,718	401,929	190,336
Liabilities from finance leases	5,304	628	2,514	3,614
Financial liabilities	**1,426,076**	**240,159**	**927,256**	**397,191**

Payment obligations as at 31 December 2015

T€	Carrying value 31.12.2015	Cash flows 2016	Cash flows 2017–2020	Cash flows after 2020
Bonds	675,000	21,813	541,375	206,500
Bank borrowings	894,411	304,336	304,571	369,493
Liabilities from finance leases	10,336	1,190	4,760	6,814
Financial liabilities	**1,579,747**	**327,339**	**850,706**	**582,807**

The trade payables and the other liabilities (see item 23) essentially lead to cash outflows in line with the maturity at the amount of the carrying values.

(28) 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 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 Neighbouring Countries and 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 2016

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,174,914**	**4,000,979**	**3,154,887**	**160,252**		**13,491,032**
Revenue	**5,802,444**	**3,888,519**	**2,681,019**	**28,483**	**0**	**12,400,465**
Inter-segment revenue	107,089	24,761	225,704	758,229		
EBIT	**169,893**	**187,998**	**48,865**	**469**	**17,685**	**424,910**
thereof share of profit or loss of equity-accounted investments	61,177	25,279	-8,380	291	27,811	106,178
Interest and similar income	0	0	0	73,899	0	73,899
Interest expense and similar charges	0	0	0	-77,680	0	-77,680
EBT	**169,893**	**187,998**	**48,865**	**-3,312**	**17,685**	**421,129**
Investments in property, plant and equipment, and in intangible assets	0	0	0	412.455	0	412.455
Write-ups, depreciation and amortisation	10,000	0	4,884	415,388	0	430,272
thereof extraordinary write-ups, depreciation and amortisation	10,000	0	4,884	30,622	0	45,506

Segment reporting for the financial year 2015

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output volume	**6,368,404**	**4,535,132**	**3,250,105**	**136,123**		**14,289,764**
Revenue	**5,895,104**	**4,412,355**	**2,790,881**	**25,136**	**0**	**13,123,476**
Inter-segment revenue	94,056	19,826	263,065	764,992		
EBIT	**105,174**	**197,048**	**46,788**	**226**	**-8,193**	**341,043**
thereof share of profit or loss of equity-accounted investments	59,992	28,483	-26,878	292	0	61,889
Interest and similar income	0	0	0	82,071	0	82,071
Interest expense and similar charges	0	0	0	-106,490	0	-106,490
EBT	**105,174**	**197,048**	**46,788**	**-24,193**	**-8,193**	**316,624**
Investments in property, plant and equipment, and in intangible assets	0	0	0	395,751	0	395,751
Write-ups, depreciation and amortisation	21,701	20,280	4,470	428,606	0	475,057
thereof extraordinary write-ups, depreciation and amortisation	21,701	20,280	4,470	35,043	0	81,494

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 in regards to 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€	2016	2015
Net income from investments	-9,720	-15,680
Non-operating profit	27,811	0
Other consolidations	-406	7,487
Total	**17,685**	**-8,193**

Breakdown of revenue by geographic region

T€	2016	2015
Germany	6,167,180	6,146,357
Austria	2,058,263	1,995,565
Rest of Europe	3,716,505	4,487,631
Rest of World	458,517	493,923
Revenue	**12,400,465**	**13,123,476**

Presentation of revenue by region is done according to the company's registered place of business.

(29) 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 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 2016 to Raiffeisen Group relating to financing and current accounts amounted to T€ 53,248 (2015: T€ 30,623). The interest expense in the 2016 financial year amounted to T€ 1,351 (2015: T€ 1,523).

Haselsteiner Group

The Haselsteiner Group holds investments in various areas such as banks, real estate and infrastructure. The portfolio also includes investments in healthcare and the cultural area.

The business relations between STRABAG SE and the companies of the Haselsteiner Group during the financial year are presented below.

T€	2016	2015
Work and services performed	11,527	11,808
Work and services received	13,059	2,363
Receivables as at 31.12.	6,713	13,064
Liabilities as at 31.12.	392	26

The Haselsteiner Group acquired 5.1 % of the shares of Ed. Züblin AG, Stuttgart, in April 2016 and sold these to the STRABAG SE Group in August 2016. The purchase price corresponded to the fixed strike price including interest that was agreed with the minority stakeholders and totalled T€ 25,500.

The Haselsteiner Group also acquired 5.1 % of STRABAG Real Estate GmbH, Cologne, for T€ 9,792, and a 5.1 % share each in five real estate companies of the Züblin subgroup and 5.1 % of Züblin Projektentwicklung GmbH. The purchase prices for these companies totalled T€ 2,480 and were determined on the basis of the market values of the properties of these companies.

All purchase prices were paid in full during the 2016 financial year.

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. A cooperating agreement lays out the principles for joint operating cooperation in Russia and the CIS states between the STRABAG Group and the Basic Element Group.

STRABAG performed construction work connected to the Olympic Games in Sochi for the company Basic Element Group. A part of these receivables is to be paid during the years 2014 to 2018. The open receivables amounted to T€ 11,032 on 31 December 2016 (2015: T 23,084). The receivables carry interest and are secured by collateral under usual market conditions.

To consolidate and expand the business in Russia, STRABAG made in 2010 an advance payment secured by a bank guarantee, of € 70 million for a 26 % stake in the leading Russian road construction company Transstroy, part of the diversified industrial holding Basic Element. STRABAG had the right to refrain from the purchase and to demand reimbursement of the deposit of € 70 million if the parties fail to agree on a final purchase price following a due diligence process. In 2014, STRABAG exercised its right to reversal, whereupon a portion of the advance was paid back. The remainder is to be repaid until 2018. As at 31 December 2016, the open receivables amounted to T€ 32,128 (2015: T€ 38,166). The receivables carry interest and are secured by collateral under usual market conditions.

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 and in part sublet by the STRABAG Group at the usual market conditions. Rental costs arising from both buildings in the 2016 financial year amounted to T€ 8,053 (2015: T€ 7,982). Other services in the amount of T€ 14 (2015: T€ 102) were obtained from the IDAG Group.

Furthermore, revenues of T€ 635 (2015: T€ 13,272) were made with IDAG Immobilienbeteiligung u. -Development GmbH in the 2016 financial year. At the balance sheet date of 31 December 2016, the STRABAG Group had receivables from rental deposits amounting to T€ 25,869 (2015: T€ 24,699) from IDAG Immobilienbeteiligung u. -Development GmbH.

Investments in equity-accounted investments

In September 2003, **Raiffeisen evolution project development GmbH**, a joint project development company, was founded together with R.B.T. Beteiligungsgesellschaft m.b.H, "URUBU" Holding GmbH (both Raiffeisen Group) and UNIQA Beteiligungs-Holding GmbH. With the acquisition of the remaining 80 % interest in December 2016, the company is fully consolidated as of 31 December 2016.

STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) bundles project developments in building construction activities of the shareholders (excluding Germany and Benelux). STRABAG Group is employed in the construction work on the basis of arm's-length contracts. In 2016 revenues of T€ 22,385 (2015: T€ 9,146) were made. In the previous year there were receivables against the STRABAG Real Estate GmbH, Vienna (formerly: Raiffeisen evolution project development GmbH) in the amount of T€ 1,408.

STRABAG holds a 49.9 % investment in **Erste Nordsee-Offshore-Holding GmbH** and in **Zweite Nordsee-Offshore-Holding GmbH**. 1.1 % of these companies is held by RBI PE Handels- und Beteiligungs GmbH (a related company via Raiffeisen Holding NÖ-Wien Group) and 49.9 % are held by third parties.

In 2014, STRABAG sold the 1.1% investment in the holding companies to RBI PE Handels- und Beteiligungs GmbH at the usual market rate.

A loan granted to Zweite Nordsee-Offshore-Holding amounted to T€ 0 (2015: T€ 5,035) on 31 December 2016 with accrued interest of T€ 61 (2015: T€ 218). Additionally, receivables in the amount of T€ 0 (2015: T€ 65) were recognised as at 31 December 2016. Services in the amount of T€ 40 (2015: T€ 31) were performed and no services were received. In the financial year 2016 impairments in the amount of T€ 5,465 were made.

Erste Nordsee-Offshore-Holding, effective 31 December 2016, sold all of the special purpose companies held by it and which had been awarded the permits to build wind turbines in the North Sea. The assignment contracts foresee subsequent purchase price adjustments in the event that certain conditions occur. The adjustments have not been recognised yet.

All projects held by Zweite Nordsee-Offshore-Holding had to be fully impaired in response to a legislative change in Germany.

Lafarge Cement CE Holding GmbH bundles the cement activities of LafargeHolcim, 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 2016, STRABAG procured cement services worth T€ 17,880 (2015: T€ 18,514) from LafargeHolcim. At the balance sheet date, there were liabilities to Lafarge Cement CE Holding GmbH Group in the amount of T€ 427 (2015: T€ 53).

The **business transactions with the other equity-accounted investments** can be presented as follows:

T€	2016	2015
Work and services performed	60,589	62,874
Work and services received	39,623	33,505
Receivables as at 31.12.	12,581	11,800
Liabilities as at 31.12.	10,726	6,784

Moreover, there were financing receivables due from equity-accounted investments in the amount of T€ 133,703 (2015: T€ 0).

For information about construction consortia we refer to item 14 (notes on construction consortia).

The 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 comprised services provided in the amount of T€ 153 (2015: T€ 95) as well as services received in the amount of T€ 38 (2015: T€ 68). At the reporting dates, no receivables or payables existed from these business transactions.

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€ 16,977 (2015: T€ 12,427) in the year under report. Of this amount, T€ 16,852 (2015: T€ 12,146) is attributable to the current remuneration and T€ 125 (2015: T€ 281) to severance and pension payments.

(30) NOTES ON THE MANAGEMENT AND SUPERVISORY BOARDS

Management Board

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

Supervisory Board

Dr. Alfred G u s e n b a u e r (Chairman)
Mag. Erwin H a m e s e d e r (Vice Chairman)
Mag. Hannes B o g n e r
Thomas B u l l (since 6.2.2017)
Mag. Kerstin G e l b m a n n
William R. S p i e g e l b e r g e r
Dr. Gulzhan M o l d a z h a n o v a (since 13.1.2016 until 6.2.2017)
Andrei E l i n s o n (until 13.1.2016)

Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n é (works council)
Georg H i n t e r s c h u s t e r (works council)
Wolfgang K r e i s (works council)

The total salaries of the Management Board members in the financial year amount to T€ 6,761 (2015: T€ 5,829). The severance expenses for Management Board members amount to T€ 88 (2015: T€ 79).

The remunerations for the Supervisory Board members in the amount of T€ 135 (2015: T€ 135) are included in the expenses. Neither the Management Board members nor the Supervisory Board members of STRABAG SE received advances or loans.

(31) EXPENSES FOR THE AUDITOR

The expenses for the auditor, KPMG Austria GmbH, incurred in the financial year amount to T€ 1,235 (2015: T€ 1,254) of which T€ 1,149 (2015: T€ 1,137) were for the audit of the consolidated financial statements (including the audit of separate financial statements of group companies) and T€ 86 (2015: T€ 116) for other services.

(32) EVENTS AFTER THE BALANCE SHEET DATE

The Annual General Meeting of Cologne-based STRABAG AG on 24 March 2017 approved the merger of the company as transferring company into Ilbau Liegenschaftsverwaltung AG, which holds a direct 93.63 % interest, in exchange for a reasonable cash settlement payable to the minority shareholders (so-called upstream merger squeeze-out).

The cash settlement was determined at € 300 per share. 256,760 shares are still held by minority shareholders. The settlement amount can be legally challenged by the minority shareholders in court in a so-called “Spruchverfahren”, which could lead to an increase of the settlement amount.

With registration of the merger in the commercial register, the group will hold 100 % of STRABAG AG, Cologne.

(33) 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 2016 will take place on 24 April 2017.

Villach, 7 April 2017

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)

List of subsidiaries, equity-accounted investments and participation companies as at 31.12.2016

Company	Residence	Direct stake %
Consolidated companies		
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH"	Spittal an der Drau	100.00
"BOYANA VIEW" EOOD	Sofia	100.00
"Crnagoraput" AD, Podgorica	Podgorica	95.32
"DOMIZIL" Bauträger GmbH	Vienna	100.00
"PUTEVI" A.D. CACAK	Cacak	89.89[1)]
"SBS Strabag Bau Holding Service GmbH"	Spittal an der Drau	100.00
"VITOSHA VIEW" EOOD	Sofia	100.00
"Wiener Heim" Wohnbaugesellschaft m.b.H.	Vienna	100.00
ABR Abfall Behandlung und Recycling GmbH	Schwadorf	100.00
AKA Zrt.	Budapest	100.00
Alpines Hartschotterwerk GmbH	Leinfelden-Echterdingen	100.00
AMFI HOLDING Kft.	Budapest	100.00
ANTREPRIZA DE REPARATII SI LUCRARI A R L CLUJ SA	Cluj-Napoca	98.59
Artholdgasse Errichtungs GmbH	Vienna	95.00
ASIA Center Kft.	Budapest	100.00
Asphalt & Beton GmbH	Spittal an der Drau	100.00
Atlas Tower GmbH & Co. KG	Cologne	94.90
AUSTRIA ASPHALT GmbH & Co OG	Spittal an der Drau	100.00
Bau Holding Beteiligungs AG	Spittal an der Drau	100.00
Baumann & Burmeister GmbH	Halle/Saale	100.00
BBS Baustoffbetriebe Sachsen GmbH	Hartmannsdorf	100.00
BHG Bitumenhandelsgesellschaft mbH	Hamburg	100.00
BHG CZ s.r.o.	Budweis	100.00
BHG Sp. z o.o.	Pruszkow	100.00
BHK KRAKÓW JOINT VENTURE Sp. z o.o.	Warsaw	100.00
Bitumen Handelsgesellschaft m.b.H. & Co KG	Loosdorf	100.00
BITUNOVA Baustofftechnik Gesellschaft m.b.H.	Spittal an der Drau	100.00
BITUNOVA GmbH	Dusseldorf	100.00
Bitunova Kft.	Budapest	100.00
BITUNOVA Romania SRL	Bucharest	100.00
BITUNOVA Sp. z o.o.	Warsaw	100.00
BITUNOVA spol. s r.o.	Jihlava	100.00
BITUNOVA spol. s r.o.	Zvolen	100.00
Blees-Kölling-Bau GmbH	Cologne	100.00
BLUMENFELD Liegenschaftsverwaltungs GmbH	Vienna	100.00
Blutenburg Projekt GmbH	Cologne	100.00
BMTI - Baumaschinentechnik International GmbH & Co. KG	Cologne	100.00
BMTI CR s.r.o.	Brno	100.00
BMTI GmbH	Erstfeld	100.00
BMTI Kft.	Budapest	100.00
BMTI Sp. z o.o.	Pruszkow	100.00
BMTI-Baumaschinentechnik International GmbH	Trumau	100.00
BOHEMIA ASFALT, s.r.o.	Sobeslav	100.00
Böhm Stadtbaumeister & Gebäudetechnik GmbH	Vienna	100.00
BONDENO INVESTMENTS LTD	Limassol	100.00
BrennerRast GmbH	Vienna	100.00
BRVZ Bau- Rechen- u. Verwaltungszentrum Gesellschaft m.b.H.	Spittal an der Drau	100.00
BRVZ Bau- Rechen- und Verwaltungszentrum GmbH & Co. KG	Cologne	100.00
BRVZ Bau-, Rechen- und Verwaltungszentrum AG	Erstfeld	100.00
BRVZ center za racunovodstvo in upravljanje d.o.o.	Ljubljana	100.00
BRVZ d.o.o.	Zagreb	100.00
BRVZ Kft.	Budapest	100.00

1) Direct stake as at 31.12.2015 amounted 85.02 %

Company	Residence	Direct stake %
BRVZ s.r.o.	Bratislava	100.00
BRVZ s.r.o.	Prague	100.00
BRVZ SERVICII & ADMINISTRARE SRL	Bucharest	100.00
BRVZ Sp. z o.o.	Pruszkow	100.00
BRVZ Sweden AB	Kumla	100.00
Bug-AluTechnic GmbH	Vienna	100.00
Campus Eggenberg Immobilienprojekt GmbH	Graz	60.00
CESTAR d.o.o.	Slavonski Brod	74.90
Chustskij Karier	Zakarpatska	95.96
CML Construction Services GmbH	Cologne	100.00
CONFINARIO LTD	Limassol	100.00
Dalnicni stavby Praha, a.s.	Prague	100.00
DC1 Immo GmbH	Vienna	100.00
Deutsche Asphalt GmbH	Cologne	100.00
Diabaswerk Saalfelden Gesellschaft m.b.H.	Saalfelden	100.00
DIW Aircraft Services GmbH	Stuttgart	100.00
DIW Instandhaltung GmbH	Stuttgart	100.00
DIW Mechanical Engineering GmbH	Stuttgart	100.00
DIW System Dienstleistungen GmbH	Munich	100.00
DRP, d.o.o.	Ljubljana	100.00
DYWIDAG Bau GmbH	Munich	100.00
DYWIDAG International GmbH	Munich	100.00
Dywidag Saudi Arabia Co. Ltd.	Jubail	100.00
DYWIDAG-Holding GmbH	Cologne	100.00
E S B Kirchhoff GmbH	Leinfelden-Echterdingen	100.00
Eberhard Pöhner Unternehmen für Hoch- und Tiefbau GmbH	Bayreuth	100.00
Eckstein Holding GmbH	Spittal an der Drau	100.00
Ed. Züblin AG	Stuttgart	100.00
EFKON AG	Raaba	100.00[1)]
EFKON INDIA Pvt. Ltd.	Mumbai	100.00
EFKON SOUTH AFRICA (PTY) LTD	Pretoria	100.00
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o.	Bratislava-Ruzinov	100.00
EVOLUTION GAMMA Sp. z o.o.	Warsaw	100.00
EVOLUTION ONE Sp. z o.o.	Warsaw	100.00
EVOLUTION THREE Sp. z o.o.	Warsaw	100.00
EVOLUTION TWO Sp. z o.o.	Warsaw	100.00
EXP HOLDING Kft.	Budapest	100.00[2)]
Expert Kerepesi Kft.	Budapest	100.00
F 101 Projekt GmbH & Co. KG	Cologne	100.00
F. Kirchhoff GmbH	Leinfelden-Echterdingen	100.00
F. Lang u. K. Menhofer Baugesellschaft m.b.H. & Co. KG	Wiener Neustadt	100.00
F.K. SYSTEMBAU GmbH	Münsingen	100.00
Fahrleitungsbau GmbH	Essen	100.00
First-Immo Hungary Kft.	Budapest	100.00
FRISCHBETON s.r.o.	Prague	100.00
Frissbeton Kft.	Budapest	100.00
Gaul GmbH	Sprendlingen	100.00
GBS Gesellschaft für Bau und Sanierung mbH	Leuna	100.00
Generál Mély- és Magasépitö Zrt.	Budapest	100.00
Goldeck Bergbahnen GmbH	Spittal an der Drau	100.00
Griproad Spezialbeläge und Baugesellschaft mbH	Cologne	100.00
Gudrunstraße Errichtungs GmbH	Vienna	95.00
Hexagon Projekt GmbH & Co. KG	Cologne	100.00
Hotel AVION Management s.r.o.	Bratislava	100.00
Hotel AVION s.r.o.	Bratislava	100.00
I.C.S. "STRABAG" S.R.L.	Chisinau	100.00
Ilbau GmbH Deutschland	Berlin	100.00

1) Direct stake as at 31.12.2016 amonted 99.9987 % (31.12.2015 amounted 98.14 %)
2) The presentation of interests is done using the economic approach; the interests as definded by civil law may deviate from this presentation.

Company	**Residence**	**Direct stake %**
Ilbau Liegenschaftsverwaltung AG	Hoppegarten	100.00
Ilbau Liegenschaftsverwaltung GmbH	Spittal an der Drau	100.00
InfoSys Informationssysteme GmbH	Spittal an der Drau	94.90
Innsbrucker Nordkettenbahnen Betriebs GmbH	Innsbruck	51.00
IQ Generalübernehmer GmbH & Co. KG	Oststeinbek	75.00
IVERUS ENTERPRISES LTD	Limassol	100.00
Josef Riepl Unternehmen für Ingenieur- und Hochbau GmbH	Regensburg	100.00
JUKA Justizzentrum Kurfürstenanlage GmbH	Cologne	100.00
KAB Straßensanierung GmbH & Co KG	Spittal an der Drau	50.60
KAFEX Kft.	Budapest	100.00
KAMENOLOMY CR s.r.o.	Ostrava	100.00
Kanzel Steinbruch Dennig Gesellschaft mit beschränkter Haftung	Gratkorn	75.00
KFX Holding Kft.	Budapest	100.00[1)]
KMG - KLIPLEV MOTORWAY GROUP A/S	Copenhagen	100.00
KÖKA Kft.	Budapest	100.00
KSR - Kamenolomy SR, s.r.o.	Zvolen	100.00
LaVie Projektgesellschaft mbH & Co. KG	Dusseldorf	99.90
Leopold Ungar Platz 3 GmbH	Vienna	100.00
Lift-Off GmbH & Co. KG	Cologne	100.00
LIMET Beteiligungs GmbH & Co. Objekt Cologne KG	Cologne	94.00
LIMET Beteiligungs GmbH	Cologne	100.00
M5 Beteiligungs GmbH	Vienna	100.00
M5 Holding GmbH	Vienna	100.00
Magyar Bau Holding Zrt.	Budapest	100.00
MAV Mineralstoff - Aufbereitung und - Verwertung GmbH	Krefeld	50.00[2)]
MAV Mineralstoff - Aufbereitung und Verwertung Lünen GmbH	Lünen	100.00
MERK Timber GmbH	Aichach	100.00
Mineral Abbau GmbH	Spittal an der Drau	100.00
Mineral Baustoff GmbH	Cologne	100.00
MINERAL IGM d.o.o.	Zapuzane	100.00
Mineral Polska Sp. z o.o.	Czarny Bor	100.00
MINERAL ROM SRL	Brasov	100.00
Mischek Bauträger Service GmbH	Vienna	100.00
Mischek Systembau GmbH	Vienna	100.00
Mitterhofer Projekt GmbH & Co. KG	Cologne	100.00
MOBIL Baustoffe GmbH	Munich	100.00
Mobil Baustoffe GmbH	Spittal an der Drau	100.00
N.V. STRABAG Belgium S.A.	Antwerp	100.00
N.V. STRABAG Benelux S.A.	Antwerp	100.00
Na Belidle s.r.o.	Prague	100.00
NE Sander Immobilien GmbH	Sande	100.00
Nimab Entreprenad AB	Sjöbo	100.00
OAT - Bohr- und Fugentechnik Gesellschaft m.b.H.	Spittal an der Drau	51.00
OAT Kft.	Budapest	100.00
ÓBUDA-APARTMAN Kft.	Budapest	100.00
OOO "RANITA"	Moscow	100.00
Osttiroler Asphalt Hoch- und Tiefbauunternehmung GmbH	Lavant i. Osttirol	80.00
Pomgrad Inzenjering d.o.o.	Split	100.00
Pyhrn Concession Holding GmbH	Cologne	100.00
PZC SPLIT d.d.	Split	97.20[3)]
Raststation A 3 GmbH	Vienna	100.00
RBS Rohrbau-Schweißtechnik Gesellschaft m.b.H.	Linz	100.00
RE Beteiligungsholding GmbH	Vienna	100.00
RE Klitschgasse Errichtungs GmbH	Vienna	67.00
RE project development Kft.	Budapest	100.00
RE Projekt Errichtungs GmbH	Vienna	100.00

Consolidated companies

1) The presentation of interests is done using the economic approach; the interests as defended by civil law may deviate from this presentation.
2) The voting rights according to the contract of association amount to 50 % plus 1 vote.
3) Direct stake as at 31.12.2015 amounted 96.94 %

Company	Residence	Direct stake %
RE Wohnraum GmbH	Vienna	100.00
RE Wohnungseigentumserrichtungs GmbH	Vienna	100.00
REPASS-SANIERUNGSTECHNIK GMBH Korrosionsschutz und Betoninstandsetzung	Munderkingen	100.00
ROBA Transportbeton GmbH	Berlin	100.00
RVB Gesellschaft für Recycling, Verwertung und Beseitigung von Abfällen mbH	Kelheim	100.00
Sakela Beteiligungsverwaltungs GmbH	Vienna	100.00
SAO BRVZ Ltd	Moscow	100.00
SAT s.r.o.	Prague	100.00
SAT Sp. z o.o.	Olawa	100.00
SAT Straßensanierung GmbH	Cologne	100.00
SF Bau vier GmbH	Vienna	100.00
SF-Ausbau GmbH	Freiberg	100.00
Shanghai Changjiang-Züblin Construction&Engineering Co.Ltd.	Shanghai	75.00
SQUARE One GmbH & Co KG	Vienna	100.00
SQUARE Two GmbH & Co KG	Vienna	100.00
SRE Projekt 1 GmbH & Co. KG	Cologne	100.00
Stephan Holzbau GmbH	Gaildorf	100.00
STRABAG (B) Sdn Bhd	Bandar Seri Begawan	100.00
STRABAG a.s.	Prague	100.00
STRABAG AB	Stockholm	100.00
STRABAG ABU DHABI LLC	Abu Dhabi	100.00
STRABAG AG	Cologne	93.63
STRABAG AG	Schlieren	100.00
STRABAG AG	Spittal an der Drau	100.00
STRABAG Általános Építö Kft.	Budapest	100.00
STRABAG Anlagentechnik GmbH	Thalgau	100.00
STRABAG B.V.	Vlaardingen	100.00
STRABAG Bau GmbH	Vienna	100.00
STRABAG d.o.o. Sarajevo	Sarajevo	100.00
STRABAG d.o.o.	Novi Beograd	100.00
STRABAG d.o.o.	Zagreb	100.00
STRABAG EAD	Sofia	100.00
STRABAG Építö Kft.	Budapest	100.00
STRABAG Facility Management GmbH	Berlin	100.00
STRABAG Facility Services GmbH	Nuremberg	100.00
STRABAG GmbH	Bad Hersfeld	100.00
STRABAG gradbene storitve d.o.o.	Ljubljana	100.00
STRABAG Großprojekte GmbH	Munich	100.00
STRABAG Holding GmbH	Vienna	100.00
Strabag Inc.	Toronto	100.00
STRABAG Industries (Thailand) Co.,Ltd.	Bangkok	100.00
STRABAG Infrastructure & Safety Solutions GmbH	Cologne	100.00
STRABAG Infrastructure & Safety Solutions GmbH	Vienna	100.00
STRABAG INFRASTRUKTURA POLUDNIE Sp. z o.o.	Wroclaw	100.00
STRABAG Infrastrukturprojekt GmbH	Bad Hersfeld	100.00
STRABAG International GmbH	Cologne	100.00
STRABAG Kieserling Flooring Systems GmbH	Hamburg	100.00
Strabag Liegenschaftsverwaltung GmbH	Linz	100.00
STRABAG OMAN L.L.C.	Maskat	100.00
STRABAG Pozemne a inzinierske stavitel'stvo s. r. o.	Bratislava	100.00
STRABAG Projektentwicklung GmbH	Cologne	100.00
STRABAG Projektutveckling AB	Stockholm	100.00
STRABAG Property and Facility Services a.s.	Prague	100.00
STRABAG Property and Facility Services GmbH	Münster	100.00
STRABAG Property and Facility Services GmbH	Vienna	100.00
STRABAG Property and Facility Services Zrt.	Budapest	51.00
STRABAG Rail a.s.	Usti nad Labem	100.00

Company	Residence	Direct stake %
STRABAG Rail AB	Kumla	100.00
STRABAG Rail Fahrleitungen GmbH	Berlin	100.00
STRABAG Rail GmbH	Lauda-Königshofen	100.00
STRABAG Real Estate GmbH (formerly: Raiffeisen evolution project development GmbH)	Vienna	100.00
STRABAG Real Estate GmbH	Cologne	94.90 1)
STRABAG S.p.A.	Bologna	100.00
STRABAG s.r.o.	Bratislava	100.00
STRABAG SIA	Milzkalne	100.00 2)
STRABAG Sp. z o.o.	Pruszkow	100.00
Strabag SpA	Santiago de Chile	100.00
STRABAG Sportstättenbau GmbH	Dortmund	100.00
STRABAG SRL	Bucharest	100.00
STRABAG Sverige AB	Stockholm	100.00
STRABAG Umwelttechnik GmbH	Dusseldorf	100.00
STRABAG Unterstützungskasse GmbH	Cologne	100.00
STRABAG Vasútépítö Kft.	Budapest	100.00
STRABAG Wasserbau GmbH	Hamburg	100.00
STRABAG-MML Kft.	Budapest	100.00
Szentesi Vasútépítö Kft	Budapest	100.00
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH	Vienna	100.00
Torkret GmbH	Stuttgart	100.00
TOV "RESURS PROEKTBUD"	Kiev	100.00
TPA CR, s.r.o.	Ceske Budejovice	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH	Vienna	100.00
TPA GmbH	Cologne	100.00
TPA HU Kft.	Budapest	100.00
TPA odrzavanje kvaliteta i inovacija d.o.o.	Zagreb	100.00
TPA SOCIETATE PENTRU ASIGURAREA CALITATII SI INOVATII SRL	Bucharest	100.00
TPA Sp. z o.o.	Pruszkow	100.00
TPA Spolocnost pre zabezpecenie kvality a inovacie s.r.o.	Bratislava	100.00
TPA za obezbedenje kvaliteta i inovacije d.o.o. Beograd	Novi Beograd	100.00
Trema Engineering 2 sh p.k.	Tirana	51.00
Treuhandbeteiligung H		100.00 3)
Turm am Mailänder Platz GmbH & Co. KG	Stuttgart	100.00
Viedenska brana s.r.o.	Bratislava	100.00
VIOLA PARK Immobilienprojekt GmbH	Vienna	75.00
Vojvodinaput-Pancevo a.d. Pancevo	Pancevo	100.00 4)
Wolfer & Goebel Bau GmbH	Stuttgart	100.00
Xaver Bachner GmbH	Straubing	100.00
Z. Brückenbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90
Z. Holzbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90
Z. Immobiliengesellschaft mbH & Co. KG	Cologne	94.90
Z. Sander Immobiliengesellschaft mbH & Co. KG	Cologne	94.90
Z. Stahlbau Immobiliengesellschaft mbH & Co. KG	Cologne	94.90
ZAO "PARK CENTER"	St. Petersburg	100.00
ZAO "Strabag"	Moscow	100.00
Z-Bau GmbH	Magdeburg	100.00
ZDE Sechste Vermögensverwaltung GmbH	Cologne	100.00
Zezelivskij karier TOW	Zezelev	99.36
Züblin A/S	Trige	100.00
Züblin Chimney and Refractory GmbH	Cologne	100.00
Züblin Chuquicamata SpA	Santiago de Chile	100.00
Züblin Construction L.L.C.	Abu Dhabi	100.00
Züblin Egypt LLC	Cairo	100.00
Züblin Gebäudetechnik GmbH	Erlangen	100.00
Züblin Ground and Civil Engineering LLC	Dubai	100.00
Züblin Hoch- und Brückenbau GmbH	Bad Hersfeld	100.00

1) Direct stake as at 31.12.2015 amounted 100.00 %
2) Direct stake as at 31.12.2015 amounted 82.10 %
3) The presentation of interests is done using the economic approach; the interests as definded by civil law may deviate from this presentation.
4) Direct stake as at 31.12.2015 amounted 81.51 %

Company	Residence	Direct stake %
Züblin Holding GesmbH	Vienna	100.00
Züblin Inc.	Saint John/NewBrunswick	100.00
Züblin International GmbH Chile SpA	Santiago de Chile	100.00
Züblin International GmbH	Stuttgart	100.00
Züblin Kft.	Budapest	100.00
Züblin Nederland B.V.	Vlaardingen	100.00
ZUBLIN PRECAST INDUSTRIES SDN. BHD.	Johor	100.00
Züblin Projektentwicklung GmbH	Stuttgart	94.88[1]
ZUBLIN ROMANIA SRL	Bucharest	100.00
Züblin Scandinavia AB	Stockholm	100.00
Züblin Sp. z o.o.	Pruszków	100.00
Züblin Spezialtiefbau Ges.m.b.H.	Vienna	100.00
Züblin Spezialtiefbau GmbH	Stuttgart	100.00
Züblin Stahlbau GmbH	Hosena	100.00
ZÜBLIN stavebni spol. s r.o.	Prague	100.00
Züblin Umwelttechnik GmbH	Stuttgart	100.00
Züblin Wasserbau GmbH	Berlin	100.00

Associates

A-Lanes A15 Holding B.V.	Nieuwegein	24.00
AMB Asphaltmischwerke Bodensee GmbH & Co KG	Singen (Hohentwiel)	50.00
Bayerische Asphaltmischwerke GmbH & Co.KG für Straßenbaustoffe	Hofolding	48.33
Bodensee - Moränekies Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft Tettnang	Tettnang	33.33
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED	Fermoy	20.00
Erste Nordsee-Offshore-Holding GmbH	Vienna	49.90
Lafarge Cement CE Holding GmbH	Vienna	30.00
MAK Mecsek Autopalya Koncesszios Zrt.	Budapest	30.00
Natursteinwerke im Nordschwarzwald NSN GmbH & Co. KG	Mühlacker	25.00
SeniVita Social Estate AG	Bayreuth	46.00
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL	Bucharest	35.32
Strabag Qatar W.L.L.	Doha	49.00
Züblin International Qatar LLC	Doha	49.00
Zweite Nordsee-Offshore-Holding GmbH	Vienna	49.90

Joint ventures

AMH Asphaltmischwerk Hauneck GmbH & Co. KG	Hauneck	50.00
Autocesta Zagreb-Macelj d.o.o.	Zagreb	51.00[2]
Kieswerk Rheinbach GmbH & Co Kommanditgesellschaft	Rheinbach	50.00
Kieswerke Schray GmbH & Co. KG	Steißlingen	50.00
Messe City Cologne GmbH & Co. KG	Hamburg	50.00
MesseCity Cologne Generalübernehmer GmbH & Co. KG	Oststeinbek	50.00
PANSUEVIA GmbH & Co. KG	Jettingen-Scheppach	50.00
PANSUEVIA Service GmbH & Co. KG	Jettingen-Scheppach	50.00
Schiffmühlenstraße 120 GmbH	Vienna	75.00[2]
Steinbruch Spittergrund GmbH	Erfurt	50.00
Thüringer Straßenwartungs- und Instandhaltungsgesellschaft mbH & Co. KG	Apfelstädt	50.00

Subsidiaries not consolidated

"Mineral 2000" EOOD	Sofia	100.00
"RE PROJECT DEVELOPMENT" EOOD	Sofia	100.00
"RE PROJECT DEVELOPMENT" Sp. z o.o.	Warsaw	100.00

1) Direct stake as at 31.12.2015 amounted 100.00 %
2) There are deviating contractual provisions about the joint venture.

Company	Residence	Direct stake %
"Strabag Azerbaijan" L.L.C.	Baku	100.00
"Strabag" d.o.o. Podgorica	Podgorica	100.00
A 94 Autobahn Verwaltungs GmbH	Cologne	100.00
A.S.T. Bauschuttverwertung GmbH & Co KG	Klagenfurt	66.67
A.S.T. Bauschuttverwertung GmbH	Klagenfurt	66.67
AB Frischbeton Gesellschaft m.b.H.	Vienna	100.00
ADI Asphaltmischwerke Donau-Iller GmbH & Co. KG i.L.	Inzigkofen	63.21
ADI Asphaltmischwerke Donau-Iller Verwaltungsgesellschaft mit beschränkter Haftung i.L.	Inzigkofen	63.20
Al-Hani General Construction Co.	Tripolis	60.00
AMH Asphaltmischwerk Hellweg GmbH i.L.	Erwitte	50.50
Arriba GmbH	Stuttgart	100.00
Asesorías de Ingenería y Construcciones Ltda.	Santiago de Chile	100.00
Asfalt Slaski Wprinz Sp.z o.o.	Warsaw	100.00
Asphaltmischwerk Rieder Vomperbach GmbH & Co KG	Innsbruck	60.00
Asphaltmischwerk Rieder Vomperbach GmbH	Innsbruck	60.00
Asphaltmischwerk Roppen GmbH & Co KG	Roppen	70.00
Asphaltmischwerk Roppen GmbH	Roppen	70.00
Asphaltmischwerk Zeltweg Gesellschaft m.b.H.	Steyr	100.00
ASTRADA DEVELOPMENT SRL	Bucharest	70.00
AUSTRIA ASPHALT GmbH	Spittal an der Drau	100.00
AWB Asphaltmischwerk Büttelborn GmbH & Co. KG	Büttelborn	100.00
AWB Asphaltmischwerk Büttelborn Verwaltungs-Gesellschaft mit beschränkter Haftung	Büttelborn	100.00
B + R Baustoff-Handel und -Recycling Cologne GmbH	Cologne	100.00
Baugesellschaft "Negrelli" Ges.m.b.H.	Vienna	100.00
Bauträgergesellschaft Olande mbH	Hamburg	51.00
BAYSTAG GmbH	Wildpoldsried	100.00
Baytürk Grup Insaat Ithalat, Ihracat ve Ticaret Limited Sirketi	Istanbul	100.00
Beijing Züblin Equipment Production Co., Ltd.	Beijing	100.00
Betobeja Empreendimentos Imobiliarios, Lda	Beja	100.00
Beton AG Bürglen	Bürglen TG	65.60
BHG Bitumen Adria d.o.o.	Zagreb	100.00
BHG Bitumen d.o.o. Beograd	Belgrad	100.00
BHG Bitumen Kft.	Budapest	100.00
BHG COMERCIALIZARE BITUM SRL	Bucharest	100.00
BHG SK s.r.o.	Bratislava	100.00
BHV GmbH Brennstoffe - Handel - Veredelung	Lünen	100.00
Bitumen Handelsgesellschaft m.b.H.	Vienna	100.00
Bitumenka-Asfalt d.o.o. i.L.	Sarajevo	51.00
BITUNOVA UKRAINA TOW	Brovary	60.00
BMTI - TEHNICA UTILAJELOR PENTRU CONSTRUCTII SRL	Bucharest	100.00
BMTI Benelux bvba	Antwerp	100.00
BMTI d.o.o. Beograd	Novi Beograd	100.00
BMTI d.o.o.	Zagreb	100.00
BMTI Rail Service GmbH	Berlin	100.00
BMTI SK, s.r.o.	Bratislava	100.00
BMTI Verwaltung GmbH	Cologne	100.00
BPM Bau Prozess Management GmbH	Vienna	100.00
BrennerWasser GmbH	Vienna	100.00
BRVZ Benelux bvba	Antwerp	100.00
BRVZ d.o.o. Beograd	Novi Beograd	100.00
BRVZ EOOD	Sofia	100.00
BRVZ SRL	Bologna	100.00
BRVZ Verwaltung GmbH	Cologne	100.00
BRVZ-Contabilidade, Organizacao,Representacao e Administracao de Empresas,S.U.,Lda	Lisbon	100.00
BSB Betonexpress Verwaltungsges.mbH	Berlin	100.00
BSS Tunnel- & Montanbau GmbH i.L.	Bern	100.00
Büro Campus Deutz Torhaus GmbH	Cologne	100.00

Company	Residence	Direct stake %
BVHS Betrieb und Verwaltung von Hotel- und Sportanlagen GmbH	Berlin	100.00
Center Communication Systems SPRL	Diegem	100.00
Center Systems Deutschland GmbH	Berlin	100.00
CENTRUM BUCHAREST DEVELOPMENT SRL	Bucharest	100.00
CLS Construction Legal Services AB	Stockholm	100.00
CLS CONSTRUCTION LEGAL SERVICES Sp. z o.o.	Pruszkow	100.00
CLS CONSTRUCTION SERVICES s.r.o.	Prague	100.00
CLS Kft.	Budapest	100.00
CML CONSTRUCTION SERVICES d.o.o.	Zagreb	100.00
CML Construction Services GmbH	Schlieren	100.00
CML Construction Services GmbH	Vienna	100.00
CML CONSTRUCTION SERVICES s. r. o.	Bratislava	100.00
CML CONSTRUCTION SERVICES SRL	Bucharest	100.00
Coldmix B.V.	Roermond	100.00
Constrovia Construcao Civil e Obras Publicas Lda.	Lisbon	95.00
Cottbuser Frischbeton GmbH	Cottbus	100.00
Demirtürk Uluslararasi Insaat, Ithalat, Ihracat ve Ticaret Sirketi	Istanbul	100.00
DIMMOPLAN Verwaltungs GmbH	Stuttgart	100.00
DIW Instandhaltung Verwaltungs Limited	Warwick	100.00
DRUMCO SA	Timisoara	70.00
DYWIDAG ROMANIA SRL	Bucharest	100.00
DYWIDAG Schlüsselfertig und Ingenieurbau GmbH	Munich	100.00
DYWIDAG-Service-GmbH Gebäude- und Anlagenmanagement	Bad Hersfeld	100.00
E.S.T.M. KFT	Budapest	100.00
EBERHARDT Baugesellschaft mbH Deutschland	Berlin	100.00
ECS European Construction Services GmbH	Mörfelden-Walldorf	100.00
EDEN Jizni roh s.r.o.	Prague	100.00
Edificio Bauvorbereitungs- und Bauträgergesellschaft mb.H.	Vienna	100.00
EFKON ASIA SDN. BHD.	Kuala Lumpur	100.00
EFKON COLOMBIA LTDA	Bogota	100.00
EFKON USA, INC.	Dallas	100.00
Eichholz Eivel GmbH	Berlin	100.00
Eraproject Immobilien-, Projektentwicklung und Beteiligungsverwaltung GmbH	Berlin	100.00
Erlaaer Straße Liegenschaftsverwertungs-GmbH	Vienna	100.00
ERMATEC Maschinen Technische Anlagen Gesellschaft m.b.H.	Vienna	100.00
ETG Erzgebirge Transportbeton GmbH	Freiberg	100.00
EURO SERVICES Catering & Cleaning GmbH	Mörfelden-Walldorf	100.00
EUROTEC ANGOLA, LDA	Luanda	100.00
F 101 Verwaltungs GmbH	Cologne	100.00
Fachmarktzentrum Kielce Projekt GmbH	Berlin	100.00
Facility Management Holding RF GmbH	Vienna	100.00
FLOGOPIT d.o.o. Beograd	Novi Beograd	100.00
FLOWER CITY SRL	Bucharest	100.00
Forum Mittelrhein Beteiligungsgesellschaft mbH	Hamburg	51.00
Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH & Co.KG	Oststeinbek	51.00
Forum Mittelrhein Koblenz Kultur GmbH & Co. KG	Hamburg	51.00
Freo Projektentwicklung Berlin GmbH	Berlin	50.10
FUSSENEGGER Hochbau und Holzindustrie GmbH	Dornbirn	100.00
Gartensiedlung Lackenjöchel Liegenschaftsverwertungs GmbH	Vienna	100.00
GTE-Gebäude-Technik-Energie-Betriebs- und Verwaltungsgesellschaft m.b.H. & Co. KG	Vienna	62.00
GTE-Gebäude-Technik-Energie-Betriebs- und Verwaltungsgesellschaft m.b.H.	Vienna	61.00
GVD Versicherungsvermittlungen - Dienstleistungen GmbH	Cologne	100.00
HEILIT Umwelttechnik S.R.L.	Orhei	100.00
Heimfeld Terrassen GmbH	Cologne	100.00
Hrusecka obalovna, s.r.o.	Hrusky	80.00
IBV - Immobilien Besitz- und Verwaltungsgesellschaft mbH Werder	Cologne	99.00
Industrielles Bauen Betreuungsgesellschaft mbH	Stuttgart	100.00
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o.	Zagreb	100.00

Company	Residence	Direct stake %
Intolligent Toll Road Management Pvt. Ltd.	Mumbai	100.00
I-PAY CLEARING SERVICES Pvt. Ltd.	Mumbai	74.00
IQ Plan Beteiligung GmbH	Oststeinbek	75.00
IQ Plan GmbH & Co. KG	Hamburg	75.00
JBA GmbH	Cologne	50.10
JV HEILIT Umwelttechnik-BioPlanta S.R.L.	Orhei	100.00
KAB Straßensanierung GmbH	Spittal an der Drau	50.60
KAMENOLOM MALI CARDAK d.o.o.	Zagreb	100.00
Karlovarske silnice, a.s.	Ceske Budejovice	100.00
KE s.r.o.	Bratislava	100.00
KIAG AG	Kreuzlingen	100.00
Kieswerk Diersheim GmbH	Rheinau/Baden	60.00
Kieswerk Ohr GmbH	Cologne	100.00
Kirchner Baugesellschaft m.b.H.	Spittal an der Drau	100.00
Kirchner PPP Service GmbH	Bad Hersfeld	100.00
KIRCHNER ROMANIA SRL	Bucharest	100.00
KRAMARE s.r.o.	Bratislava	100.00
Latasfalts SIA	Milzkalne	100.00
Leonhard Moll Tiefbau GmbH	Munich	100.00
Lieferasphalt Gesellschaft m.b.H. & Co OG, Viecht	Viecht	66.50
Lieferasphalt Gesellschaft m.b.H. & Co. OG	Maria Gail	60.00
'LSH'-Fischer Baugesellschaft m.b.H.	Linz	100.00
Ludwig Voss GmbH	Cuxhaven	100.00
LW 278 Bauträger GmbH	Vienna	100.00
MANIERITA LTD	Limassol	100.00
MAYREN ENTERPRISES LTD	Limassol	100.00
MAYVILLE INVESTMENTS Sp. z o.o.	Warsaw	100.00
Mazowieckie Asfalty Sp.z o.o.	Pruszkow	100.00
MBO UK d.o.o.	Ljubljana	100.00
Mikrobiologische Abfallbehandlungs GmbH	Schwadorf	51.00
Mineral Kop doo Beograd	Belgrad	100.00
Mischek Leasing eins Gesellschaft m.b.H.	Vienna	100.00
Mister Recrutamento Lda.	Lisbon	100.00
Mobil Baustoffe AG	Erstfeld	100.00
Möbius Construction Ukraine Ltd	Odessa	100.00
Möbius Wasserbau GmbH	Hamburg	100.00
MSO Mischanlagen GmbH Ilz & Co KG	Ilz	52.81
MSO Mischanlagen GmbH Pinkafeld & Co KG	Pinkafeld	52.67
MUST Razvoj projekata d.o.o.	Zagreb	100.00
NEUE REFORMBAU Gesellschaft m.b.H.	Vienna	100.00
Nimab Anläggning AB	Sjöbo	100.00
Nimab Support AB	Sjöbo	100.00
NIVA HOLDING 1 LTD	Limassol	100.00
NIVA HOLDING 2 LTD	Limassol	100.00
NIVA HOLDING 3 LTD	Limassol	100.00
NIVA HOLDING 4 LTD	Limassol	100.00
Northern Energy SeaWind I. GmbH	Aurich	100.00
Northern Energy SeaWind II. GmbH	Aurich	100.00
NR Bau- u. Immobilienverwertung GmbH	Berlin	100.00
OAT spol. s r.o.	Bratislava	100.00
OAT,s.r.o.	Prague	100.00
OBIT GmbH	Berlin	100.00
OBZ Oberkärntner Baurestmassenzentrum GmbH	Spittal an der Drau	100.00
ODEN Anläggning Fastighets AB	Stockholm	100.00
ODEN Entreprenad Fastighets AB	Stockholm	100.00
ODEN Maskin Fastighets AB	Stockholm	100.00
Offshore Services Cuxhaven GmbH	Cologne	100.00

Company	Residence	Direct stake %
Offshore Wind Logistik GmbH	Stuttgart	100.00
OOO "Dywidag International"	Moscow	100.00
OOO "Möbius"	St. Petersburg	75.00
OOO "RE"	Moscow	100.00
OOO "Strabag Sued"	Moscow	100.00
OOO "STROJMONTAZHGRUPP"	Moscow	100.00
OOO "TPA"	Moscow	100.00
OOO CLS Construction Legal Services	Moscow	100.00
OOO STRABAG PFS	Moscow	100.00
P CITY HOLDING 1 LTD	Limassol	100.00
P CITY HOLDING 2 LTD	Limassol	100.00
Panadria mreza autocesta d.o.o. u likvidaciji	Zagreb	100.00
Passivhaus Kammelweg Bauträger GmbH	Vienna	100.00
PGA Projekt GmbH	Cologne	100.00
PH Bau Erfurt GmbH	Erfurt	100.00
POLSKI ASFALT Sp. z o.o.	Krakow	100.00
Poltec Sp. z o.o.	Breslau	100.00
PPP Conrad-von-Ense-Schule GmbH	Bad Hersfeld	100.00
PPP Management GmbH	Cologne	100.00
PPP Schulen Kreis Düren GmbH	Bad Hersfeld	100.00
PPP Schulen Monheim am Rhein GmbH	Bad Hersfeld	100.00
PPP SchulManagement Witten GmbH & Co. KG	Cologne	100.00
PPP SeeCampus Niederlausitz GmbH	Bad Hersfeld	100.00
PRID-CIECHANOW Sp.z o.o.	Ciechanow	100.00
PRO Liegenschaftsverwaltungs- und Verwertungsgesellschaft m.b.H.	Vienna	100.00
Projektgesellschaft Willinkspark GmbH	Cologne	100.00
Prottelith Produktionsgesellschaft mbH	Liebenfels	52.00
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp.z o.o. W LIKWIDACJI	Choszczno	100.00
Raiffeisen Evolution OZ (RE OZ) B.V.	Amsterdam	100.00
RBZ Holding Kft.	Budapest	100.00
RBZ Kft.	Budapest	100.00
RE project development d.o.o.	Zagreb	100.00
RE PROJECT DEVELOPMENT DOO BEOGRAD - U LIKVIDACIJI	Belgrad	100.00
RE project development s.r.o.	Bratislava	100.00
RE project development spol. s r.o. v likvidaci	Prague	100.00
RE PROJECT DEVELOPMENT SRL	Bucharest	100.00
Reutlinger Asphaltmischwerk Verwaltungs GmbH	Reutlingen	100.00
RGL Rekultivierungsgesellschaft Langentrog mbH	Langenargen	80.00
Rhein-Regio Neuenburg Projektentwicklung GmbH	Neuenburg am Rhein	90.00
ROBA Kieswerk Merseburg GmbH i.L.	Merseburg	100.00
Rößlergasse Bauteil Fünf GmbH	Vienna	100.00
Rößlergasse Bauteil Sechs GmbH	Vienna	100.00
Rößlergasse Bauteil Vier GmbH	Vienna	100.00
RST Rail Systems and Technologies GmbH	Barleben	82.00
RTC Myslowice Sp. z o.o.	Warsaw	99.00
RTC Zamosc Spolka z o.o.	Warsaw	99.00
S.U.S. Abflussdienst Gesellschaft m.b.H.	Vienna	100.00
SAN GALLY HOME LTD	Limassol	100.00
SAT REABILITARE RECICLARE SRL	Cluj-Napoca	100.00
SAT SANIRANJE cesta d.o.o.	Zagreb	100.00
SAT SLOVENSKO s.r.o.	Bratislava	100.00
SAT Ukraine	Brovary	100.00
SAT Útjavító Kft.	Budapest	100.00
Schotter- und Kies-Union GmbH & Co. KG	Leipzig	57.90
Schotter- und Kies-Union Verwaltungsgesellschaft mbH	Leipzig	100.00
SCHOTTERWERK EDLING GESELLSCHAFT M.B.H.	Spittal an der Drau	74.00
SEF Netz-Service GmbH	Munich	100.00

Company	Residence	Direct stake %
SF-BAU-Grundstücksgesellschaft "ABC-Bogen" mbH	Cologne	100.00
SPK - Errichtungs- und Betriebsges.m.b.H.	Spittal an der Drau	100.00
SRE Erste Vermögensverwaltung GmbH	Cologne	100.00
SRE Lux Projekt BN 20	Luxemburg	100.00
SRE Lux Projekt SQM 27E	Luxemburg	100.00
SRE Zweite Vermögensverwaltung GmbH	Cologne	100.00
Steffes-Mies GmbH	Sprendlingen	100.00
STHOI Co., Ltd.	Bangkok	100.00
STR Mély- és Magasépítö Kft	Budapest	100.00
STRABAG A/S	Trige	100.00
STRABAG Algerie EURL	Algier	100.00
STRABAG AUSTRALIA PTY LTD	Brisbane	100.00
STRABAG Baustoffaufbereitung und Recycling GmbH	Dusseldorf	51.00
STRABAG Beton GmbH & Co. KG	Berlin	100.00
STRABAG Construction Co., Ltd.	Bangkok	100.00
STRABAG Construction Nigeria	Ikeja	100.00
STRABAG Corp.	Delaware	100.00
STRABAG Development s.r.o.	Bratislava	100.00
STRABAG Dredging GmbH	Hamburg	100.00
STRABAG DROGI WOJEWODZKIE Sp. z o.o.	Pruszków	100.00
STRABAG Dubai LLC	Dubai	100.00
STRABAG Energy Technologies GmbH	Vienna	100.00
STRABAG FACILITY MANAGEMENT SRL	Bucharest	100.00
STRABAG HYDROTECH Sp. z o.o.	Pruzkow	100.00
STRABAG India Private Limited	Mumbai	100.00
STRABAG Infrastructure & Safety Solutions GmbH	Erstfeld	100.00
STRABAG Infrastruktur Development	Moscow	100.00
Strabag International Benin SARL	Cotonou	100.00
Strabag International Corporation	Buena Vista	100.00
Strabag Kiew TOW	Kiev	100.00
STRABAG Krankenhaus Errichtungs- und BetriebsgmbH	Vienna	99.00
STRABAG Motorway GmbH	Spittal an der Drau	100.00
STRABAG Offshore Wind GmbH	Stuttgart	100.00
STRABAG OW EVS GmbH	Hamburg	51.00
STRABAG Oy	Helsinki	100.00
STRABAG Property and Facility Services d.o.o.	Zagreb	100.00
STRABAG Property and Facility Services s.r.o.	Bratislava	55.00
Strabag Property and Facility Services Sp. z o.o.	Pruszkow	100.00
STRABAG Ray Ltd. Sti.	Ankara	100.00
STRABAG Residential Property Services GmbH	Berlin	99.51
Strabag RS d.o.o.	Banja Luka	100.00
STRABAG S.A.S.	Bogota D.C.	100.00
STRABAG Sh.p.k.	Tirana	100.00
STRABAG-PROJEKT 2 Sp.z o.o.	Pruszkow	100.00
STRABAG-PROJEKT Sp.z o.o.	Pruszkow	100.00
STRABIL STRABAG Bildung im Lauenburgischen GmbH	Cologne	100.00
Südprojekt A-Modell GmbH & Co. KG	Bad Hersfeld	100.00
Südprojekt A-Modell Verwaltung GmbH	Bad Hersfeld	100.00
SZYBKI TRAMWAY Sp. z o.o.	Pruszkow	100.00
TETI TRAFFIC	Centurion	54.00
THE INTOLLIGENT LIMITED	Dublin	100.00
TOLLINK (PROPRIETARY) LIMITED	Pretoria	100.00
TolLink Pakistan (Private) Limited	Islamabad	60.00
TOO STRABAG Kasachstan	Astana	100.00
TPA EOOD	Sofia	100.00
TPA Gesellschaft für Qualitätssicherung und Innovation GmbH	Erstfeld	100.00
Trema Engineering 2 Sh.p.k.	Pristina	100.00
Treuhandbeteiligung B		100.00

Company	Residence	Direct stake %
Treuhandbeteiligung Q		100.00
TyresöHandel Holding AB	Stockholm	100.00
UAB "Strabag Baltija"	Klaipeda	100.00
UAB "STRABAG Wasserbau"	Klaipeda	100.00
UND-FRISCHBETON s.r.o.	Kosice	75.00
Universitätszentrum Althanstraße Erweiterungsgesellschaft m.b.H.	Vienna	100.00
VAM-Valentiner Asphaltmischwerk Gesellschaft m.b.H. & Co.KG	Linz	75.00
VAM-Valentiner Asphaltmischwerk Gesellschaft m.b.H.	Linz	75.00
VARNA EFKON OOD	Varna	52.00
Vasagatan Op6 Holding AB	Solna	100.00
Verwaltung Forum Mittelrhein Koblenz Generalübernehmergesellschaft mbH	Oststeinbek	51.00
WMB Drogbud Sp.z o.o.	Lubojenka	51.00
Wohnbauträgergesellschaft Objekt "Freising - Westlich der Jagdstraße" mbH	Cologne	100.00
Wohnen am Krautgarten Bauträger GmbH	Vienna	100.00
Wollhaus HN GmbH & Co. KG	Cologne	100.00
WSK PULS GmbH	Erfurt	100.00
Z.P.C. Deutschland GmbH	Stuttgart	100.00
Z.P.C. Lda	Lisboa	100.00
Z.P.C. Norge AS	Oslo	100.00
Z-Bau Immobilien Verwaltungs GmbH	Cologne	100.00
ZDE Projekt Oberaltenallee GmbH	Hamburg	100.00
ZDE Siebte Vermögensverwaltung GmbH	Cologne	100.00
Z-Design EOOD	Sofia	100.00
ZG1 s.r.o.	Bratislava	100.00
ZS Real Estate AG in Liquidation	Opfikon	99.80
Züblin (Thailand) Co. Ltd.	Bangkok	100.00
Züblin AS	Oslo	100.00
Züblin Australia Pty Ltd	Perth	100.00
Züblin Bulgaria EOOD	Sofia	100.00
Zublin Corporation	Wilmington	100.00
Züblin Engineering Consulting (Shanghai) Co., Ltd.	Shanghai	100.00
Züblin Holding (Thailand) Co. Ltd.	Bangkok	79.35
Züblin Hrvatska d.o.o.	Zagreb	100.00
Züblin International Malaysia Sdn. Bhd.	Kuala Lumpur	100.00
Züblin Ireland Limited	Dublin	100.00
Zublin Saudi Arabia LLC	Riyadh	100.00
Züblin Services GmbH	Stuttgart	100.00
Zucotec - Sociedade de Construções, Unip., Lda.	Amadora	100.00

Participation companies not consolidated

"kabelwerk" bauträger gmbh	Vienna	25.00
"Zentrum Puntigam" Errichtungs- und Betriebsgesellschaft m.b .H.	Vienna	50.00
A2 ROUTE Sp. z o.o.	Pruszkow	50.00
ABO Asphalt-Bau Oeynhausen GmbH.	Oeynhausen	22.50
AGS Asphaltgesellschaft Stuttgart GmbH & Co.Kommanditgesellschaft	Stuttgart	40.00
AGS Asphaltgesellschaft Stuttgart Verwaltungs-GmbH	Stuttgart	40.00
AL SRAIYA - STRABAG Road & Infrastructure WLL	Doha	49.00
A-Lanes Management Services B.V.	Utrecht	25.00
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H.& Co.KG	Zistersdorf	40.00
AMB Asphalt-Mischanlagen Betriebsgesellschaft m.b.H.	Zistersdorf	40.00
AMG - Asphaltmischwerk Gunskirchen Gesellschaft m.b.H.	Linz	33.33
AMG-Asphaltmischwerk Gunskirchen Gesellschaft m.b.H. & Co.KG	Linz	33.33
AMH Asphaltmischwerk Hauneck Verwaltungs GmbH	Hauneck	50.00
AML - Asphaltmischwerk Limberg Gesellschaft m.b.H.	Limberg	50.00
AMS-Asphaltmischwerk Süd Gesellschaft m.b.H.	Linz	35.00

Company	Residence	Direct stake %
AMSS Asphaltmischwerke Sächsische Schweiz GmbH & Co. KG	Dresden	24.00
AMSS Asphaltmischwerke Sächsische Schweiz Verwaltungs GmbH	Dresden	24.00
AMWE-Asphaltmischwerke GmbH & Co. KG in Schwerin i.L.	Consrade	49.00
AMWE-Asphaltmischwerke GmbH i.L.	Schwerin	49.00
Anton Beirer Hartsteinwerke GmbH & Co KG	Pinswang	50.00
Arena Development	Hasselt	50.00
ASAMER Baustoff Holding Wien GmbH & Co.KG	Vienna	30.93
ASAMER Baustoff Holding Wien GmbH	Vienna	30.93
ASB Bau GmbH & Co. KG	Inzigkofen	50.00
ASB Transportbeton GmbH & CO.KG	Osterweddingen	50.00
ASF Frästechnik GmbH & Co KG	Kematen	40.00
ASF Frästechnik GmbH	Kematen	40.00
ASG INVEST N.V.	Genk	25.00
Asphalt Straßenbau Verwaltungs-GmbH	Inzigkofen	50.00
Asphaltmischwerk Betriebsgesellschaft m.b.H. & Co KG	Rauchenwarth	20.00
Asphaltmischwerk Betriebsgesellschaft m.b.H.	Rauchenwarth	20.00
Asphaltmischwerk Bodensee Verwaltungs GmbH	Singen (Hohentwiel)	50.00
Asphaltmischwerk Greinsfurth GmbH & Co OG	Amstetten	33.33
Asphaltmischwerk Greinsfurth GmbH	Amstetten	33.33
Asphaltmischwerk Kundl GmbH & Co KG	Kundl	50.00
Asphaltmischwerk Kundl GmbH	Kundl	50.00
ASTRA - BAU Gesellschaft m.b.H. Nfg. OG	Bergheim	50.00
AUT Grundstücksverwaltungsgesellschaft mbH	Stuttgart	40.00
A-WAY ITE Zrt.	Újhartyán	50.00
A-WAY LAGAN INFRASTRUCTURE SERVICES LIMITED	Ballyoran, Castlelyons, Co. Cork	50.00
AWM Asphaltwerk Mötschendorf Gesellschaft m.b.H.	Graz	50.00
AWM Asphaltwerk Mötschendorf GmbH & Co.KG	Graz	50.00
AWR Asphalt-Werke Rhön GmbH i.L.	Röthlein	24.90
BASALT-KÖZÉPKÖ Köbányák Kft	Uzsa	25.14
Bayerische Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Hofolding	48.29
BBO Bauschuttaufbereitung Verwaltungsgesellschaft mbH	Steißlingen	33.33
BBO Bodensee/Hegau Bauschuttaufbereitung GmbH & Co. KG	Steißlingen	22.22
BBO Bodenseekreis Bauschuttaufbereitung GmbH & Co. KG	Steißlingen	25.00
Beton Pisek spol. s.r.o.	Pisek	50.00
Betun Cadi SA	Trun	35.00
Breitenthaler Freizeit Beteiligungsgesellschaft mbH	Breitenthal	50.00
Breitenthaler Freizeit GmbH & Co. KG	Breitenthal	50.00
Brnenska obalovna, s.r.o.	Brno	50.00
BRW Baustoff-Recycling GmbH & Co KG	Wesseling	25.00
BS-Baugeräte-Service GmbH & Co.KG i.I.	Augsburg	25.00
BS-Baugeräte-Service Verwaltungsgesellschaft mbH i.I.	Augsburg	25.00
BSZ Eisenstadt Immobilien GmbH	St. Pölten	50.00
Büro-Center Ruppmannstraße GmbH i.L.	Stuttgart	50.00
C.S.K.K. 2009. Kft.	Budapest	30.00
Continental Apartements Stockholm Holding AB	Stockholm	50.00
Continental Living Stockholm AB	Stockholm	50.00
CSE Centrum-Stadtentwicklung GmbH i.L.	Cologne	50.00
DAM Deutzer Asphaltmischwerke GmbH & Co. KG	Cologne	40.44
DAM Deutzer Asphaltmischwerke Verwaltungs-GmbH	Cologne	40.44
DESARROLLO VIAL AL MAR S.A.S.	Bogota D.C.	37.50
Diabaswerk Nesselgrund GmbH & Co KG	Floh-Seligenthal	20.00
Diabaswerk Nesselgrund Verwaltungs-GmbH	Floh-Seligenthal	20.00
Diófa Apartments Kft.	Budapest	50.00
DIRECTROUTE (FERMOY) CONSTRUCTION LIMITED	Dublin	25.00
DIRECTROUTE (LIMERICK) CONSTRUCTION LIMITED	Fermoy	40.00
DIRECTROUTE (TUAM) CONSTRUCTION LIMITED	Dublin	25.00
Dreßler Bauträger GmbH & Co. "Erlenbach"-Objekt KG	Aschaffenburg	50.00

Company	Residence	Direct stake %
DYWIDAG Verwaltungsgesellschaft mbH	Munich	50.00
Eisen Blasy Reutte GmbH	Pflach	50.00
Entwicklung Quartier am Mailänder Platz Beteiligungsgesellschaft mbH	Hamburg	50.00
Entwicklung Quartier am Mailänder Platz Management GmbH	Hamburg	50.00
Entwicklung Quartier am Mailänder Platz Nr. 1 GmbH & Co. KG	Hamburg	48.08
Entwicklung Quartier am Mailänder Platz Nr. 2 GmbH & Co. KG	Hamburg	48.08
Entwicklung Quartier am Mailänder Platz Nr. 3 GmbH & Co. KG	Hamburg	48.08
Eslarngasse 16 GmbH	Vienna	50.00
Exploitatie Maatschappij A-Lanes A15 B.V.	Nieuwegein	33.33
FLARE Development GmbH & Co. KG	Cologne	50.00
FLARE Grundstück Verwaltungs GmbH	Berlin	50.00
FLARE Living GmbH & Co. KG	Cologne	50.00
Fürstenallee 21 GmbH	Vienna	50.00
Gama Strabag Construction Limited	Dublin	40.00
GFR remex Baustoffaufbereitung GmbH & Co. KG, Krefeld	Krefeld	50.00
GFR remex Baustoffaufbereitung Verwaltungs-GmbH Krefeld	Krefeld	50.00
Grandemar SA	Cluj-Napoca	41.27
GUS Gußasphaltwerk GmbH & Co KG	Stuttgart	50.00
GUS Gußasphaltwerk Verwaltungs GmbH	Stuttgart	50.00
H S Hartsteinwerke GmbH	Pinswang	50.00
Heptan Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs-KG	Mainz	24.00
Hillerstraße - Jungstraße GmbH	Vienna	50.00
Hilmteichstraße 85 Projektentwicklung GmbH	Vienna	50.00
HK-Rohstoff & Umwelttechnik GmbH & Co. KG	Hildesheim	50.00
HOTEL SCHLOSS SEEFELS BESITZ- UND MANAGEMENT GMBH	Techelsberg am Wörthersee	30.00
HPGG Beteiligungs GmbH	Klagenfurt am Wörthersee	46.00
Immorent Oktatási Kft.	Budapest	20.00
Industrial Engineering and Contracting Co. S.A.R.L. (INDECO) i.L.	Beirut	50.00
IQ Office Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Office GmbH & Co. KG	Hamburg	49.00
IQ Residential Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Residential GmbH & Co. KG	Hamburg	49.00
IQ Tower Beteiligungsgesellschaft mbH	Hamburg	49.00
IQ Tower GmbH & Co. KG	Hamburg	49.00
ITC Engineering GmbH & Co. KG	Stuttgart	50.00
JCO s.r.o.	Plana	50.00
Jumbo Betonpumpen Service GmbH & Co.KG	Limbach-Oberfrohna	50.00
Jumbo Betonpumpen Verwaltungs GmbH	Limbach-Oberfrohna	50.00
KAB Kärntner Abfallbewirtschaftung GmbH	Klagenfurt	36.25
KASERNEN Projektentwicklungs- und Beteiligungs GmbH	Vienna	24.90
Kies- und Betonwerk AG Sedrun	Sedrun	35.00
Kiesabbau Gämmerler-Hütwohl GmbH & Co. Aug Kommanditgesellschaft	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl GmbH & Co. Grube Grafing KG	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl GmbH&Co. Grube Leitzinger Au KG	Königsdorf	50.00
Kiesabbau Gämmerler-Hütwohl Verwaltungs- GmbH	Königsdorf	50.00
Kiesgesellschaft Karsee Beteiligungs-GmbH	Immenstaad am Bodensee	50.00
Kiesgesellschaft Karsee GmbH & Co. KG	Immenstaad am Bodensee	50.00
Kieswerk Rheinbach Gesellschaft mit beschränkter Haftung	Cologne	50.00
Kieswerke Schray Verwaltungs GmbH	Steißlingen	50.00
Kirchhoff + Schleith Beteiligungs-GmbH	Steißlingen	50.00
Kirchhoff + Schleith Straßenbau GmbH & Co. KG	Steißlingen	50.00
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH	Spittal an der Drau	30.00
KSH Kalkstein Heiterwang GmbH & Co KG	Pinswang	30.00
KSH Kalkstein Heiterwang GmbH	Pinswang	30.00
Liberecka Obalovna s.r.o.	Liberec	50.00
Lieferasphalt Gesellschaft m.b.H.& Co.OG, Zirl	Vienna	50.00
Lieferasphalt Gesellschaft m.b.H.	Vienna	50.00

Company	Residence	Direct stake %
Lieferbeton Simmern GmbH & Co. KG	Simmern/Hunsrück	50.00
Lieferbeton Simmern Verwaltungs-GmbH	Simmern/Hunsrück	50.00
Linzer Schlackenaufbereitungs- und vertriebsgesellschaft m.b.H.	Linz	33.33
LISAG Linzer Splitt- und Asphaltwerk GmbH. & CO KG	Linz	50.00
LISAG Linzer Splitt- und Asphaltwerk GmbH.	Linz	50.00
Mecsek Autopalya-üzemeltetö Zrt.	Budapest	25.00
Messe City Cologne Beteiligungsgesellschaft mbH	Hamburg	50.00
MIGU-Asphalt-Baugesellschaft m.b.H.	Lustenau	50.00
Milet Ditzingen Beteiligungsgesellschaft mbH	Heidelberg	49.00
MLT Maschinen Logistik Technik GmbH & Co. KG	Nesse-Apfelstädt	50.00
MLT Verwaltungs GmbH	Nesse-Apfelstädt	50.00
MOSER & CO. S.R.L.	Brunico	50.00
MSO Mischanlagen GmbH	Ilz	33.33
Natursteinwerke im Nordschwarzwald NSN Verwaltungsgesellschaft mit beschränkter Haftung	Mühlacker	25.00
NIOG Verwaltung GmbH	Hamburg	50.00
NUOVO MERCATO GIANICOLENSE SRL	Bologna	40.00
Oder Havel Mischwerke GmbH & Co. KG i.L.	Berlin	33.33
ODRA-ASFALT Sp. z o.o.	Szeczecin	33.33
Ontwikkelingscombinatie Maasmechelen N.V.	Antwerp	50.00
OOO "STRATON"	Sotschi	50.00
PAM Pongauer Asphaltmischanlagen GmbH & Co KG	St. Johann im Pongau	50.00
PAM Pongauer Asphaltmischanlagen GmbH	St. Johann im Pongau	50.00
Philman Holdings Co.	Philippinen	20.00
QMP Generalübernehmer GmbH & Co. KG	Oststeinbek	50.00
RAE Recycling Asphaltwerk Eisfeld GmbH & Co KG i.L.	Eisfeld	37.50
RAE Recycling Asphaltwerk Eisfeld Verwaltungs-GmbH i.L.	Eisfeld	37.50
REMEX Coesfeld Gesellschaft für Baustoffaufbereitung mbH	Dülmen-Buldern	50.00
Rezidencie Machnac, s.r.o.	Bratislava	50.00
RFM Asphaltmischwerk GmbH & Co KG	Traiskirchen	46.00
RFM Asphaltmischwerk GmbH.	Traiskirchen	46.00
Rieder Asphaltgesellschaft m.b.H. & Co. KG.	Ried im Zillertal	50.00
Rieder Asphaltgesellschaft m.b.H.	Ried im Zillertal	50.00
ROBA-Neuland Beton GmbH & Co. KG	Hamburg	50.00
Rohstoff & Umwelttechnik Verwaltungs GmbH	Hildesheim	50.00
Salzburger Lieferasphalt GmbH & Co OG	Sulzau	20.00
SAM Sindelfinger Asphalt-Mischwerke GmbH & Co KG i.L.	Sindelfingen	22.22
SAT SPEZIALBAU GMBH	Cologne	50.00
Satellic NV	Groot-Bijgaarden	24.00
SAV Südniedersächsische Aufbereitung und Verwertung Verwaltungs GmbH	Hildesheim	50.00
Schlackenkontor Bremen GmbH	Bremen	25.00
SC-Master s.r.o.	Praha	50.00
SHKK-Rehabilitations GmbH	Vienna	33.33
Sindelfinger Asphalt-Mischwerke GmbH i.L.	Sindelfingen	22.22
SIRIUS Beteiligungsgesellschaft m.b.H.	Vienna	42.50
SMB Construction International GmbH	Sengenthal	50.00
Spolecne obalovny, s r.o.	Prague	50.00
SRK Kliniken Beteiligungs GmbH	Vienna	25.00
STA Asphaltmischwerk Strahlungen GmbH	Strahlungen	24.90
stahl + verbundbau gesellschaft für industrielles bauen m.b.H.	Dreieich	30.00
Steinbruch Mauterndorf Gesellschaft m.b.H.	St. Michael/Lungau	50.00
Stephan Beratungs-GmbH	Linz am Rhein	30.00
STRABAG ARCHIRODON LTD.	Port Louis	50.00
STRABAG Gorzów Wielkopolski Sp. z o.o.	Gorzów Wielkopolski	49.00
Strabag Oktatási PPP Kft.	Budapest	30.00
Strabag Saudi Arabia	Dhahran	50.00
STRABAG-MÉRT Kkt. "v.a."	Budapest	50.00
Straktor Bau Aktien Gesellschaft	Kifisia	50.00

Company	Residence	Direct stake %
STRAVIA Kft.	Budapest	25.00
Syrena Immobilien Holding Aktiengesellschaft	Spittal an der Drau	50.00
TBG Ceske Budejovice spol. s.r.o.	Ceske Budejovice	50.00
TBG Frissbeton Kft.	Pécs	50.00
TBG-STRABAG d.o.o.	Zagreb	50.00
TDE Mitteldeutsche Bergbau Service GmbH	Espenhain	35.00
Tierra Chuquicamata SpA	Santiago de Chile	50.00
Triplus Beton GmbH & Co KG	Zell am See	50.00
Triplus Beton GmbH	Zell am See	50.00
TSI VERWALTUNGS GMBH	Apfelstädt	50.00
ULTRA Transportbeton VerwaltungsGmbH	Neu-Ulm	29.00
Unterstützungseinrichtung für die Angestellten der ehemaligen Bau-Aktiengesellschaft "Negrelli" Gesellschaft m.b.H.	Vienna	50.00
VCO - Vychodoceska obalovna, s r.o	Hradec Kralove	33.33
Verbundplan Birecik Isletme Ltd.	Birecik	25.00
Vereinigte Asphaltmischwerke Gesellschaft m.b.H. & Co KG	Spittal an der Drau	50.00
Vereinigte Asphaltmischwerke Gesellschaft m.b.H.	Spittal an der Drau	50.00
Verwaltung Grundstücksgesellschaft Kaiserplatz Aachen Adalbertstraße GmbH	Hamburg	50.00
Verwaltung MesseCity Cologne Generalübernehmer GmbH	Oststeinbek	50.00
Verwaltung QMP Generalübernehmer GmbH	Oststeinbek	50.00
Verwaltungsgesellschaft ROBA-Neuland Beton m.b.H.	Hamburg	50.00
VIANOVA - Bitumenemulsionen GmbH	Fürnitz	24.90
VIANOVA SLOVENIJA d.o.o.	Logatec	50.00
VIOLA PARK Errichtungs GmbH	Vienna	50.00
VISTRADA COBRA S.A.	Bucharest	37.50
VKG-Valentiner Kieswerk Gesellschaft m.b.H.	Linz	50.00
Walter Group International Philippines, Inc.	Philippinen	26.00
WIBAU Holding GmbH	Linz	24.80
WMW Weinviertler Mischwerk Gesellschaft m.b.H. & Co KG	Zistersdorf	33.33
WMW Weinviertler Mischwerk Gesellschaft m.b.H.	Zistersdorf	33.33
Wohnbau Tafelgelände Beteiligungs-GmbH	Munich	25.00
Wohnbau Tafelgelände GmbH & Co. KG	Munich	25.00
Z.I.P.O.S. d.o.o.	Antunovac	50.00

GROUP MANAGEMENT REPORT

Important events

JANUARY

STRABAG building hydroelectric power plant in Bosnia-Herzegovina

A consortium consisting of STRABAG and Croatian industrial company Končar has been awarded the contract to build the Vranduk power plant on the river Bosna on behalf of energy supply company JP Elektroprivreda BiH. STRABAG AG, with a share of 63.4 %, is leading the consortium. The 20 MW hydropower plant will be completed for € 57 million within a period of 46 months. The contract includes the planning of the power plant, the construction, supply and installation of all plant and equipment, as well as testing and commissioning.

Hydroelectric power plant on the river Bosna

Art-Invest hires Ed. Züblin AG to build "Alter Wall" shopping boulevard in Hamburg

Property development and investment company Art-Invest Real Estate commissioned STRABAG subsidiary Ed. Züblin AG as main contractor to realise the project "Alter Wall Hamburg". "Alter Wall Hamburg" is an approximately 150 m long shopping boulevard with 18,000 m² of offices and 12,000 m² of retail space in Hamburg, Germany. The construction works, with a contract value of about € 80 million, are scheduled to be completed in the summer of 2018.

Refinancing of € 2.4 billion in loans before maturity

STRABAG SE took advantage of the favourable financing environment and recent credit enhancement 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 2021 – with two options to extend by one year each further allow STRABAG SE to secure its comfortable financing position for the long term.

FEBRUARY

STRABAG awarded three road construction contracts in Poland

High demand in road infrastructure

STRABAG, via its Polish subsidiaries, has been awarded three contracts totalling PLN 734 million (approx. € 171 million) from Poland's General Directorate for National Roads and Highways (GDDKiA). As part of the overall works on the S17 between Warsaw and Garwolin, STRABAG will design and build a 15.2 km long section from the Lubelska junction near Warsaw to Kołbiel, including four junctions, for PLN 301 million. The second contract, with a value of PLN 183 million, comprises the design and construction of an 8.7 km long bypass road near Kołbiel. A further contract includes the design and building of the S8 expressway between Radziejowice and Przeszkoda for PLN 250 million. The 9.9 km concrete roadway is scheduled for completion within 31 months. In addition to the dual carriageway roadway, the works also comprise the Żabia Wola junction as well as several civil engineering structures, among them a bridge over Pisia Tuczna, pedestrian overpasses and three rest areas. Noise barriers and wildlife crossings will also be built along the section.

STRABAG to build Contract Section South of Berlin–Dresden rail line for Deutsche Bahn

Two German subsidiaries of STRABAG SE have been awarded Contract Section South by Deutsche Bahn AG to upgrade 30 km of the Berlin–Dresden railway line. The consortium of STRABAG Rail GmbH, Berlin, and STRABAG AG, Cologne, will perform track works and build new overpasses. Construction is scheduled for completion by the end of 2018. The contract has a value of about € 66 million. STRABAG Rail GmbH will lay new tracks on the Berlin–Dresden rail line along a length of 27 km between Hohenleipisch and Walddrehna and perform maintenance works on the existing tracks along a length of 26 km. At the same time, STRABAG Rail will build seven railway overpasses and STRABAG AG eight road overpasses.

Upgrading of Berlin–Dresden rail line

MARCH

Züblin to build section of "Stockholm Bypass" with contract value of about € 76 million

Züblin Scandinavia AB, a Swedish subsidiary of Ed. Züblin AG, has been awarded the contract by the Swedish transport authority Trafikverket to build a section of the Stockholm motorway bypass. The project comprises the construction of an approximately 950 m long section of motorway including interchange for a total of about € 76 million. The works being carried out by Züblin in the district of Akalla north of Stockholm include large sheeting and shoring measures for excavation works, an approximately 120 m long concrete tunnel built using cut-and-cover, an approximately 480 m long trough for the tunnel approach and a roundabout.

STRABAG wins further € 108 million contract section for A1 motorway in Poland

After the Woźniki–Pyrzowice section of the A1 motorway in Poland STRABAG has now also been awarded the contract to build the section between the Zawodzie junction and Woźniki junction. The 16.7 km long route is to be opened to traffic in the second half of 2019. The contract has a value of € 108 million. Besides the concrete roadway, STRABAG will also build the Woźniki junction as well as bridges and several adjoining local roads.

Union Investment commissions Züblin to expand "RiemArcaden" in Munich

"RiemArcaden" designed by the architectural firm of "Allmann Sattler Wappner"

Union Investment has commissioned Ed. Züblin AG to expand the mixed-use building "RiemArcaden" in eastern Munich in Germany. The value of the new contract amounts to about € 46 million. The works comprise the turnkey construction of a building with about 20,400 m^2 of hotel and retail space as well as the retrofit of parts of an existing underground car park. Construction should be completed by the summer of 2018.

STRABAG subsidiary Züblin building new trivago headquarters in Dusseldorf, Germany

Ed. Züblin AG has been hired as general contractor to build the new corporate headquarters of trivago GmbH in the Medienhafen business area of Dusseldorf. The entire project, including construction design, has a total contract value of about € 81 million. Construction works are scheduled for completion in mid-2018.

STRABAG building first IKEA store in Serbia

STRABAG was commissioned as main contractor to build the first IKEA store in Serbia. The store will be located in Bubanj Potok in the Serbian capital Belgrade. The value of IKEA's investment is estimated at € 70 million. Construction works will be completed in mid-2017. The store will offer more than 30,000 m^2 of retail space.

STRABAG planning sale of hydraulic engineering business to Boskalis

STRABAG SE has reached an agreement signed on 31 March 2016 with Netherlands-based Royal Boskalis Westminster N.V. on the sale of the hydraulic engineering business. As part of an asset deal with a purchase price of € 70 million, Hamburg-based STRABAG Wasserbau GmbH, the leader in the German dredging sector, transferred its equipment, staff and a series of recently signed maintenance contracts to the buyer. The transaction took place on 1 April 2016.

APRIL

Züblin building Offshore Terminal Bremerhaven

Ed. Züblin AG, in a joint venture with Heinrich Hirdes GmbH, has been selected to build the Offshore-Terminal Bremerhaven (OTB) in Germany. The contract, with a value of approx. € 120 million, comprises the terminal (quays and hinterland), terminal access and retrofitting of the corresponding levees. OTB is to be handed over to the terminal operator, BLG Logistics, in late 2018/early 2019.

New port construction contract in Bremerhaven

Full acquisition of Ed. Züblin AG

The STRABAG Group increased its stake in the subsidiary Ed. Züblin AG starting in April from 57.26 % to 100 % as of 5 August 2016 in multiple steps. The agreement with the minority shareholders includes a basic purchase price as well as a provision for a variable purchase price portion, to be determined depending on Ed. Züblin AG's respective net income after minorities for each of the years 2015 to 2019. Shares of STRABAG SE were not used as acquisition currency.

MAY

STRABAG awarded road and tunnel construction contract in Norway

STRABAG has been selected as main contractor to build a section of European Route E16, the most important link between the Norwegian capital of Oslo and the country's second largest city of Bergen. The Øye–Eidsbru section, located in the middle of this route, comprises the new construction of 4.5 km of main road and 2.1 km of side roads. A 1,970 m long tunnel forms the heart of the project. The contract value is around € 37 million.

JUNE

Leading role in the refinancing of Irish N17/N18 PPP-project

STRABAG SE has initiated and led the first successful refinancing of an Irish motorway public-private partnership (PPP) project. The N17/N18 project between Gort and Tuam is therefore benefiting from improved financial market conditions while still in the construction phase. The total private sector investment volume in this project amounts to approximately € 400 million. STRABAG has a stake in both the concession company DIRECTROUTE (10 %) as well as the construction consortium (25 %).

Züblin awarded € 400 million contract in Chile

Züblin International has been awarded a € 400 million contract by Codelco, the world's largest copper producer. The Chuquicamata Mine, located in northern Chile, will be transformed from the world's largest copper open pit to an underground operation. The contract includes 63 km of tunnel excavation, 7 km of shafts and the transportation of 3.6 million t of materials. Construction works will be finished in 2021. Züblin is also working on Codelco's El Teniente Mine as well as on the Andina Mine.

BIM.5D® for Siemens in Switzerland

STRABAG AG Switzerland has been awarded the contract to build an office building and a production building for Siemens in Zug, Switzerland. The contract, which has a value of around € 100 million, will be carried out by STRABAG as design-and-build contractor. The client, Siemens Real Estate, chose STRABAG also for its proven competence in Building Information Modelling (BIM), which is applied in this project.

Application of BIM.5D®

German A-Modell project (A8 motorway) refinanced

The motorway concession company PANSUEVIA GmbH & Co. KG, along with its 50:50 joint venture partners HOCHTIEF and STRABAG, has achieved the refinancing of the German A8 A-Modell. The European Investment Bank (EIB), will not only stay on board as creditor but has also made use for the first time of its new financing instrument, Senior Debt Credit Enhancement (SDCE). The approximately 58 km section of the A8 between Ulm and Augsburg was opened to traffic on schedule in September 2015 after slightly more than four years of construction. PANSUEVIA had designed, financed, and carried out the widening of the section to six lanes and took over maintenance and operation of the section for a period of 30 years.

JULY

Rating of BBB confirmed by S&P

The international rating agency Standard & Poor's (S&P), in its July analysis, has confirmed the BBB credit rating of STRABAG SE. The outlook remains at "stable". The rating had been raised by one level in 2015. The key performance indicators that had contributed to last year's increase continue to show good development, says S&P. The agency recognised the progress made in increasing profitability, especially in the area of risk management, and believes STRABAG to be on the right path toward an EBIT margin of 3 %.

Cancellation of 4,000,000 own shares executed

In accordance with a resolution passed at the 12th Annual General Meeting on the share capital of STRABAG SE has been reduced by the cancellation of 4,000,000 own shares as per 22 July 2016. The share capital thus amounts to € 110,000,000.00, divided into 109,999,997 bearer shares with voting rights and three registered shares with voting rights each representing a proportion of the share capital amounting to € 1.00. A resolution was also taken at the 12th Annual General Meeting authorising the acquisition of own shares, subject to approval by the Supervisory Board of STRABAG SE. On 15 July 2016, the Supervisory Board agreed to this. The question of whether and to what extent the Management Board of STRABAG SE will make use of the authorisation remains open.

AUGUST

STRABAG renovating rail line in southern Czech Republic

STRABAG Rail a.s. has been awarded a contract by the Czech Railway Infrastructure Administration (Správa železniční dopravní cesty) to renovate the 46 km long rail line between Okříšky and Zastávka u Brna in the south of the country. The infrastructure project with a value of about € 34 million is being co-financed by the EU from the Cohesion Fund. Construction is to be completed by July 2017. The renovation works will contribute to shorter travel time on the line by making adjustments to the track geometry and thanks to partial switch renewal.

Vattenfall acquires project development company for offshore wind park “Global Tech II”

Vattenfall has acquired Northern Energy GlobalTech II GmbH from Erste Nordsee-Offshore-Holding GmbH, a joint subsidiary of STRABAG SE and indirectly Etanax GmbH. Northern Energy GlobalTech II GmbH is the owner of the offshore wind project “Global Tech II”. Global Tech II is located in the German North Sea 85 km north of the island of Borkum. The project is currently under development with a number of up to 79 wind turbines in an area of 47 km². The contractual partners have agreed not to disclose any information about the purchase price.

Züblin to construct new Axel Springer building in Berlin


© OMA

Construction under teamconcept partnering scheme

Ed. Züblin AG has been commissioned by Axel Springer SE to build its new building in Berlin, Germany. Züblin will realise the project as general contractor under the group’s teamconcept. The partnering scheme already helped Züblin secure the qualification competition for the pre-construction phase that started in early 2015 and the company has been working jointly with Axel Springer, Rotterdam-based architectural firm OMA and the design team on all phases of the project from the preliminary design to the construction permit.

SEPTEMBER

STRABAG building Slovak national football stadium in Bratislava


© Expoline

UEFA Category 4 stadium

STRABAG SE has been commissioned by the investor NFŠ a.s. to build the new national football stadium with more than 22,000 seats in the Slovakian capital Bratislava. The structural works including the technological minimum equipment to be built by STRABAG are scheduled for completion in 2018. The contract has a value of € 50 million. The stadium is being built at the site of the old Tehelné pole Stadium that has since been demolished. The new stadium will meet the requirements for a UEFA Category 4 stadium, which means it will have the capacity to handle international matches.

Large contract for STRABAG subsidiary: Expansion of Södertälje Canal

Züblin Scandinavia AB has been awarded the contract by the Swedish Maritime Administration Sjöfartsverket to build a new lock and to enlarge the Södertälje Canal – a part of the so-called Mälaren project – located south of Stockholm in Sweden. The project has a contract value of € 127 million. The construction works will be finished by the end of 2019. An important prerequisite for the construction process is that all boat traffic proceed without disturbance throughout the construction period.

Södertälje Canal south of Stockholm

Rail contract in Hungary

STRABAG will electrify and upgrade the 51 km railway line between Budapest and Esztergom on behalf of one of Hungary's largest state-owned investment companies, NIF (National Infrastructure Development Company). The contract, with a value of approx. € 108 million, will be carried out as a joint venture with TRSZ Kft. and MVM OVIT Zrt. – STRABAG holds 51.67 % in this project. Construction is scheduled for completion in 2018.

OCTOBER

STRABAG wins best bidder contest for widening of A1 motorway in Austria

STRABAG has been awarded the contract by ASFINAG, the Austrian motorway operator, to widen the A1 motorway to three lanes between Matzleinsdorf and Pöchlarn. The contract also comprises the widening of eight bridges along the 5.1 km section. The contract has a total value of approx. € 22 million. Construction works are to be completed in May 2018. STRABAG won the best bidder competition thanks to its performance in the award criteria of quality and work safety.

NOVEMBER

Consortium around STRABAG to build section of D3 motorway in Slovakia

A construction consortium around STRABAG (44 %) has been chosen to build a 5.6 km section of the D3 motorway in northern Slovakia. The € 239 million contract is being performed on behalf of the state motorway company NDS a.s. and is scheduled to be completed after 48 months of construction. The project comprises the construction of the roadway, 19 bridges, several retaining walls and more than 11 km of noise barriers.

Construction of the East Side Mall shopping centre in Berlin

East Side Mall in Berlin's Friedrichshain district

Luxembourg-based Forum Invest S.a.r.l has commissioned Ed. Züblin AG to build the new East Side Mall in Berlin, Germany. Forum Invest is represented by Berlin-based project development company FREO Financial & Real Estate Operations GmbH. The contract for the new construction, to be carried out under STRABAG's teamconcept partnering scheme, has a value of about € 84.3 million including construction design. The architectural design was conceived by Dutch architecture office UNStudio, which also designed the Züblin-built Mercedes-Benz Museum in Stuttgart in Germany.

DECEMBER

STRABAG increased its stake in Raiffeisen evolution to 100 %

STRABAG continues to strengthen its market position in the field of residential project development in Austria. The company increased its interest in Raiffeisen evolution project development GmbH, Vienna, from 20 % to 100 % as of 22 December 2016. The company is one of Austria's leading project development companies and was renamed STRABAG Real Estate GmbH after the purchase. Founded in the year 2003, its ownership structure had previously been: Raiffeisen Zentralbank AG (40 %), UNIQA Insurance Group AG (20 %), Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H (20 %) and STRABAG AG, Austria (20 %).

Züblin to build Kriegsstraße car tunnel in Karlsruhe

Two-lane car tunnel

Karlsruher Schieneninfrastruktur-Gesellschaft mbH (KASIG) is putting its trust in the civil engineering competence of Ed. Züblin AG. The STRABAG Group subsidiary is leading a consortium with Schleith GmbH to build the Kriegsstraße car tunnel in Karlsruhe, Germany. The two-lane tunnel in Kriegsstraße is the second part of the Kombilösung public transport infrastructure project to build an efficiently functioning rail network for the local public transport and to reduce the volume of surface car traffic in central Karlsruhe. The contract for the road tunnel has a value in the low triple-digit euro millions.

Rebuilding Hungarian football stadium Sóstó

The Hungarian unit of STRABAG has been awarded the contract by the City of Székesfehérvár, 70 km from Budapest, to rebuild the Sóstó football stadium. The demolition of the old stadium was also carried out by STRABAG. The approx. € 40 million project is scheduled for completion in late 2017.

Football stadium for 14,000 spectators

Country report

DIVERSIFYING THE COUNTRY RISK

Output volume down 6 %

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 an output volume of € 13.5 billion in the 2016 financial year, a minus of 6 % versus the previous year. While very positive development had been registered in Slovakia, Poland and the Czech Republic in 2015, the output volume fell back in these countries in particular. One reason for this decline is the expiration of the EU Cohesion Fund regime at the end of 2015 and the fact that the new round of funding has not yet been used to the same degree by the eligible countries. The core market of Austria, in comparison, was characterised by increasing business activity. STRABAG also defended the exceptionally high level in Germany, the group's largest market by far.

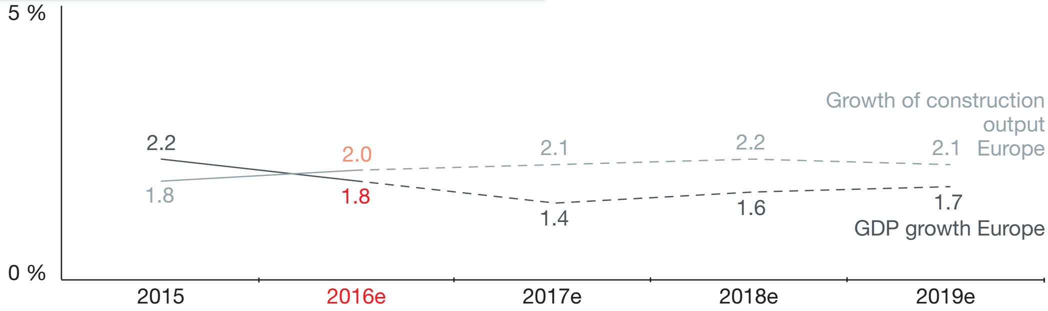
OUTPUT VOLUME BY COUNTRY

€ mln.	2016	% of total output volume 2016	2015	% of total output volume 2015	Δ %	Δ absolute
Germany	6,270	46	6,256	44	0	14
Austria	2,099	16	2,003	14	5	96
Poland	774	6	941	7	-18	-167
Czech Republic	631	5	765	5	-18	-134
Slovakia	461	3	716	5	-36	-255
Hungary	448	3	594	4	-25	-146
Switzerland	378	3	343	2	10	35
Americas	348	3	310	2	12	38
Benelux	309	2	302	2	2	7
Middle East	267	2	315	2	-15	-48
Romania	254	2	241	2	5	13
Denmark	234	2	219	2	7	15
Sweden	179	1	240	2	-25	-61
Rest of Europe	150	1	168	1	-11	-18
Russia	139	1	230	2	-40	-91
Asia	131	1	92	1	42	39
Serbia	89	1	46	0	93	43
Italy	82	1	188	1	-56	-106
Africa	78	1	120	1	-35	-42
Croatia	78	1	68	0	15	10
Slovenia	65	0	98	1	-34	-33
Bulgaria	27	0	35	0	-23	-8
Total	**13,491**	**100**[1]	**14,290**	**100**	**-6**	**-799**

1) Rounding differences are possible.

ECONOMIC DYNAMISM LEVELLING OFF[1)]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Strong growth expected in Eastern Europe

The European **economy** continued its moderate **growth trajectory** at a slightly lower level in 2016. To a degree, growth factors were neutralised by a series of hindrances: above all the higher geopolitical and political insecurities, not least after the Brexit vote, as well as the waning growth outside of the EU and the weaker global trade. In some EU countries, meanwhile, the effects of the financial and economic crisis are still being felt. Below the line, the economy in the 19 Euroconstruct countries still managed to grow by 1.8 % in 2016 but remained below the previous year's plus of 2.2 %. For 2017, Euroconstruct forecasts a further decline of the growth rate to +1.4 % before the curve should begin to point upwards again starting in 2018.

A similar statement can be made about the global economy. Overall, the forecasts remain cautious yet positive. The investment hesitancy in the euro area will likely continue to dampen the growth opportunities, and both private as well as public consumption should increase less strongly in the Euroconstruct countries in 2017 than the year before. The foreign trade dynamism is also expected to wane further, as will the positive effect of low energy prices, since these have been noticeably on the rise again. The monetary policy, meanwhile, is having a positive effect on the growth dynamism and should continue to do so in the years to come. A turnaround is expected for the emerging markets, whose economy should have reached its low point in 2015 and should now begin to exhibit renewed positive development. Striking growth above the European average in 2016 was again seen in Spain, Ireland and Sweden, while Germany and, recently, also Austria are in midfield in a European comparison. GDP growth remained clearly below the mean value in Norway, Denmark and Portugal. The countries of Central and Eastern Europe again achieved the 3 % mark, thus clearly leaving Western Europe behind. While the dynamism is likely to diminish further in Western Europe in 2017, an even stronger plus is expected in Eastern Europe.

CONSTRUCTION SECTOR GROWING SOMEWHAT MORE SLOWLY THAN EXPECTED

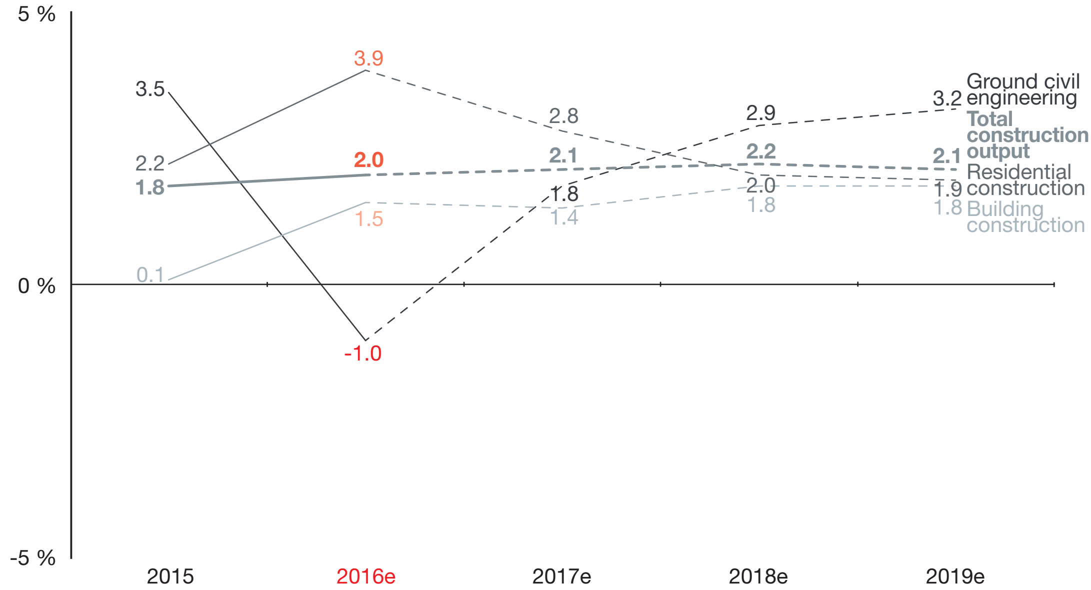
In contrast to the economy as a whole, the **construction sector** in the 19 Euroconstruct countries registered slightly higher growth (+2.0 %) in 2016 than the year before (+1.8 %). The plus fell short of the original forecasts, however, which had predicted a clearer sign of recovery. The expectations for the coming years were also scaled back slightly. Nevertheless, thanks to the low interest environment and the subsequent appetite for real estate investments, the construction dynamism should still continue to outperform the general economy. The most recent Euroconstruct forecasts for the period 2017–2019 predict growth between +2.1 % and +2.2 %.

On a country-by-country basis, the development was again quite varied. The strongest growth was registered in Ireland, the Netherlands and Sweden. Showing signs of weakness were Portugal and, above all, the countries of Central and Eastern Europe, which last year had still contributed decisively to the positive overall figures. Growth stagnated in the United Kingdom and Switzerland, while the remaining Euroconstruct countries grew around the average rate of +2.0 %. For the coming years, Euroconstruct forecasts a clear turnaround for the CEE nations. In Finland, Sweden, Norway, the Netherlands and Germany, on the other hand, the dynamism is expected to weaken slightly. In contrast, higher construction output is expected from Denmark and Italy, among others.

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 2016 reports. The indicated market share data are based on the data from the year 2015.

RESIDENTIAL CONSTRUCTION AND BUILDING CONSTRUCTION LEAVE CIVIL ENGINEERING BEHIND

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



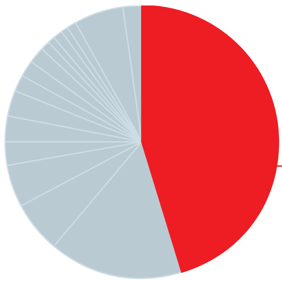
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew considerably more strongly than the year before. Civil engineering, on the other hand, had to concede a noticeable decline following the solid growth of 2015.

For **residential construction**, which accounted for nearly one half of the total European construction volume in 2016, the forecasts had to be adjusted upwards several times over the course of the year. The sector thus assumed the leading role in the recovery of the European construction industry. The construction volume in residential construction grew by 3.9 %, nearly twice as strongly as the year before. In absolute numbers, growth in 2016 was again driven by France, Germany and the United Kingdom, followed by Italy, where the building construction volume still only accounts for around one third of the value before the financial and economic crisis. The largest growth was registered by Sweden, the Netherlands, Norway, Finland, Slovakia and Hungary, among others. The plus in residential construction should drop back down to 2.8 % this year, which, however, still is a solid growth rate. Above-average growth rates are forecast for Ireland, which has ranked at the top for years, as well as France, the Netherlands, Portugal, Spain, Sweden and Hungary. In Germany, development will probably be stagnant for the most part.

In contrast to residential construction, the forecasts for non-residential **building construction** – the sector accounted for nearly one third of the European construction volume in 2016 – had to be taken back. At the midpoint of the year, it had still been expected that this sector would more clearly leave the stagnation of the previous years behind. In the end, building construction in the 19 Euroconstruct countries grew by 1.5 % and so still clearly surpassed the value of 2015 (+0.1 %). In a country-by-country comparison, Germany registered the highest growth and will likely do so again this year, albeit at a slightly slower pace. An improvement was also reported by Italy, the Netherlands, Belgium and Denmark. The largest losses, on the other hand, were suffered in the Czech Republic and Poland. In the years to come, the building construction sector should largely mirror the general economy; higher growth rates are expected only for new office buildings and agricultural buildings. In the United Kingdom, however, the building construction volume will likely decline in 2017 as a consequence of the Brexit.

Civil engineering, which accounted for 21 % of the European construction volume, was unable to latch on to the positive development of 2015 (+3.5 %) and registered a minus of 1.0 % in 2016. Here, too, things became worse over the course of the year with growth of 1.5 % still being forecast in June. The largest losses were reported in Slovakia, Hungary and the Czech Republic, the greatest growth in Norway and Ireland. In the countries of Central and Eastern Europe, the move from one EU funding period to the next had the expected impact. The United Kingdom, which also registered a significant minus, is suffering under Brexit-related insecurities in this sector as well. Sectors with a higher share of public investments – like transport – were generally affected more strongly by the declines than fields such as telecommunications or energy. For the future, Euroconstruct is more optimistic and expects average annual growth of 2.6 % in the civil engineering sector by the year 2018. While the sector should find its way back to higher dynamism in the countries of Eastern Europe, it will likely stagnate in Germany from 2018 onwards.

GERMANY



Overall construction volume:	€ 304.3 billion.
GDP growth:	2016e: 1.9 % / 2017e: 1.4 %
Construction growth:	2016e: 2.5 % / 2017e: 1.5 %

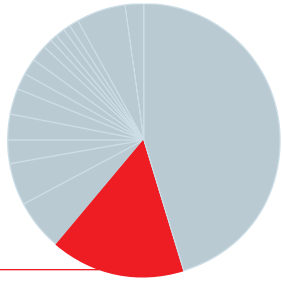
The upswing of the German economy continued as expected in 2016. The GDP growth of 1.9 % resulted – in contrast to the previous years – primarily from a strong increase of private domestic consumption and not so much from corporate investments or foreign demand. Low savings interest rates, secure jobs and rising real wages boosted the Germans' willingness to spend; at the same time, public spending increased as a result of the at times still high number of refugees. With the ebbing of the immigration floods, however, Euroconstruct expects domestic consumption to again grow more slowly, and the political and economic problems of many of the German states are leading German companies to be hesitant with regard to new investments. GDP growth should therefore drop by half to 1.0 % in the next two years.

The German construction economy was also able to bring in positive figures in all respects in 2016, registering an overall plus of 2.5 %. The above-average strong growth in residential construction (+3.0 %) resulted from additional planning permissions and new projects by local governments and municipal housing companies in response to the large refugee numbers. The impact of these measures, however, should only be seen as temporary and Euroconstruct expects a gradual decline in residential construction to -0.7 % by 2019.

Clearly positive development was also registered by the sectors building construction (+1.4 %) and civil engineering (+2.7 %). While retail and industry benefited from the strong economic growth in 2016, the telecommunication sector's massive broadband expansion provided a stimulus to civil engineering, which had still generated negative growth the year before. Growth is again predicted for the two sectors in 2017 (+0.7 % and +1.2 %, respectively), although the many different problems are expected to lead to considerably weaker results in the medium term. Significant driving forces for the future development include the increase of the minimum wage, high energy prices, the still unforeseeable consequences of Brexit, the growing importance of foreign production and the triumph of online retailers with the subsequently reduced demand for new commercial buildings.

The STRABAG Group is market leader in Germany, with a 2.1 % share of the market. The share of the German road construction market even amounts to 9.1 %. With € 6,269.95 million, the group generated about 46 % of its total output volume in Germany in 2016. Most of this is assigned to the segment North + West. Property and facility services in Germany are listed under International + Special Divisions.

AUSTRIA



16 % contribution to the group output volume

Overall construction volume:	€ 34.4 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.5 %
Construction growth:	2016e: 1.6 % / 2017e: 1.4 %

Austria's GDP grew by 1.7 % in 2016, which places it above the EU average of +1.4 % that has been estimated by ETH Zurich. The main factor driving this positive development was the growth of private consumption, which, in turn, can be traced back to the tax reform of 1 January 2016 that increased real incomes by an estimated 2.9 %. A dampening effect in the period under report was exerted by Austria's negative trade balance, however, which was burdened by significantly higher imports of consumer goods. The forecast for the near future (of around +1.5 % a year) seems modest when taken by itself. But if you consider the entry into force in 2017 of the balanced budget amendment (the so-called "debt brake"), which was designed to reduce public spending in Austria, along with the expected slowdown of the German economy, then this assessment must be seen as quite positive.

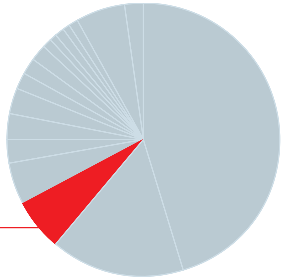
Euroconstruct expects to see similar annual growth rates through 2019 for the Austrian construction sector, which again generated a plus of 1.6 % after the negative performance of -0.6 % in 2015. In particular, residential construction (+1.5 %) developed better than had been expected. This can be traced back to several factors: firstly, the consistently high demand for housing in large metropolitan areas; secondly, rising real estate prices, which, in combination with lower credit rates, attract private investors; and thirdly, the public sector's so-called housing offensive, which aims at containing the price of real estate through affordable new buildings.

Building construction even managed a plus of 2.0 % in 2016 because the industrial sector, after years of hesitant investments, again acted more dynamically in the period under report; increased activity was also seen among offices and commercial space.

The weakest sector in 2016 was civil engineering with a plus of 1.1 %, resulting primarily from investments in transportation infrastructures in which public subsidies played an important role. The further expansion of the road and, especially, of the rail network will continue to have a fixed place in the Austrian budget in the years to come; stable growth can therefore continue to be expected in this area.

The STRABAG Group generated a total of 16 % of the group output volume in its home market of Austria in 2016 (2015: 14 %). Austria thus continues to be one of the company's top three markets, along with Germany and Poland. The output in 2016 reached a volume of € 2,098.62 million. With a share of 5.9 %, STRABAG is the number 1 on the Austrian market. The share of the road construction market amounts to 20.3 %.

POLAND



Overall construction volume: € 44.8 billion
GDP growth: 2016e: 3.2 % / 2017e: 3.5 %
Construction growth: 2016e: -0.8 % / 2017e: 4.2 %

As in the previous two years, the Polish economy was again able to record a stable plus of 3.2 % in 2016. Similar growth (up to 3.6 %) is being forecast for the years to come. Although the expiration of the 2007–2013 EU financial framework resulted in decreased investments in the first half of the year, the associated slowdown of economic growth is seen by Euroconstruct to be only temporary. Rising consumer spending, which, in turn, is being driven by the good situation on the labour market, should continue to shape the following quarters when more money is available to households through the higher child benefits.

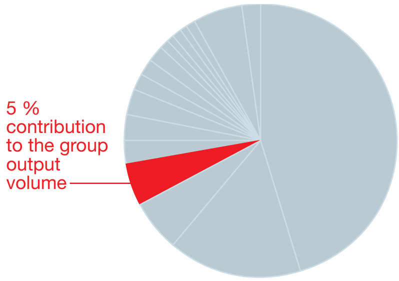
The Polish construction industry presented itself as very inconsistent, with a negative overall performance in 2016. Following the strong growth of the previous two years (+5.1 % and +4.1 %), the sector registered a minus of 0.8 % in the year under report. This development can be traced back to declining investments, which have several causes, above all the general insecurity in the economy as well as the legislative changes and the aforementioned expiration of an EU funding period.

With growth of 5.8 %, residential construction saved the overall performance of the industry in 2016. The construction boom that had blessed this sector with a generous plus of 8.1 % the year before continued in the period under report – supported by the low credit and mortgage rates. In contrast, building construction and, especially, civil engineering felt the full force of the public sector's decision to halt investments. The sales figures fell by up to 27 % in six of the seven non-residential subsectors; only commercial buildings were able to attain a plus of 4.0 %. The bottom line is a minus of 2.4 % for building construction in 2016.

Civil engineering generated an even more resounding minus of -4.5 %, whose causes – besides the general investment decline – are also homemade. For example, a number of railway construction projects that were announced years ago have not yet been started because the necessary documentation has not been submitted in full. The Ministry of Development and Euroconstruct, however, expect a return to positive figures (between +8.5 % and +13.6 %) in the next three years because the 2014–2020 EU financing programmes will co-finance the construction of important infrastructure projects.

As the number 3 in the Polish construction sector, STRABAG generated a construction volume of € 773.74 million in 2016, accounting for 6 % of the total output volume of the group. This makes Poland the third largest market for the STRABAG Group. The company's share of the entire Polish construction market amounted to 2.1 %, in road construction it is 8.0 %.

CZECH REPUBLIC



Overall construction volume: € 15.7 billion
GDP growth: 2016e: 2.3 % / 2017e: 2.4 %
Construction growth: 2016e: -9.0 % / 2017e: -3.2 %

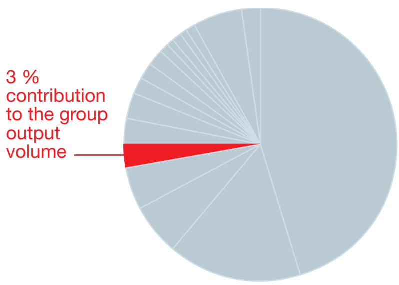
After the turnaround in 2014 and the record year of 2015 with GDP growth of 4.5 %, the Czech economy consolidated at a stable plus of 2.3 % in the year under report. Although this development was supported by several factors that have only a temporary effect, e.g. EU subsidies, the reduction of the value-added tax rate to 10 %, higher wages and lower oil prices, the expectation of positive changes – above all rising industrial production and an improved situation on the labour market – in the years 2017–2019 leads Euroconstruct to predict continuous growth rates of about 2.4 % a year. This forecast is reinforced by the fact that the Czech Republic is currently seen as one of the most attractive investment markets in Central and Eastern Europe.

The Czech construction economy presented itself as highly inconsistent in 2016. While residential construction (+3.5 %) was able to at least somewhat latch on to the sensational performance of 2015 (+14.7 %), building construction and civil engineering registered dramatic declines. While the minus of 13.9 % in civil engineering can be partially explained by the outstanding performance of the previous year (+16.8 %), the weak performance of the building construction sector (-11.1 %) is mainly due to domestic problems. The development of public-sector projects in particular is often defeated by bureaucracy and the slow pace of the works. The transition to the new EU funding period, for example, did not proceed smoothly, and available financing was offset by a lack of green-light construction projects.

Once these difficulties have been overcome, however, the Czech construction industry is expected to boom. The high demand for new housing, stimulated by the low mortgage rates, promises growth of up to 14.5 % (2019) for the residential construction sector. Similarly, the development of new shopping centres, large office buildings (above all in Prague) as well as industrial and storage buildings (Amazon) should slowly push non-residential building construction to at least +1.9 % (2019). Civil engineering should again grow by 11.6 % in 2019 if – besides the investments already made in sewerage systems, waste water treatment and flood control – long overdue rail and road construction projects are realised as well.

In the Czech Republic, STRABAG is the number 1 on the market. With an output volume of € 630.56 million, about 5 % of the group's total output volume was accounted for by the Czech market in 2016. The group's share of the entire construction market stood at 4.4 %; in road construction, this figure even reached 13.0 %.

SLOVAKIA



Overall construction volume: € 4.8 billion
GDP growth: 2016e: 3.6 % / 2017e: 3.5 %
Construction growth: 2016e: -5.4 % / 2017e: 6.2 %

The upswing that has characterised the Slovak economy since 2010 continued in the period under report. Thanks to rising consumer spending of private households and higher net exports, the 2016 GDP growth (3.6 %) exceeded the forecasts by half a percentage point. Despite expectations of lower public-sector investments, Euroconstruct continues to see significant GDP growth (2017: +3.5 %, 2018: +3.9 %, 2019: +4.4 %) in the years to come. This is not least because of the automotive industry, as announcements of new orders by VW, Groupe PSA and Jaguar Land Rover are adding fuel to the Slovak economic engine.

In spite of these circumstances, the construction industry registered in part a negative performance in 2016. This must be seen relative to the previous year's figures, however. The plus of 18.5 % in 2015 had only been possible thanks to enormous state investments in transport infrastructures as well as extensive EU subsidies; against this backdrop, the sector ended the year under report with a minus of 5.4 %.

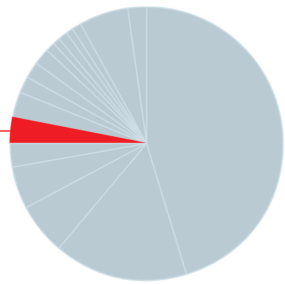
At least the residential construction sector experienced an upswing in 2016, gaining +12.1 % on higher demand, in equal parts, for owner-occupied and investment housing. Being on the more expensive side, luxury apartments remained unsellable. In the highest demand was government-subsidised housing.

Building construction fell by 0.9 % in 2016 despite the renovation, insulation and expansion of school and hospital buildings as well as the construction of scientific and technical centres. The construction of a production facility, a logistics centre and an intermodal terminal for carmaker Jaguar Land Rover – with participation by STRABAG in the preliminary works – supports the positive forecast for 2017 (+3.0 %).

The minus of 20.1 % in civil engineering in the period under report is, as already mentioned, to be seen as a correction after 2015 (+53.4 %). However, several important projects were delayed by authority disputes in the wake of the parliamentary elections. However, the civil engineering volume is expected to grow by 15.0% in 2017.

With a market share of 13.9 % and an output volume of € 461.16 million in 2016, STRABAG is the market leader in Slovakia. In road construction, STRABAG's market share reached 16.6 %. Slovakia contributed 3 % to the group's total output volume in 2016.

HUNGARY



Overall construction volume:	€ 9.0 billion
GDP growth:	2016e: 2.8 % / 2017e: 3.0 %
Construction growth:	2016e: -3.3 % / 2017e: 10.0 %

In the year under report, the growth of the Hungarian economy slowed down somewhat versus 2015 (+3.1 %). At +2.8 % in 2016, however, it was still clearly above the EU average (+1.4 %). Higher real incomes (about +7.0 %), lower unemployment figures (about 5.0 %, half as high as 2013) and, consequently, greater prosperity for the households were strong drivers of domestic consumption. Euroconstruct expects further GDP growth of 3.0 % for 2017 and even foresees a plus of 3.4 % for the 2018 election year.

Although the Hungarian construction industry had to concede an overall decline of 3.3 % in 2016, all the signs are pointing to an upswing as the government is making efforts to fill investment holes and gaps between the EU financing periods with funds from the federal budget. The next years are therefore expected to show an increase in output volume.

Residential construction, which had largely stagnated in the previous two years, proved to be the most successful sector in 2016 with growth of +14.0 %. The market for new construction boomed thanks to a broad and generous fiscal policy of subsidies, tax cuts, tax rebates and special loans that helped to improve the standard of living especially for young families. At the same time, the growth of tourism unleashed an enormous wave of renovations and modernisation works among rental property owners. Further considerable growth (+23.4 % and +20.4 %) is therefore expected for 2017 and 2018 before the sector should consolidate at +6.4 % in 2019.

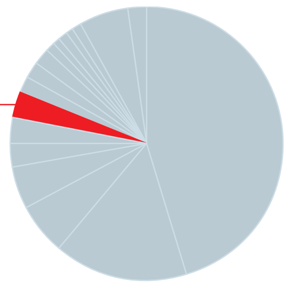
The Hungarian building construction sector (+1.2 %) presented a disparate image in the period under report. On the one hand, private investors made quite noteworthy investments in office, logistics, industrial and agricultural buildings;

on the other hand, many large public-sector projects remain on ice due to the lack of EU financing. As soon as the funding becomes available, there should be a noticeable upswing. The experts are forecasting a plus of 6.5 % for 2017 and even stronger growth of 9.0 % for the following year.

The crash of the Hungarian civil engineering sector (-15.0 %) appears less dramatic when seen against the backdrop of the expired EU funding programmes that had been the cause for strong growth in the years before. There can be no doubt that infrastructure investments are needed, above all in the expansion of the rail network for freight transport and public transportation. This should find expression in the coming years with growth between 6.5 % (2017) and 10.0 % (2018).

The STRABAG Group generated € 448.12 million, or 3 % of its output volume, in Hungary. STRABAG is the number 1 on the Hungarian construction market. The company's share of the entire market stood at 6.4 % in 2016; in road construction, it is 22.5 %.

SWITZERLAND



Overall construction volume:	€ 64.9 billion
GDP growth:	2016e: 1.6 % / 2017e: 1.8 %
Construction growth:	2016e: 0.1 % / 2017e: 1.3 %

With GDP growth of 1.6 % in the period under report, the Swiss economy appears to have recovered somewhat from the "Swiss franc shock" and to have gradually found its way back to moderate growth. Parallel to the recovery of the global economy, Euroconstruct also expects to see positive development in Switzerland for the years 2017–2019 with annual growth of about 1.9 %.

In contrast, the Swiss construction sector gained only 0.1 % in 2016 and is currently in a phase of consolidation. Particularly the poor weather conditions in the spring and summer of 2016 slowed the activity of many construction companies noticeably. Attractive financing conditions and an increasingly friendlier economic framework, however, encourage extensive investments especially in hospital and infrastructure projects. As a result, a plus of 1.3 % is expected for 2017 and should even reach 2.6 % in 2018.

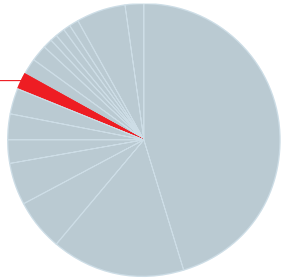
The Swiss residential construction sector stagnated in 2016 at the same low level as the previous year even though institutional investors, in their search for returns on their capital, invested massively in multi-dwelling units. Private investments on the other hand, for example in single-family homes, often failed due to the careful loan granting policy of the Swiss banks. Considering the weak growth of salaries and wages, as well as the situation on the labour market, Euroconstruct predicts only modest growth for residential construction in the coming years (2017: +0.4 %, 2018: +0.7 %).

The slightly better performance (+1.2 %) of non-residential building construction reflects a mixed situation. On the one hand, large projects like the one at the Zurich Airport, or projects by biotechnology and pharmaceutical companies, contributed to growth of this sector. On the other hand, the weak manufacturing industry had no remaining capacity to make investments in 2016 and the market for office buildings also faced an oversupply of free space. The relatively positive forecast for the coming two years (+2.5 % and +2.7 %) can be traced primarily to the need to build new health centres and modernise existing hospitals for the ageing population.

The weakest development in the year under report was registered by civil engineering with a minus of 1.3 %. At least the country's FABI programme to finance and upgrade the Swiss rail infrastructure, which went into effect in 2016, already led to an improvement of the order situation. An additional CHF 6.5 billion are to be invested between 2018 and 2030 following implementation of the national road and agglomeration transport fund (NAF). A final decision, however, was still subject to a plebiscite scheduled for February 2017. The Euroconstruct forecast, therefore, is for +1.7 % in 2017 and +6.4 % in 2018.

Switzerland contributed € 378.34 million, or 3 %, to the STRABAG Group's total output volume in 2016.

BENELUX



BELGIUM

Overall construction volume:	€ 42.2 billion
GDP growth:	2016e: 1.4 % / 2017e: 1.2 %
Construction growth:	2016e: 3.1 % / 2017e: 2.3 %

NETHERLANDS

Overall construction volume:	€ 69.8 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.7 %
Construction growth:	2016e: 5.5 % / 2017e: 4.3 %

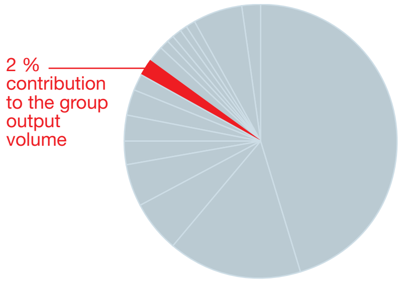
The economy of the Benelux states showed itself to be moderately dynamic, yet constant in 2016. The GDP growth of 1.4 % in Belgium and 1.7 % in the Netherlands, which would have been even higher without the state-imposed reduction of gas production volumes, can be traced back to lower unemployment, higher household incomes and rising corporate investments.

The **Belgian construction output** developed significantly better than had been hoped in the period under report (+3.1 % instead of the expected +0.1 %); particularly non-residential building construction, after two negative years, registered above-average growth of +4.7 %. Although the expiration of the "Schools for Tomorrow" programme in 2017 will most likely mean a slight flattening of the steep upwards curve, Euroconstruct believes that this sector can continue to expect growth rates above 3.0 % even in the coming two years. Residential construction (+3.4 %), which benefited from temporary measures (e.g. more planning permissions) in the year under report, must expect lower growth in 2017 (+1.4 %) because of the end of tax rebates like the bonus for purchasing a home as one's main residence or the reduced VAT rates for renovation works. Bringing up the rear in the Belgian construction economy in 2016 was civil engineering, the only sector to end the year with negative growth (-1.3 %). With the start of construction on the Oosterweel Project to complete the motorway ring around Antwerp by 2020, Euroconstruct expects a strong revival of road construction activity that should give civil engineering a plus of 2.9 % in 2017 and growth of 6.3 % in 2018.

Even stronger was the performance of the **Dutch construction industry** in 2016. With +5.5 %, the sector could latch on to the positive result (+7.5 %) of the year before – which, given the government's radical austerity measures, must be seen as an impressive achievement. The sector again owes its growth primarily to residential construction (+9.5 %) and especially to new constructions, which – not least because of the higher housing need for asylum seekers – gained another 12.0 % after the growth of 32.3 % in 2015. Admittedly, these figures are based on very low baseline values; in combination with historically low credit rates and tax incentives for residential renovation, Euroconstruct therefore forecasts further growth for this sector of 6.6 % and 6.0 % in the next two years. The figures for building construction and civil engineering (+3.3 % and +2.6 % in the last year) are quite modest in comparison. Federal budget cuts are forcing local governments to put new construction projects on hold in favour of more affordable maintenance measures, which is why growth is expected to remain only moderate, albeit constant, in the years to come. In total, Euroconstruct forecasts construction growth of 28 % in the Netherlands for the years 2014–2019, which could make up for 90 % of the losses from the crisis years.

STRABAG generated an output volume of € 308.93 million in the Benelux countries in 2016. This corresponds to a share of 2 % of the group output.

ROMANIA



Overall construction volume:	€ 16.1 billion
GDP growth:	2016e: 4.8 % / 2017e: 4.3 %
Construction growth:	2016e: 3.7 % / 2017e: 5.2 %

With GDP growth of 4.8 % in 2016, Romania again ranked at the top of the list of EU member states. Rising industrial production and retail sales boosted the economy, while increased employment figures, greater real wages and the generally higher standard of living found expression in private and public-sector investments. The cumulative effect of these factors, according to EECFA (Eastern European Construction Forecasting Association), promises similarly high GDP growth also in the next two years (average +4.4 %).

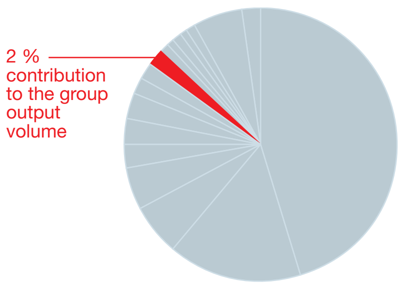
The Romanian construction industry developed in line with the general economic upswing in the year under report, registering positive growth (+3.7 %) for the second year in a row since 2015. The increases are even expected to reach 5.2 % and 8.6 % in 2017 and 2018. Residential construction in particular, which accounts for about one third of the total market, posted enormous gains in 2016 (+12.8 %). Historically low mortgage rates and an attractive speculative market situation – characterised by low construction costs and rising real estate prices – should continue to generate annual growth between 10 % and 12 % in the medium term.

A generous plus of 5.3 % was also registered by building construction, which above all owes its success to offices and industrial buildings. Especially in IT, Romania is attracting numerous foreign companies to the country with its relatively low wages and highly qualified labour force. EECFA therefore expects annual growth rates of 5.8 % in the next two years.

The expected negative performance in civil engineering (-4.1 %) must be seen against the backdrop of the extremely strong value from 2015 (+10.3 %) when the government, afraid of losing EU subsidies, developed the greatest possible activity in this sector. With the implementation of the new EU financing programmes, together with the political changes following the change of government in 2016, the civil engineering sector will likely continue to stagnate for another year (2017: -1.0 %) before – above all thanks to new projects in road and rail construction – an upswing takes hold in 2018 that EECFA quantifies at +9.5 % from today's vantage point.

The STRABAG Group, with an output volume of € 253.71 million in 2016 and a market share of 1.5 %, continues to hold the position of market leader in the Romanian construction market. In road construction, the share of the market amounts to 1.3 %.

DENMARK



Overall construction volume:	€ 28.1 billion
GDP growth:	2016e: 1.0 % / 2017e: 1.8 %
Construction growth:	2016e: 2.1 % / 2017e: 2.5 %

As in previous years, Denmark's economy grew at a weak yet positive rate in 2016. The GDP plus of 1.0 % can primarily be traced to increased gross investments in property, plant and equipment as well as private consumption, which is being aided by the continuing decrease of the already low level of unemployment. Foreign trade, on the other hand, remains a cause for concern for the Danish economy. Euroconstruct nevertheless sees the future as quite positive. The national debt is within the Maastricht limit and above all the considerable wealth of private investors nourishes expectations of moderate, yet steady growth.

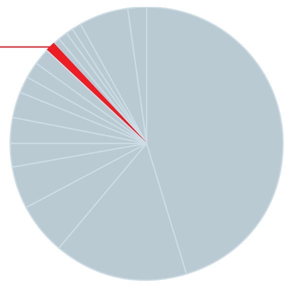
In comparison to the economy as a whole, the Danish construction industry performed better in the period under report. The plus of 2.1 % indicated that the above-average decline since the beginning of the financial and economic crisis is now being followed by a just as above-average upswing (+2.5 % are forecast for 2017, +3.0 % for 2018). This development is due not least to the need for affordable, at times temporary, accommodation for refugees. Residential construction therefore posted the highest gains in 2016 (+2.4 %), a trend that is expected to continue (up to +3.0 % in 2019). One uncertainty for the medium-term development of the construction economy, however, is the increase of the already high property taxes proposed by the Danish government in October 2016.

In non-residential building construction, which generated a plus of 1.7 % in 2016, an extensive programme for new hospitals promises strong momentum in the next few years. Euroconstruct expects growth of 3.7 % for 2017 and even awaits +4.2 % and +4.3 % for 2018 and 2019.

The performance of the civil engineering sector (+2.0 %) had to be adjusted downwards in 2016. Not only were planned subsidies for the expansion of transport infrastructures cut after the change of government in 2015, construction has also been delayed on the Fehmarnbelt project as planning permission for the 17.6 km road and rail tunnel is still outstanding from the German side. Considering the unpredictability of such politically delicate issues, Euroconstruct is willing to venture only a careful growth forecast for this sector: +1.5 % for 2017 and +2.0 % for 2018.

The STRABAG Group generated an output volume of € 234.39 million in Denmark in 2016, thanks mostly to the contributions from building construction.

SWEDEN



Overall construction volume:	€ 37.3 billion
GDP growth:	2016e: 3.4 % / 2017e: 2.1 %
Construction growth:	2016e: 6.9 % / 2017e: 2.7 %

The Swedish economy expanded by 3.4 % in 2016, more strongly than had been expected. Driving this growth were, besides the generally expansive financial policy, the low credit rates, falling unemployment, rising real wages and the resulting increased domestic consumption, which was also supported by the great number of refugees immigrating to the country. But experts are warning that the Swedish households are in debt and that private investments as well as public spending will fall back noticeably in the next few years. Euroconstruct expects a step-by-step reduction of GDP growth to 1.6 % by 2019.

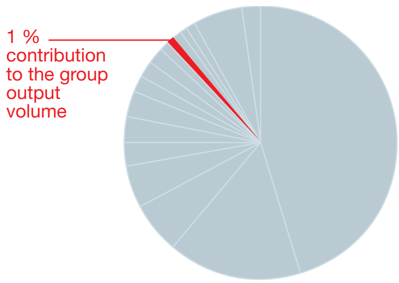
With growth of 6.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2016. A downright boom was registered by residential construction, which, after the strong previous year (+16.4 %), grew by another 12.4 %. Sweden is admittedly still far from the government's ambitious goal of creating 70,000 new homes a year by 2025. As the steep production curve is expected to flatten out, a plus of 3.8 % should still be possible in 2017 before negative growth rates (-0.3 % to -4.0 %) from 2018 onwards.

With a generous plus of 4.4 %, the Swedish building construction sector presented itself as surprisingly strong in 2016. Industrial and retail buildings contributed to this growth as much as new health centres, schools and other educational facilities that are necessary as a result of the country's demographic development. According to Euroconstruct, a moderate decline to +1.2 % is likely already in 2017 as the real estate market is expected to cool and credit rates are expected to rise.

In 2016, civil engineering (+1.6 %) once again brought up the rear in the Swedish construction economy. The investment deficit that has been accumulating for years in transporta-

tion infrastructures means that a large part of the budget is going towards renovation and maintenance works. Still, intense work is being carried out on new large-scale projects – above all in Stockholm and around Gothenburg. For this reason, the experts are forecasting the most significant growth in this sector (2017: +2.6 %, 2018: +2.4 %) for the years to come.
The output volume of the STRABAG Group in Sweden amounted to € 179.07 million in 2016. The activities are focused on projects in infrastructure and residential construction.

RUSSIA



Overall construction volume:	€ 107.8 billion
GDP growth:	2016e: -0.7 % / 2017e: 0.7 %
Construction growth:	2016e: -1.1 % / 2017e: -1.7 %

2016 was a difficult year for the Russian economy, as the country had to fight battles on several fronts. On the one hand, and in the truest sense of the word, it was involved in armed conflicts in Ukraine and Syria; on the other hand, in an economic sense, the continuing Western sanctions as well as the low level of the rouble exchange rate and of the oil price had a noticeable impact. The GDP consequently fell for the second year in a row, even if it was by just 0.7 % this time. EECFA expects rising consumer demand to lead to a turnaround (+0.7 %) already in 2017; for 2018, the plus should amount to 1.5 %.

As always, the reaction of the construction industry to the economic development was delayed and differed from sector to sector. Declines in residential and non-residential construction were contrasted by significant growth in civil engineering. In total, this resulted in negative performance of -1.1 %. A further minus of 1.7 % is expected for 2017 before the situation should begin to improve in 2018 with an estimated +2.0 %.

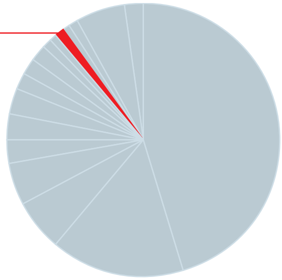
The decline of 5.7 % in residential construction is due primarily to the strongly reduced demand for single-family homes, which – in contrast to multi-dwelling units – received no federal subsidies. The government is now attempting to boost this sector with subsidised mortgage loans, but experience has shown that the market response to such measures is sluggish. Residential construction is therefore again expected to end 2017 with a negative performance (-7.1 %) before the state programmes have an effect (2018: +2.7 %). Compounding matters for the immediate future, recent changes to Russian law are complicating the realisation process for residential buildings.

Non-residential building construction also performed poorly in the year under report. The minus of 4.9 % reflects the dropping order volumes, the lack of solvent tenants and the conversion of commercial real estate already under construction. These difficulties can be blamed on the lower income among the population, which inevitably impacts purchasing power and retail sales. As the public sector also sees itself forced to save, the construction of educational facilities will likely continue to fall until 2018. The situation is not expected to improve until the overall economy has recovered somewhat – given the usual delayed reaction, not before 2019. The only ray of hope in this sector is the construction of health buildings.

The only sector to end 2016 on a positive note was civil engineering, which grew by a full 5.2 %. Here, too, the government filled several budget holes with outside financial support. For road construction, for example, a motorway toll system ("Plato") was introduced for trucks weighing over 12 t; moreover, income from traffic fines is now specifically appropriated for the maintenance of regional road networks. In the coming years, civil engineering growth will be supported particularly by the realisation of important gas pipeline projects as well as construction works for the power supply infrastructure. An annual plus of 3.0 % is expected for both 2017 and 2018.

The STRABAG Group generated an output volume of € 138.86 million in Russia in 2016. This region contributed 1 % to the group's overall output volume in the period under report. STRABAG is active almost exclusively in building construction and civil engineering in the region.

SERBIA



Overall construction volume: € 2.1 billion
GDP growth: 2016e: 2.8 % / 2017e: 3.2 %
Construction growth: 2016e: 9.4 % / 2017e: 11.0 %

Serbia's economy recovered from the floods of 2014 that had plunged the country into a recession. The hesitant upswing in 2015 was fuelled by the government with a legislative reform as well as a reform of the state approval procedures, which led to an abundance of planning permissions across all sectors. The construction industry was thus able to contribute significantly to the unexpectedly high economic growth of +2.8 %, a development that is especially impressive considering the simultaneous realisation of a three-year budget consolidation plan as well as drastic savings measures. GDP forecasts of +3.2 % (2017) and +3.5 % (2018) therefore appear quite plausible.

Serbia's construction industry, which had already celebrated a generous plus of 18.0 % in 2015, was able to grow by a further 9.4 % in the period under report. In contrast to previous years, in which priority had been given to the reconstruction of roads, bridges and transport infrastructures, the focus now has been on both residential and non-residential building construction. Since Serbia managed to reduce its budget deficit to 1.5 % in 2016, the rigid austerity measures are expected to be relaxed in 2017, which promises higher public-sector investments and, consequently, a brighter future for the construction industry. Specific estimates are for +11.0 % in 2017 and +13.0 % in 2018.

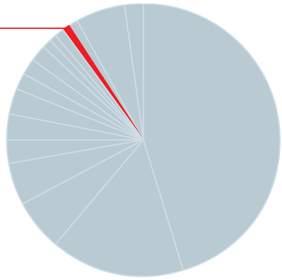
The performance of the residential construction sector (+15.6 %) is being interpreted not only as a revival but also as the beginning of a new growth cycle. The market in this sector is currently growing equally in terms of supply and demand. The experts believe that falling unemployment, rising incomes, lower interest rates and accelerated permission procedures will lead to further double-digit growth rates in 2017 and 2018.

The aforementioned legislative reform had an even stronger impact on the building construction sector (+26.0 %) and many backlogged projects could finally be started following permission in 2016. Additionally, retail and industrial buildings particularly, but also health buildings and transport-related structures, benefited from public-sector investments that had been lacking in the years before.

Civil engineering again contributed the greatest share to Serbia's construction volume growth in 2016, although the apparently marginal plus of 1.0 % must be seen in relation to the enormous growth the year before (+26.4 %). While the Serbian road network has meanwhile reached a sufficient level, extensive expansionary works on the rail infrastructure are now needed. The energy sector, with the construction of new power plants and the expansion of the power grid, is contributing enormously to the overall construction output. EECFA expects another strong plus of 9.9 % for 2017 and growth of 14.8 % in 2018.

The STRABAG Group achieved an output volume of € 89.28 million on the Serbian market in 2016.

ITALY



Overall construction volume:	€ 164.5 billion
GDP growth:	2016e: 0.8 % / 2017e: 0.9 %
Construction growth:	2016e: 1.9 % / 2017e: 2.2 %

Following the turnaround in 2015, Italy was able to stabilise its economic growth in the period under report. The modest plus of 0.8 % reflects the conflicting signals coming from the labour market – rising employment rates, falling unemployment figures – on the one hand and, on the other hand, from the weaker domestic demand not least as a result of the waning confidence of the households.

In 2016, the Italian construction industry grew significantly more strongly than the economy as a whole. The plus of 1.9 % confirms the upswing that had set in the year before after nearly a decade of negative dynamism. Euroconstruct also expects continuous growth of the construction economy for the next three years with an annual average of +2.0 % – on the condition that there are sufficient funds in the budget to realise the planned investment programme and that renovation measures can be further boosted through tax rebates.

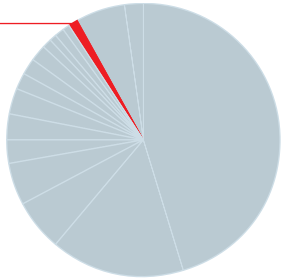
In contrast to 2015, when the individual construction sectors reported quite disparate performances, the industry presented itself largely homogenous in 2016 with growth between 1.7 % (residential construction) and 2.1 % (building construction and civil engineering). The only negative performance remains that of new residential buildings (-4.4 %), which, however, could be offset by the plus of 3.1 % among renovations. Euroconstruct believes that this subsector will continue to play an important role in the years to come.

Building construction, with a plus of 2.1 %, was able to latch on to its good performance of the previous year (+2.3 %). The growth of 2.7 % among new buildings, in combination with the consistently strong renovations activities (+1.9 %), leads Euroconstruct to expect continuous growth between 1.7 % and 2.3 % also for the next three years.

The fact that civil engineering could again report growth by 2.1 % after the already strong performance in 2015, confirms the stable upwards development in this sector. The expectations for the coming years are correspondingly positive (2017: +2.5 %, 2018: +3.1 %, 2019: +3.8 %). This forecast is supported not only by the government's plans to invest strongly in infrastructure projects but also by the available data regarding public tenders and already awarded contracts.

The output volume of the STRABAG Group in Italy amounted to € 81.61 million in 2016. STRABAG is mainly active in tunnelling and road construction in the north of the country and the output volume is therefore assigned largely to the segment International + Special Divisions.

CROATIA



Overall construction volume:	€ 2.9 billion
GDP growth:	2016e: 2.6 % / 2017e: 2.5 %
Construction growth:	2016e: 5.3 % / 2017e: 8.2 %

With GDP growth of 2.6 %, the Croatian economy clearly surpassed the original forecast (+1.0 %) in 2016. Thanks to the new, stable government, EECFA expects to see similarly strong growth rates in the coming years.

The general economic upswing also had a noticeable impact on the Croatian construction sector. Following the turnaround in 2015, which saw the first positive result (+5.0 %) after six negative years, the current plus of 5.3 % is confirmation of the upwards trend. For 2017 and 2018, the experts expect further growth at rates of up to 8.2 %. One of the reasons for the above-average performance of the construction industry is to be found in the increasingly skilful use of EU subsidies, which had previously been tapped to a much lesser degree.

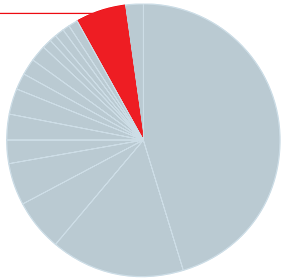
The most gratifying, albeit smallest plus (+2.8 %) in 2016 was generated by the problem child of the Croatian construction industry: residential construction. Since the start of the financial and economic crisis, this sector had performed consistently negative. Thanks to rising incomes and a constant (foreign) demand for holiday homes, it appears that the turnaround has finally been reached. However, the EECFA forecast of +8.6 % and +7.1 % for the next two years must be enjoyed with a word of caution. The government is planning to increase property taxes and eliminate tax rebates for a first home purchase. These measures, despite the planned introduction of subsidised credit rates, will have an overall negative impact on young buyers.

Leading the pack in the year under report was, once more, building construction (+7.6 %) and particularly hotel buildings. The tourism boom, recent privatisations and increased availability of financing helped grow this sector by 38 % in the reporting year. Storage and industrial buildings also registered enormous growth, while office buildings exhibit growth potential only for the future. In total, the building construction sector should continue to register solid growth in the years to come with a plus of 6.3 % in 2017 and 5.6 % in 2018.

Within Croatia's civil engineering sector (+4.9 %), the development was diversified in 2016. On the one hand, pipelines, communication networks, power grids, and water collection and treatment systems together grew by 25 %. On the other hand, bureaucratic barriers delayed the expansion of the road and, above all, the rail network, which resulted in a negative performance in transportation infrastructures (-5.0 %). If Croatia manages to eliminate these internal problems, the future performance of the civil engineering sector could even exceed the EECFA forecasts (2017: +9.5 %, 2018: +6.0 %).

The STRABAG Group generated € 78.07 million on the Croatian market in 2016.

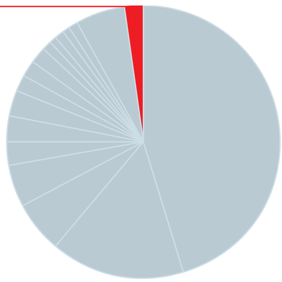
MIDDLE EAST, AMERICAS, AFRICA, ASIA



To ensure its independence from the economic conditions in individual countries as much as possible, STRABAG is active not only on its main European markets but also outside of Europe – mostly as main contractor in direct export. For many years, often even decades, the company has had a presence above all in Africa and Asia, Canada and Chile, as well as the Middle East. The focus of STRABAG's international activities is on civil engineering, industrial and infrastructure projects, and tunnelling – demanding fields in which a high level of technological expertise is needed. Milestones in the year under report include the contract awards for the Chilean copper mines Chuquicamata and El Teniente. Business activities in the markets of the Middle East, however, where the group has traditionally had a strong presence, have slowed down because of the relatively weak oil prices.

In total, the STRABAG Group generated € 824.11 million, or 6 %, of its overall group output volume outside of Europe in 2016. The activities in non-European countries – with minor exceptions – are assigned to the segment International + Special Divisions.

SLOVENIA, BULGARIA AND REST OF EUROPE



SLOVENIA

Overall construction volume:	€ 2.3 billion
GDP growth:	2016e: 2.3 % / 2017e: 2.9 %
Construction growth:	2016e: -8.4 % / 2017e: 4.9 %

BULGARIA

Overall construction volume:	€ 6.1 billion
GDP growth:	2016e: 3.2 % / 2017e: 3.0 %
Construction growth:	2016e: -18.5 % / 2017e: 7.8 %

Slovenia

With GDP growth of 2.3 %, the Slovenian economy developed as positively as expected in 2016 thanks to several factors. With the restructuring of the banking system, a sense of normality returned to loan granting in 2015 and especially in 2016. Additional contributions came from the falling unemployment figures and higher real wages. This positive trend should continue in the medium term and a plus of 2.9 % and 2.6 % is expected for the coming two years.

As expected, the Slovenian construction sector, due to the lack of available credit lines, was unable to keep up with the positive overall economic development. At -8.4 %, however, the minus was less drastic than had been feared and the return to normal financing possibilities indicates a significantly more positive future. EECFA forecasts a plus of 4.9 % already for 2017 and even foresees growth of 14 % in 2018. These welcome prospects, however, are offset by the challenge of satisfying the growing demand. As most of the large construction companies in the country went bankrupt during the crisis years, many non-industry companies and foreign players are pushing their way onto the market, which brings with it the risk of great competitive pressure.

By far the strongest growth in the period under report was registered by residential construction (+4.3 %), driven primarily by the construction of new single-family homes and the renovation of existing buildings. The positive outlook for 2017 (+7.7 %) and 2018 (+6.2 %), however, should not hide the fact that the sector is growing at disparate rates in different parts of the country. Ljubljana and the coast can expect significantly stronger growth than, for example, Maribor.

Surplus capacities, i.e. unsold and unused office and industrial space, influenced the performance of the non-residential building construction sector in 2016. The minus of 8.2 % resulted not least from the lack of new construction projects (-20.3 %). With increasing demand and private investments, the experts expect a return to positive growth of 7.1 % already in 2017.

Civil engineering exhibited a quite volatile development in the past few years. It grew by 33.2 % (2014), then fell back by 9.1 % (2015) before reaching a new low with -18.1 % in the year under report. Triggering this volatility is the question of financing. Since the expiration of EU funding, investments have been lacking because public-private partnership models to finance large infrastructure projects have not been usual in Slovenia so far. This situation should change in 2018 with the start of construction on the rail line to the Port of Koper and the expansion of the Karawanks motorway tunnel. The forecasts for this sector are accordingly promising (2017: +1.3 %, 2018: +26.3 %).

In 2016, the STRABAG Group generated an output volume of € 65.14 million in Slovenia and so positioned itself as the second-largest construction company in the country.

Bulgaria

The Bulgarian economy expanded by 3.2 % in 2016, more strongly than had been expected. Driving this development were the falling unemployment figures and rising real wages as well as the resulting higher private consumption. Given the stable budget deficit of 1 % as well as an inflation rate below 1 %, the GDP can be expected to grow by 3.0 % in 2017.

Despite the positive economic environment, the Bulgarian economy struggled with several difficulties in the year under report. This resulted in a minus of 18.5 % overall. Especially the transition from one EU programme period to the next was not very smooth and caused dramatic declines in civil engineering (-33.6 %), which, however, must be seen as only temporary. A number of large projects in the pipeline should get started in 2017, above all rail and road construction works, the expansion of the underground system in Sofia and the expansion of the gas pipeline links to the neighbouring countries. The future energy policy, however, will depend strongly on the new government to be elected this year. At any rate, EECFA expects a revival of the civil engineering sector for the next two years with growth of +8.7 % and +10.9 %.

Unlike the civil engineering sector, which depends greatly on EU subsidies, residential and non-residential building construction again registered generous growth in 2016 (+5.4 % and +5.0 %). Low mortgage rates drove residential construction, above all in the large cities of Sofia and Plovdiv, while tourism, which benefited from the uncertain situation in Turkey and Egypt, boosted the activities on the Bulgarian Black Sea coast. Thanks to state programmes to improve energy efficiency, which includes funding for renovation works, in particular on large panel system buildings, the experts' predictions for growth of 11.6 % (2017) and 14.3 % (2018) in the residential construction sector appear realistic.

In building construction, the segments of office, industrial and logistics buildings developed more dynamically in 2016 than had been expected and so were able to offset the stagnation among retail buildings. In the medium term, EECFA expects further, although modest, growth rates of +4.6 % (2017) and +2.9 % (2018).

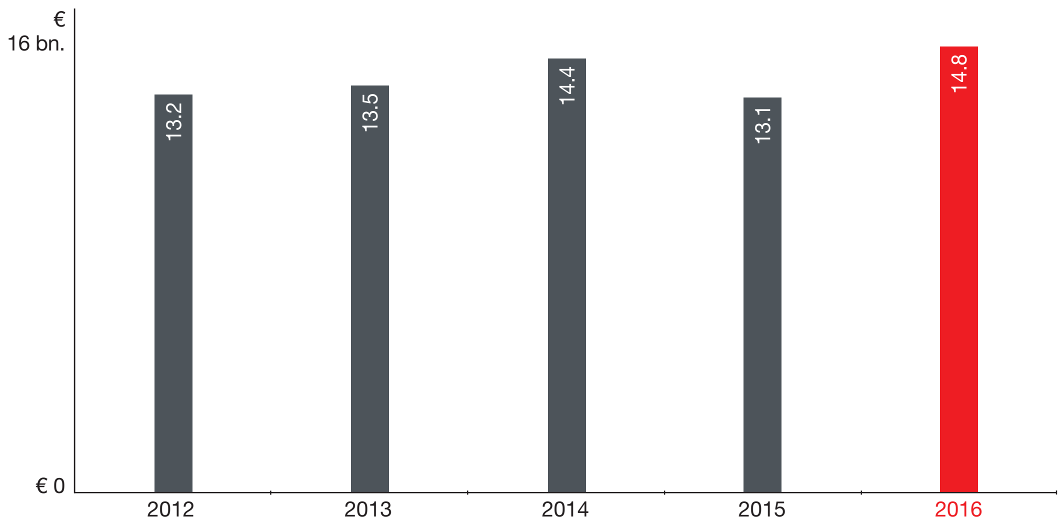
The STRABAG Group generated € 26.90 million on the Bulgarian market in 2016.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2016

€ mln.	Total 2016	North + West	South + East	International + Special Divisions	Other	Total 2015	Δ total %	Δ total absolute
Germany	6,493	5,175	82	1,230	6	4,876	33	1,617
Austria	1,856	30	1,250	575	1	1,733	7	123
Italy	963	0	1	962	0	1,011	-5	-48
Poland	873	853	0	20	0	849	3	24
Americas	689	3	0	686	0	457	51	232
Slovakia	515	0	498	17	0	355	45	160
Benelux	412	389	14	9	0	347	19	65
Middle East	403	4	1	398	0	501	-20	-98
Sweden	376	359	0	17	0	278	35	98
Czech Republic	287	0	272	14	1	323	-11	-36
Romania	271	5	257	9	0	393	-31	-122
Hungary	268	9	245	14	0	137	96	131
Rest of Europe	252	11	158	83	0	264	-5	-12
Switzerland	247	14	225	8	0	307	-20	-60
Russia	241	18	197	26	0	390	-38	-149
Asia	171	0	3	168	0	267	-36	-96
Denmark	160	149	0	11	0	322	-50	-162
Croatia	106	0	104	2	0	55	93	51
Serbia	83	0	81	2	0	94	-12	-11
Africa	55	11	0	44	0	92	-40	-37
Slovenia	51	0	51	0	0	57	-11	-6
Bulgaria	44	0	44	0	0	27	63	17
Total	**14,816**	**7,030**	**3,483**	**4,295**	**8**	**13,135**	**13**	**1,681**

DEVELOPMENT OF ORDER BACKLOG



Numerous new large orders in building construction and in transportation infrastructures in Germany helped push the order backlog in the country and in the group total to a new record high of € 14.8 billion in 2016, a plus of 13 % versus the previous year. At the same time, growth in Chile, Slovakia, Hungary and Austria was balanced out by declines in Denmark, Russia and Romania.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.	Order backlog as % of total
Small orders (€ 0–1 mln.)	10,538	85	1,879	13
Medium-sized orders (€ 1–15 mln.)	1,526	12	2,837	19
Large orders (€ 15–50 mln.)	234	2	3,337	22
Very large orders (>€ 50 mln.)	99	1	6,763	46
Total	**12,397**	**100**	**14,816**	**100**

Part of risk management

The overall order backlog is comprised of 12,397 individual projects. More than 10,000 of these, or 85 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 15 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 99 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2016 added up to 19 % of the order backlog, compared to 18 % at the end of 2015.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Country	Project	Order backlog € mln.	as % of total order backlog
Italy	Pedemontana motorway	798	5.4
Chile	Chuquicamata, underground mine	419	2.8
Germany	Stuttgart 21, underground railway station	292	2.0
Austria	Koralm Tunnel, Section 2	244	1.6
Germany	Axel Springer new construction, Berlin	221	1.5
Germany	Messe City, Cologne	211	1.4
Chile	Alto Maipo power plant	162	1.1
Israel	5th Water Supply, Jerusalem	148	1.0
Germany	Adlershof office building	146	1.0
Germany	Adidas World of Sports	124	0.8
Total		**2,765**	**18.7**

Impact on changes to the scope of consolidation

In the 2016 financial year, 58 companies (thereof five because of mergers with fully consolidated companies) were included in the scope of consolidation for the first time. These companies contributed a total of € 29.17 million to group revenue and € 5.11 million to net income after minorities. As a result of first-time inclusions, current and non-current assets increased by € 380.84 million, current and non-current liabilities by € 180.40 million.

Financial performance

The consolidated **group revenue** for the 2016 financial year amounted to € 12,400.46 million. This corresponds to a minus of 6 % – the same change as with the output volume. The ratio of revenue to output remained at the previous year's level of 92 %. The segment North + West contributed 47 %, South + East 31 % and International + Special Divisions 22 % to the revenue.

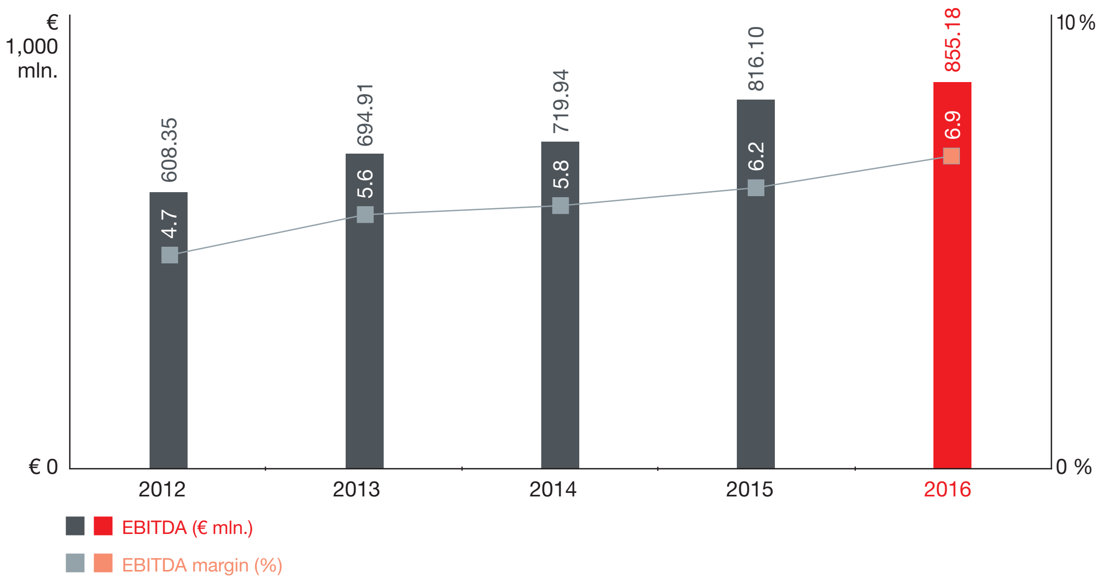
The **changes in inventories** involve mainly the real estate project development business, which was conducted as actively in 2016 as in the past. While disposals had affected the changes in inventories in 2015, the successful sales were overcompensated in 2016 by new project developments. The **own work capitalised** remained at a very low level. The total of **expenses for construction materials, consumables and services used** and the **employee benefits expense**, expressed in relation to the revenue, remained unchanged at 90 % – the same as in the past few years.

EXPENSES

€ mln.	2016	2015	Δ %
Construction materials, consumables and services used	7,980.01	8,619.03	-7
Employee benefits expense	3,210.91	3,158.25	2
Other operating expenses	795.85	826.90	-4
Depreciation and amortisation	430.27	475.06	-9

The **share of profit or loss of equity-accounted investments**, which also includes earnings from joint ventures, grew significantly versus the year before. This item includes both non-operating income from the sale of a minority investment related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million as well as losses resulting from a low double-digit million euro impairment in the offshore wind business. The **net income from investments**, composed of the dividends and expenses of many smaller companies or financial investments, could also be increased as a result of reduced expenses arising from investments.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN



Effective tax rate: 33.0 %

Earnings per share: € 2.71

In total, there was a 5 % increase of the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) to € 855.18 million, while the EBITDA margin grew from 6.2 % to 6.9 %. Adjusted for the aforementioned non-operating item, the EBITDA and the EBITDA margin would have amounted to € 827.37 million and 6.7 %, respectively. The **depreciation and amortisation** fell by 9 % to € 430.27 million, mainly because of the sale of hydraulic engineering equipment – a special depreciation allowance of € 21.7 million had been recorded in this regard the year before. The figure contains goodwill impairment in the amount of € 4.88 million, which is a clear reduction compared to the previous year's € 24.75 million.

The **earnings before interest and taxes** (EBIT) increased significantly by 25 % to € 424.91 million, which corresponds to an EBIT margin of 3.4 % after 2.6 % in 2015. The improvement would have been possible even without the special item, in which case the EBIT and the EBIT margin would have reached € 397.10 million and 3.2 %, respectively. This is due in part to the absence of past burdens related to large projects and the earnings improvements in the home markets of Austria and Germany. The combination of the unexpectedly low revenue with aperiodic positive impacts on earnings in 2016 makes it impossible to simply extrapolate the margin values for the following year.

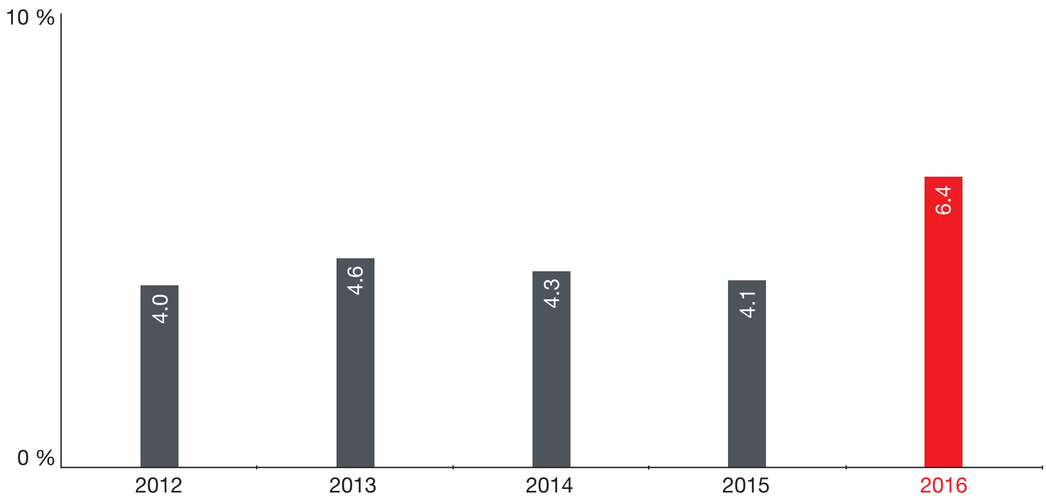
The **net interest income** was greatly reduced with € -3.78 million after € -24.42 million the year before. The positive foreign currency effects increased to € 13.01 million in 2016 (2015: € 8.43 million). Loan repayments helped to bring down the interest on borrowings.

In the end, the **earnings before taxes** showed a plus of 33 %. The income tax ratenearly returned to normal at 33.0 % after a reported rate of 42.4 % in 2015 that had resulted from the absence of tax relief for the losses in Chile, goodwill impairments and in response to back taxes due to company audits in Germany. The **net income** settled at € 282.00 million in 2016. After € 182.50 million in 2015, this corresponds to an increase of 55 %.

The STRABAG Group in 2016 acquired the remaining minority interest in Ed. Züblin AG. The earnings owed to minority shareholders thus amounted to only € 4.34 million, compared to € 26.21 million the year before. Consideration must be given to the fact that the minority shareholders of Ed. Züblin AG still helped carry the winter losses from the first quarter of 2016. The **net income after minorities** for 2016 came to € 277.65 million, a plus of 78 % versus the previous year. The **earnings per share** also increased by 78 % to € 2.71.

The **return on capital employed** (ROCE)[1)] increased from 4.1 % to 6.4 %. This is its highest level in nine years.

DEVELOPMENT OF ROCE



1) ROCE = (net income + interest on debt – interest tax shield (25 %))/(average group equity + interest-bearing debt)

Financial position and cash flows

BALANCE SHEET

€ mln.	2016	% of balance sheet total[1]	2015	% of balance sheet total
Non-current assets	4,129.93	40	4,205.41	39
Current assets	6,248.48	60	6,523.46	61
Equity	3,264.59	31	3,320.64	31
Non-current liabilities	2,420.40	23	2,440.88	23
Current liabilities	4,693.42	45	4,967.35	46
Total	**10,378.41**	**100**	**10,728.87**	**100**

The **balance sheet total** of STRABAG SE fell back from € 10.7 billion to € 10.4 billion. This was in large part due to the decrease in cash and cash equivalents from € 2.7 billion to € 2.0 billion as well as the increase of inventories resulting from the inclusion of projects form the acquisition of Raiffeisen evolution project development GmbH (now STRABAG Real Estate GmbH, Vienna). Conspicuous on the liabilities side is the stable **equity ratio** of 31.5 % (2015: 31.0 %), the reduced financial liabilities and the significantly lower non-controlling interests following the acquisition of all minority interests in Ed. Züblin AG.

KEY BALANCE SHEET FIGURES

	2012	2013	2014	2015	2016
Equity ratio (%)	31.2	30.7	30.6	31.0	31.5
Net debt (€ mln.)	154.55	-73.73	-249.11	-1.094.48	-449.06
Gearing ratio (%)	4.9	-2.3	-7.9	-33.0	-13.8
Capital employed (€ mln.)	5,322.35	5,462.11	5,357.82	5,448.01	5,258.17

Net cash position: € 449.06 million

As usual, a **net cash position** was reported on 31 December 2016. This figure fell from € 1,094.48 million to € 449.06 million, as an unusually high level of cash and cash equivalents had been registered in 2015 and several noteworthy enterprise investments and one real estate investment were financed with existing liquidity in 2016.

CALCULATION OF NET DEBT[2]

€ mln.	2012	2013	2014	2015	2016
Financial liabilities	1,649.98	1,722.70	1,609.92	1,579.75	1,426.08
Severance provisions	79.91	78.40	97.66	96.13	110.02
Pension provisions	429.92	422.24	505.94	451.50	457.48
Non-recourse debt	-630.31	-585.11	-538.61	-489.53	-439.38
Cash and cash equivalents	-1,374.96	-1,711.97	-1,924.02	-2,732.33	-2,003.26
Total	**154.55**	**-73.73**	**-249.11**	**-1,094.48**	**-449.06**

Despite a 5 % higher cash flow from earnings of € 690.37 million, the **cash flow from operating activities** fell by 79 % to € 264.17 million. The strong working capital reduction of the previous years, influenced among other things by the uncharacteristically high project-related advance payments, was now reversed by around one half as expected. The **cash flow from investing activities**, as a consequence of higher investments in property, plant and equipment, through the acquisition of the Tech Gate Vienna property near the STRABAG headquarters in Vienna, and because of the acquisition of Raiffeisen evolution group (now STRABAG Real Estate GmbH, Vienna) sank by 36 % on the year to € -434.43 million. The **cash flow from financing activities** amounted to € -564.18 million after € -117.55 million in 2015. This development was driven especially by the acquisition of the remaining shares of Ed. Züblin AG and by the refinancing in the real estate project development business. Additionally, a bond issue last year had contributed positively to the cash flow.

1) Rounding differences are possible.
2) The non-recourse liabilities that were considered are related to a single PPP project. 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.

REPORT ON OWN SHARES

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016. As at 31 December 2016, STRABAG SE holds 7,400,000 bearer shares equalling 6.7 % of the share capital. Their 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. The average purchase price per share was € 20.79.

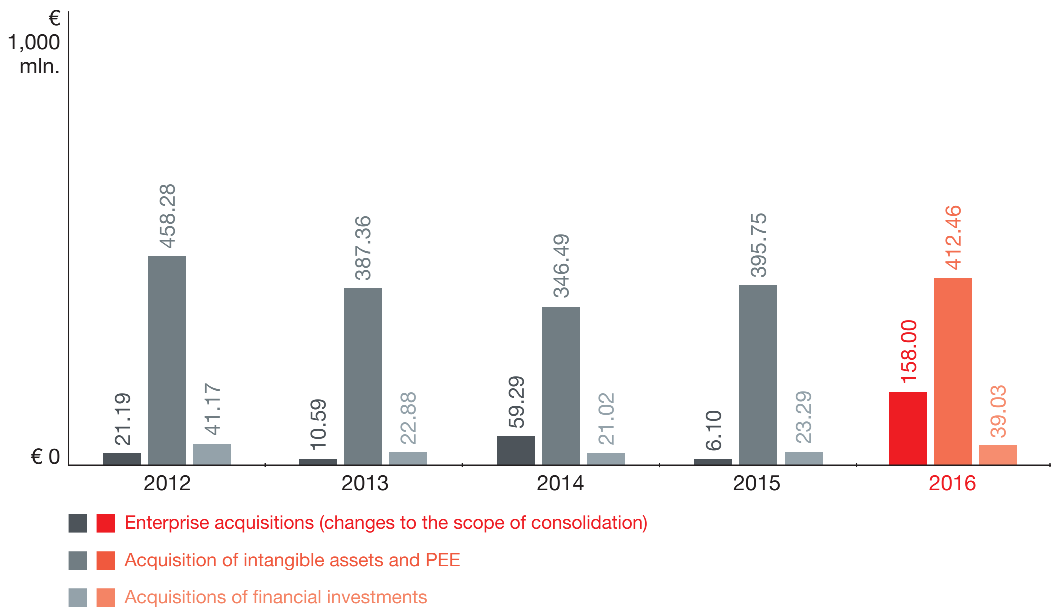
Capital expenditures

STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 400 million for the 2016 financial year. In the end, they totalled € 434.43 million for a level that was again at that of 2014. This figure had been unusually low in 2015 due to the lack of any significant acquisitions.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 609.49 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 412.46 million, the **purchase of financial assets** in the amount of € 39.03 million, and **enterprise acquisitions** (changes to the scope of consolidation) of € 158.00 million. About € 250 million is spent annually as maintenance expenditures related to the equipment and vehicle fleet in order to prevent inventory obsolescence. In addition to these necessary maintenance expenditures, of which the largest proportion in 2016 was spent in Germany, Austria and the Czech Republic, STRABAG also invested especially in construction materials.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against depreciation and amortisation in the amount of € 430.27 million. This figure also includes goodwill impairment in the amount of € 4.88 million.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2012	2013	2014	2015	2016
Interest and other income (€ mln.)	73.15	66.72	82.17	82.07	73.90
Interest and other expense (€ mln.)	-123.87	-98.26	-108.37	-106.49	-77.68
EBIT/net interest income (x)	-4.1	-8.3	-10.8	-14.0	-112.4
Net debt/EBITDA (x)	0.3	-0.1	-0.3	-1.3	-0.5

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 2016, STRABAG SE had four bonds with a total volume of € 675 million on the market.

In order to diversify the financing structure, STRABAG SE had placed its first **bonded loan** in the amount of € 140 million in the 2012 financial year. The variable interest portions of the bonded loan were refinanced at better conditions in 2015. This long-term debt financing instrument is in many ways similar to a bond, with an important difference being that bonded loans are issued directly to institutional investors without using an organised capital market, i.e. an exchange.

The existing liquidity of € 2.0 billion assures the coverage of the group's liquidity needs. Nevertheless, further bond issues or a refinancing of existing financing instruments are planned, depending on the market situation, in order to maintain a high level of liquidity reserves in the future and to take advantage of favourable market conditions.

Total credit line for cash and surety loans of € 7.5 billion

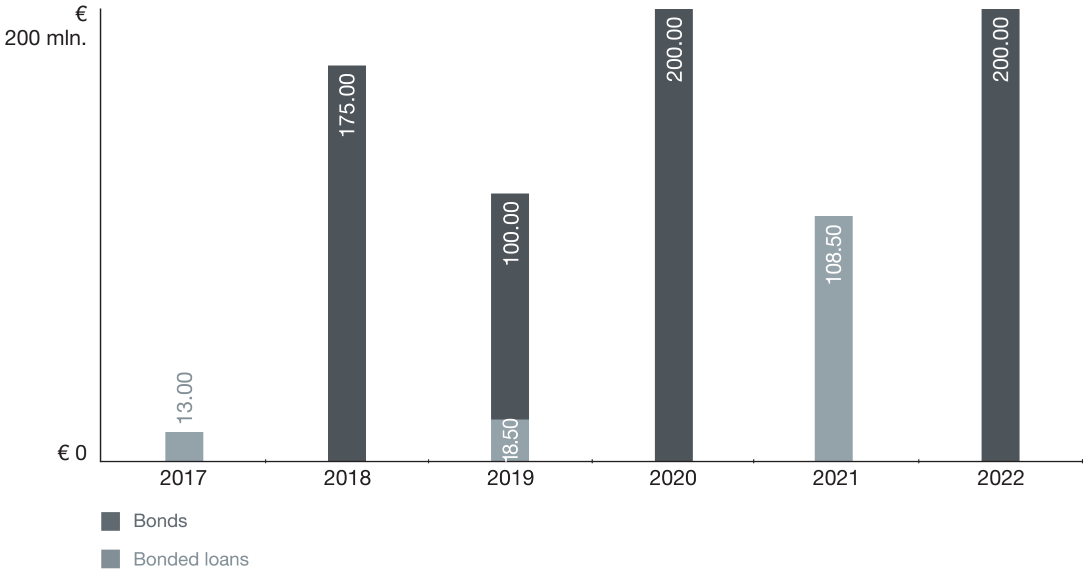
STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.5 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until at least 2022. In January 2016, both facilities were refinanced before the end of their term, i.e. their conditions and terms to maturity were changed. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit line, STRABAG creates an adequate risk spread in the provision of the credit lines and secures its comfortable liquidity position.

In June 2015, **Standard & Poor's** (S&P) had raised STRABAG SE's **investment grade rating** by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was confirmed in July 2016. S&P sees STRABAG SE's strengths above all in the stable margins in an otherwise quite cyclical market environment, in the effective risk management and in the strong market positions.

PAYMENT OBLIGATIONS

€ mln.	Book value 31 December 2016
Bonds	675.00
Bank borrowings	745.77
Liabilities from finance leases	5.30
Total	**1,426.07**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE is divided into four segments, of which there are three operative segments North + West, South + East and International + Special Divisions, and the segment Other, which encompasses the group's central divisions and central staff divisions.

The segments are comprised as follows[1]:

NORTH + WEST
Management Board responsibility:
Peter Krammer
Germany, Poland, Benelux, Scandinavia, Ground Engineering

SOUTH + EAST
M. B. responsibility: Siegfried Wanker
Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering
M. B. responsibility: Thomas Birtel
Russia

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility: Hannes Truntschnig
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 or ground engineering. 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 Engineering		✓	
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.

SEGMENT NORTH + WEST PROFITS FROM GERMANY

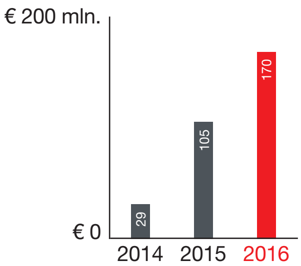
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	6,174.91	6,368.40	-3	-193.49
Revenue	5,802.44	5,895.10	-2	-92.66
Order backlog	7,030.41	5,397.45	30	1,632.96
EBIT	169.89	105.17	62	64.72
EBIT margin (% of revenue)	2.9	1.8		
Employees	22,233	22,421	-1	-188

OUTPUT VOLUME NORTH + WEST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	4,654	4,665	0	-11
Poland	711	852	-17	-141
Benelux	240	227	6	13
Denmark	224	213	5	11
Sweden	160	210	-24	-50
Switzerland	36	29	24	7
Rest of Europe	28	49	-43	-21
Austria	27	19	42	8
Africa	26	11	136	15
Russia	19	39	-51	-20
Middle East	18	17	6	1
Hungary	15	1	n. a.	14
Americas	8	28	-71	-20
Romania	6	8	-25	-2
Asia	2	0	n. a.	2
Italy	1	0	n. a.	1
Total	**6,175**	**6,368**	**-3**	**-193**

EBIT

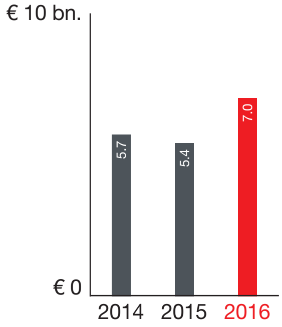


EBIT significantly better after being burdened the previous year

The output volume of the North + West segment reached € 6,174.91 million in the 2016 financial year, a minus of 3 % year-on-year. The figure remained nearly unchanged in the largest market, i.e. Germany, but fell significantly in Poland, the second-largest market in this segment. The negative development is due to the less favourable weather in the first three months of the year under report but can also be explained by the relatively high output volume in 2015.

The revenue was also down slightly, decreasing by 2 % to € 5,802.44 million. The earnings before interest and taxes (EBIT) grew by 62 % to € 169.89 million as a result of improvements in Germany and the absence of past burdens related to a large project in the Netherlands. The EBIT margin thus approached the group's target, reaching 2.9 % after 1.8 % in the year before.

ORDER BACKLOG



Order backlog driven by Germany

The order backlog increased considerably by 30 % to € 7,030.41 million. New orders were registered in Sweden, in Benelux and – thanks to several transportation infrastructures projects – in Poland, but the strong increase in the overall volume of orders came almost exclusively from Germany (+43 %). The most important new projects acquired in the German building construction and civil engineering sector in 2016 include the new Axel Springer building in Berlin, the trivago headquarters in Dusseldorf, the Möckernkiez residential project in Berlin-Kreuzberg, the Offshore Terminal Bremerhaven and the shopping centre East Side Mall in Berlin. At the same time, a number of completed commercial buildings in several German cities were handed over to the clients. New orders were also registered in the German transportation infrastructures business, including the contract for track construction and civil engineering structures along the Berlin–Dresden line for Deutsche Bahn.

Little change in employee numbers

The number of employees in the segment stood at 22,233 in 2016, more or less unchanged (-1 %) versus the previous year. In Poland, additional staff were recruited in response to the positive order backlog. In contrast, employee levels fell back in the Scandinavian countries.

Outlook: German infrastructure investments picking up speed

Given the record order backlog, a higher output volume is expected in the segment North + West for 2017. The **German building construction** and **civil engineering business** should continue to contribute positively to both output volume and earnings. The dynamic situation of the market makes it necessary to focus on effective staff loyalty and recruiting measures. In **transportation infrastructures**, STRABAG also expects an overall positive outlook for the coming years. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. Investments totalling around € 265 billion are planned for more efficient transport networks until 2030. At first the number of projects up for tender increased only slowly in 2016 as the public sector had enormously reduced its procurement and planning capacities in the past few years. With the start of the second half of the year, however, the tendering activity began to pick up speed.

The **railway construction** sector in Germany remains characterised by high risks and the monopoly positions among the clientele. The **construction materials business** in the country is developing similarly to the transportation infrastructures business, as evidenced by the stable to slightly rising production figures.

The **Polish construction sector** has been undergoing a significant recovery since the year 2014. For 2016, the volume of public-sector tenders was expected to be about comparable to the previous year's level. But tenders for these projects got underway only slowly and finally came to a complete standstill in the third quarter. Thanks to the good order backlog, however, the output volume for 2017 has already been secured through existing contracts. Meanwhile, the company is becoming more active in the area of public-sector tenders in the Polish building construction and civil engineering sector.

The upwards trend in the construction sector in **Scandinavia** is continuing. The main factor driving this development is the high number of infrastructure projects and residential units especially in Denmark.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Germany	Stuttgart 21, underground railway station	292	2.0
Germany	Axel Springer new construction Berlin	221	1.5
Sweden	Expansion of Södertälje Canal	119	0.8
Poland	A1 Zawodzie–Woźniki	87	0.6
Poland	A1 Tuszyn–Pyrzowice	85	0.6

SEGMENT SOUTH + EAST: STABLE AT A HIGH LEVEL

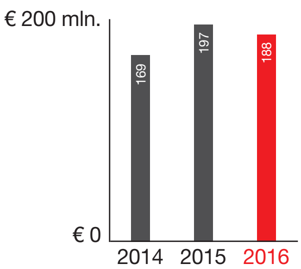
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	4,000.98	4,535.13	-12	-534.15
Revenue	3,888.52	4,412.35	-12	-523.83
Order backlog	3,482.61	3,477.45	0	5.16
EBIT	188.00	197.05	-5	-9.05
EBIT margin (% of revenue)	4.8	4.5		
Employees	17,758	18,043	-2	-285

OUTPUT VOLUME SOUTH + EAST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Austria	1,657	1,600	4	57
Czech Republic	521	644	-19	-123
Slovakia	420	666	-37	-246
Hungary	321	466	-31	-145
Switzerland	303	279	9	24
Romania	221	203	9	18
Germany	127	129	-2	-2
Rest of Europe	92	101	-9	-9
Serbia	85	43	98	42
Russia	83	174	-52	-91
Croatia	67	55	22	12
Slovenia	50	89	-44	-39
Bulgaria	23	32	-28	-9
Poland	8	18	-56	-10
Italy	5	7	-29	-2
Asia	5	3	67	2
Africa	4	11	-64	-7
Sweden	4	0	n. a.	4
Benelux	2	1	100	1
Middle East	1	13	-92	-12
Americas	1	1	0	0
Denmark	1	0	n. a.	1
Total	**4,001**	**4,535**	**-12**	**-534**

EBIT

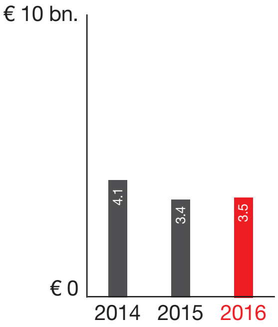


Segment continues to contribute positively to earnings

The output volume in the segment South + East fell by 12 % to € 4,000.98 million in 2016. Most of this decline is accounted for by Slovakia – where significant growth had been observed the year before – as well as Hungary and the Czech Republic. The output volume in Russia, which had already been at a low level, also declined once more.

The segment also registered a 12 % decline of the revenue to € 3,888.52 million. The earnings before interest and taxes (EBIT) fell less strongly, slipping by 5 % to € 188.00 million. This figure had been at a relatively high level in the previous year due to aperiodic income from an agreement related to large construction projects following completion.

ORDER BACKLOG



Order backlog unchanged

The order backlog remained at the previous year's level with a volume of € 3,482.61 million. Growth in countries like Slovakia and Hungary was offset by declines in Romania and Russia. The new orders in 2016 reflected the group's broad range of services, with projects ranging from a hydropower plant in Bosnia-Herzegovina and an IKEA store in Serbia to a building for Siemens built using BIM.5D® to football stadiums in Hungary and Slovakia to numerous road and rail projects in the Czech Republic, Hungary, Austria and Slovakia.

Market situation in Russia contributes to lower employee levels

The number of employees fell slightly by 2 % to 17,758. The market situation in Russia led to staff reductions there, while the situation in the other countries of Central and Eastern Europe was quite varied.

Outlook: Output growth expected

STRABAG expects to be able to increase the **output volume** in this segment in 2017. **Austria**, the largest market in the segment, can be described as stable. The increase of the order backlog (+4 %) is due especially to building construction in Vienna. The increased stake in Vienna-based Raiffeisen evolution project development GmbH, a project development company specialising in residential construction, from 20 % to 100 % should further strengthen STRABAG's market position. Despite the great need for renovation work on lower tier roads, an improvement of the market for transportation infrastructures is still not in sight due to the lack of public investments in this area.

Hungary had reported an unusually high output volume in transportation infrastructures during the previous year. Following declines in the double-digit percentage range in the intervening period, STRABAG is now confident of again growing the output volume in Hungary in the coming year.

Large infrastructure projects with EU co-financing are currently still up for tender in **Slovakia**, e.g. highways or projects in the field of waste water and for the automotive industry. The relatively high volume of tenders, however, is leading to higher prices for subcontractor services. There also is a shortage of skilled labour. At the same time, construction sector competitors are estimating their bidding prices near the limit of profitability. This is also true in the **Czech Republic**. In contrast to Slovakia, however, projects here mostly involve private clients in building construction and civil engineering.

The **Swiss** construction market remains hotly contested, especially in the building construction business. The price level is very low.

Despite isolated growth opportunities, **South East Europe** has been affected by a lower level of tendering activity and, as a result, by more aggressive competition. In Romania, for example, STRABAG is looking to expand its nationwide business in transportation infrastructures, especially due to the slow pace of contract awards for the relatively high volume of tenders for large-scale projects.

In **Russia**, STRABAG should have reached the trough on the output curve. The low domestic demand continues to affect the country's construction sector, but a revival of the economy is hoped for in the medium term – thanks in part to investments by western industrial companies.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Slovakia	Industrial park	89	0.6
Switzerland	New construction of office and production buildings for Siemens	84	0.6
Russia	Domodedovo Airport	67	0.4
Romania	Road maintenance DN67B Scoarța–Pitești	57	0.4
Austria	Graz Eckertstraße	48	0.3

SEGMENT INTERNATIONAL + SPECIAL DIVISIONS: EARNINGS GROWTH AFTER A NUMBER OF CONTRARY EFFECTS

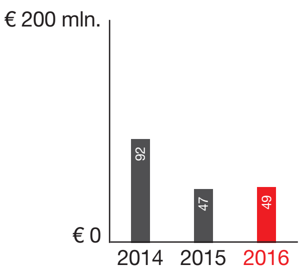
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where 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 in this segment. Additionally, most of the services in non-European markets are also bundled in International + Special Divisions.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	3,154.89	3,250.11	-3	-95.22
Revenue	2,681.02	2,790.88	-4	-109.86
Order backlog	4,294.97	4,253.23	1	41.74
EBIT	48.87	46.79	4	2.08
EBIT margin (% of revenue)	1.8	1.7		
Employees	26,027	27,077	-4	-1,050

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	1,411	1,410	0	1
Austria	380	352	8	28
Americas	339	280	21	59
Middle East	248	284	-13	-36
Asia	124	89	39	35
Hungary	111	118	-6	-7
Czech Republic	103	113	-9	-10
Italy	75	181	-59	-106
Benelux	66	73	-10	-7
Poland	49	63	-22	-14
Africa	47	93	-49	-46
Slovakia	39	49	-20	-10
Russia	31	8	288	23
Rest of Europe	30	18	67	12
Romania	26	29	-10	-3
Switzerland	23	31	-26	-8
Slovenia	15	9	67	6
Sweden	14	29	-52	-15
Croatia	10	12	-17	-2
Denmark	8	5	60	3
Serbia	3	2	50	1
Bulgaria	3	2	50	1
Total	**3,155**	**3,250**	**-3**	**-95**

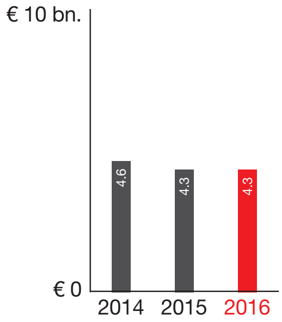
EBIT



Minor changes in revenue and EBIT

The output volume of the segment International + Special Divisions fell by 3 % to € 3,154.89 million in 2016. The decline was especially strong in Italy, while the other markets registered considerably smaller upward or downward changes. While the revenue fell by 4 % to € 2,681.02 million, the earnings before interest and taxes (EBIT) grew by 4 % to € 48.87 million. This is the result of a number of contrary effects related to various large projects as well as the aforementioned impairment in the offshore wind business.

ORDER BACKLOG



Order backlog solid thanks to mine project in Chile

The order backlog of € 4,294.97 million (+1 %) remained solid mainly due to the acquisition of a tunnelling project for a copper mine in Chile worth about € 400 million. Growth was observed e.g. in Austria and Germany, declines in Italy and Poland.

Noteworthy staff declines in the Middle East and in Africa

In terms of employee numbers, a noteworthy project-dependent decline was observed in 2016 in the human-resource-intensive regions of the Middle East and Africa. The total number of employees changed by -4 % to 26,027.

Outlook: Slight increase of output volume expected

It should be possible to generate a slightly higher output volume in the segment in the 2017 financial year. A positive contribution to the earnings – albeit not to the same extent as in the past – is expected to come from the **property and facility services business**. Despite expectations of a considerable revenue reduction from the largest client, new clients such as Vodafone, Huawei and Telefónica joined the customer base in late 2015 and during the first quarter of 2016.

Clearly satisfactory business in 2016 was registered in **real estate development**, for which STRABAG continues to maintain a positive outlook given the existing project pipeline and despite the higher property prices. In the project development business, the company is active not only in Germany, but also in Austria, in Poland and in Romania. Properties are constantly being purchased, developed and sold to the investors – in part even before construction is completed. Demand is present for traditional asset classes such as commercial buildings but also for alternatives such as logistics buildings, nursing homes or student housing – also in good locations outside of the important cities. Moreover, STRABAG should be in a position to expand its strong market position in residential project development in Austria following the increase of its stake in Raiffeisen evolution – now STRABAG Real Estate GmbH, Vienna – from 20 % to 100 % in 2016.

The **tunnelling** business in the core markets like Switzerland remains hotly contested with a price level that is at times difficult to comprehend. For this reason, STRABAG is focusing increasingly on bids in Northern Europe and in non-European markets – although price pressure can be observed here as well. The situation is similar for the **concession business**, i.e. public-private partnerships. As the market in Western Europe, with the exception of Germany and the Netherlands, remains thin, and the political environment and competition are proving to be very challenging in Eastern Europe, the UK and selected markets outside of Europe, e.g. in the Americas, are being kept under observation – even if this involves significant costs in bid processing. Besides all of these limiting factors, there is good news to be reported from this business field: In June 2016, it was possible to refinance the PPP models N17/N18 in Ireland and A8 in Germany at optimised conditions.

Owing to the oil price, infrastructure projects have been scarce and competition has increased considerably in the core markets of the Middle East and parts of Africa. As a result, STRABAG is also internationalising its **specialty fields** – this business is registering largely positive development: Pipe jacking is expected to benefit from the growing demand for urban infrastructure especially in the metropolitan areas of South-East Asia. In Singapore, for example, STRABAG has been working on the expansion of the sewer network using this technique. The field of test track construction, thanks to a good market position, also permits the company to issue a positive outlook.

The **construction materials business** exhibits differing trends from country to country. In Hungary, opportunities are in sight with relation to a number of large tenders that are currently in the pipeline. In Austria and the Czech Republic, on the other hand, the market environment is difficult.

With the beginning of 2016, the group merged its services in the field of **intelligent infrastructure solutions** in the subsidiary STRABAG Infrastructure & Safety Solutions GmbH. The order backlog can be described as extremely satisfactory and the entity is working to capacity.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
Chile	Chuquicamata, underground mine	419	2.8
Chile	Alto Maipo hydropower complex	162	1.1
Austria	Brenner Base Tunnel, Tulfes–Pfons	102	0.7
India	Rohtang Pass Highway Tunnel Section 1	80	0.5
Germany	“Upper West” real estate project development, Berlin	75	0.5

SEGMENT OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

This segment encompasses the group’s internal central divisions and central staff divisions.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	160.25	136.12	18	24.13
Revenue	28.48	25.15	13	3.33
Order backlog	7.80	6.45	21	1.35
EBIT	0.47	0.22	114	0.25
EBIT margin (% of revenue)	1.7	0.9		
Employees	5,821	5,774	1	47

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 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 guidelines and complementary business, process and technical instructions for the workflow in the operating units, supportive central divisions and central staff divisions with technical, legal and administrative service and consulting activities, and Internal Audit as a neutral and independent auditing entity.

Responsibility for the implementation of the project-related risk management systems in the divisions was transferred to the commercial division management. The central division “Project-Related 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 risks
- Operating and technical risks
- Financial risks
- Human resources risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to occupational 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.

REDUCE OPERATING AND TECHNICAL RISKS WITH 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-related 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 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. Detailed information can be found in the notes under item 27 Financial Instruments.

Business Compliance

COUNTERING ETHICAL RISKS WITH ETHICS AND BUSINESS COMPLIANCE SYSTEM

As corruption is a risk in the construction industry, STRABAG has a number of proven instruments to fight corruption in place within the company. 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 ombudsman. Details are available at www.strabag.com > Strategy > Strategic Approach > Business Compliance and in the Corporate Governance Report.

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 working conditions and raise employee satisfaction further contribute to the company’s attractiveness and prestige.

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 multi-step 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 and are approved for implementation by the BPM steering committee.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

STRABAG can exert influence on the management of associated companies through its shareholder position and, at best, any existing advisory functions. The shares in asphalt and concrete mixing companies usually involve **sector-typical minority holdings**. With these companies, economies of scope are at the fore.

AVOIDING LEGAL RISKS THROUGH EXTENSIVE RISK ANALYSIS

The 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). Their most important tasks include comprehensive reviews and consultation in project acquisition – e.g. analysis and clarification of tender conditions, performance specifications, pre-contract agreements, tender documents, draft contracts and framework conditions – as well as support in project management.

POLITICAL RISKS: 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 consequence 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.

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 based on **OHSAS 18001** and/or **SCC** or equivalent, 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.

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 has made it its goal to implement an environmental and energy management system based on **ISO 14001** and/or **ISO 50001** and/or **EMAS**, maintain this system and – wherever possible – minimise the use of natural resources, avoid waste and promote recycling.

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 guidelines 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 have emergency scenarios audited in the IT division.

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY

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. It 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. 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. The most recent review was performed in the first quarter of 2015.

Risk assessment

The management identifies and monitors risks relating to the financial reporting process, with a focus on those risks that are typically considered to be material.

The preparation of the financial statements requires regular forecasts, with the inherent risk that the actual future development will deviate from the forecast. This especially affects the following matters/items of the consolidated financial statements: assessment of unfinished construction projects, recognition and measurement of provisions (including social capital), the outcome of legal disputes, the collectability of receivables as well as the recoverability of investments and goodwill. In individual cases, external experts are called in or publicly available sources are considered in order to minimise the risk of a false assessment.

Control activities

All control activities are applied in the current business process to ensure that errors or deviations in financial reporting are prevented or detected and subsequently corrected. The control activities range from a review of the period results to specific monitoring of accounts and cost centres to the analysis of ongoing accounting processes. It is the responsibility of the Management 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 committee's 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 companywide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process.

The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the chief financial officer before being passed on to the Supervisory Board's Audit Committee.

Human resources

In the 2016 financial year, the STRABAG Group employed an average of 71,839 employees (2015: 73,315), of which 43,839 were blue-collar and 28,458 were white-collar workers. The number of employees therefore fell slightly by 2 %. The declines were registered mainly among blue-collar staff in human-resource-intensive regions outside of Europe, though staff levels also decreased noticeably in Russia.

The STRABAG Group places great importance on training and promoting young people, a stance that is reflected in the high number of apprentices and trainees. In 2016, 1,217 blue-collar apprentices (2015: 1,195) and 272 white-collar apprentices (2015: 277) were in training with the group. Additionally, the company employed 73 technical trainees (2015: 84) and 16 commercial trainees (2015: 13).

In the 2016 financial year, the company was able to partially achieve its goal of annually raising the percentage of women in the group. Women accounted for 14.9 % of employees within the entire group, versus 13.9 % in the previous year, but for 8.4 % within group management (2015: 8.7 %).

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing and highly interconnected environment. It is in this environment that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing convergence between different sectors – driven by increasing societal demands, the fast pace of technological progress, and client requests – confront the company with ever more rapidly shifting challenges. To take a more active role in shaping this change, and 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.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have been a routine part of the group's daily activities for years. In overall charge of the planning and execution of these projects within the STRABAG Group are the two central divisions **Zentrale Technik (ZT)** and **TPA Gesellschaft**

für Qualitätssicherung und Innovation GmbH (TPA), both of which report directly to the CEO. **ZT** is organised as a central division with more than **921 highly qualified employees at 24 locations**. It provides services in the areas of tunnelling, civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to 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 and renewable energy. 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 quality management and materials-related research and development. 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. Additional research in 2016 focused on the development of an intelligent communication system for mobile machinery in the extractive industries, raw materials recycling and raw materials transport. TPA has **824 employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON AG – 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. The past year was characterised by the successful start of the nationwide tolling system in Belgium, for which EFKON AG delivered the entire toll enforcement system. The research focus in 2016 was on algorithms and methods of vehicle classification on the basis of three-dimensional reconstruction. In this regard, the research project 3D Maut ("3D Toll") was launched together with the Austrian Research Promotion Agency (FFG). The technology company headquartered in Raaba near Graz, Austria, is seeing a high amount of international demand and has repeatedly been able to achieve an export ratio of over 90 % in recent years.

The versatility of the STRABAG Group is reflected in the many different areas of expertise it has to offer and the variety of demands it has to face. The group's **knowledge management** therefore makes use of suitable methods and tools to encourage and support the exchange of experience and information among employees. This facilitates the cooperation among the different divisions, which is an important factor leading to new developments. A special focus in 2016 was on the digitalisation of the construction sites in transportation infrastructures as part of the project "The Integrated Construction Site".

In addition to specific research projects at the group's units and subsidiaries, a large part of the **research and development activities** takes place **during ongoing construction projects** – especially involving tunnelling, construction engineering and ground engineering. During work in these areas, new challenges or specific questions often arise which require new technological processes or innovative solutions to be developed on-site.

The STRABAG Group spent about € 11 million (2015: about € 12 million) on research, development and innovation activities during the 2016 financial year.

Environment

Ecological responsibility is one of the six strategic fields of action within the STRABAG Group. The constant aim is to minimise the negative impact on the environment that results from the business activity. The most effective contribution can be made by lowering the **energy and material use** and reducing the demand for fossil fuels. **Energy management** at STRABAG is an instrument with which it is possible to determine and steer the energy consumption. In the 2016 financial year, the energy costs for the companies within STRABAG SE's scope of consolidation were reduced to € 235.09 million (2015: € 262.77 million). This decline resulted from various external influences. The carbon footprint for the 2016 financial year refers to the group's full scope of consolidation and includes the emissions caused in 67 countries. Within the group, a total of 1,056,598 t of CO_2 were emitted in the year under report. This represents a clear decline of 4 % or 41,383 t of CO_2 in a year-on-year comparison.

ENERGY USE WITHIN THE GROUP

Form of energy	Unit	2012	2013	2014	2015	2016
Electricity	MWh	486,033	497,943	433,164	443,009	451,073
Fuel	thousands of litres	245,660	252,718	230,926	222,261	206,308
Gas	heating value in MWh	565,048	585,857	505,371	531,201	453,395
Heating oil	thousands of litres	17,790	16,053	14,388	17,661	15,383
Pulverised lignite	tonnes	79,107	69,602	75,247	72,174	75,468

Austria, one of our core countries, passed the **Energy Efficiency Act** (EEffG) as a way of bringing into force the EU Energy Efficiency Directive. This was one of the reasons why work began in July 2014 on the introduction of an ISO 50001-certified energy management system in Austria that was successfully rolled out in 2015. All companies in Austria that are at least 50 % owned by STRABAG SE are now in possession of valid certification. Furthermore, energy efficiency measures are being implemented to lower the energy use by 0.6 % on the basis of the total annual energy use of these companies. In Germany, our largest market, the **Energy Services Act** (EDL-G) was amended in 2015. In 2016, we succeeded in introducing an ISO 50001-certified energy management system in Germany. Other European countries have already implemented the **EU Energy Efficiency Directive** into national law and are calling for the total or partial introduction of an energy management system. A comprehensive system was established in Hungary, Serbia, Croatia and Slovenia. In Denmark, external energy audits are performed to comply with the requirement. The necessary measures in Poland, Slovakia and Sweden are centrally coordinated and arranged in the individual countries.

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 pursuant to Section 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 on the Prime Market Segment of the Vienna Stock Exchange. Three shares are registered shares. Each bearer share and each registered share accounts for one vote (one share – one vote). The nomination rights associated with registered shares No. 1 and No. 2 are described in more detail under item 4.

2. The Haselsteiner Group (Haselsteiner Familien-Privatstiftung, Dr. Hans Peter Haselsteiner), the Raiffeisen Group (Raiffeisen-Holding

Niederösterreich-Wien reg. Gen.m.b.H, BLR-Baubeteiligungs GmbH, “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., Raiffeisen Versicherung AG) and Rasperia Trading Limited (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the co-ordination of voting during the Annual General Meeting, (3) restriction on the transfer of shares and (4) joint development of the Russian market as a core market. The Haselsteiner Group, the Raiffeisen Group together with the UNIQA Group, and Rasperia Trading Limited each have the right to nominate two members of the Supervisory Board. The syndicate agreement also requires the syndicate partners to exercise their voting rights from syndicated shares unanimously at the Annual General Meeting of STRABAG SE. The syndicate agreement further foresees restrictions on the transfer of shares in the form of mutual pre-emptive rights as well as a minimum shareholding on the part of the syndicate partners.

In accordance with Section 65 Paragraph 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 2016 as these shares are held by STRABAG SE as own shares as defined in Section 65 Paragraph 1 No 8 of the Austrian Stock Corporation Act (AktG).

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 2016:

- Haselsteiner Group .... 26.4 %
- Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H. (Raiffeisen Group) .... 13.2 %
- UNIQA Versicherungen AG (UNIQA Group)............................... 14.3 %
- Rasperia Trading Limited .... 25.9 %

The company itself held 7,400,000 no-par shares on 31 December 2016, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency.

The remaining shares of the share capital 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. 3 are held by the Haselsteiner Group and registered share No. 2 is held by Rasperia Trading Limited. Registered shares No. 1 and No. 2 allow their bearers to nominate a member each to the Supervisory Board of STRABAG SE.

5. No employee stock option programmes exist.

6. No further regulations exist beyond items 2 and 4 regarding the nomination and recall of members of the Management and Supervisory Boards or regarding changes to the Articles of Association which do not result directly from relevant law and legislation.

7. The 12th Annual General Meeting held on 10 June 2016 authorised the Management Board of the company to buy back own shares in accordance with Section 65 Paragraph 1 No. 8 of the Austrian Stock Corporation Act (AktG) to the extent of up to 10 % of the share capital of the company during a period of 13 months from the day of the resolution, i.e. until 10 July 2017. The Management Board of STRABAG SE was thus authorised, under consideration of the already held 7,400,000 own shares, to acquire an additional 3,600,000 own shares. According to the authorisation by the Annual General Meeting of the company, the acquisition may be made on the stock market or over the counter. The Supervisory Board of the company – as required – has given its approval for over-the-counter purchases. The Management Board of STRABAG SE has not yet made use of this authorisation.

The Management Board of STRABAG SE, in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), was authorised by resolution of the 10th Annual General Meeting of 27 June 2014 and with approval by the Supervisory Board to increase the share capital of the company by up to € 57,000,000 by 27 June 2019, in several tranches if necessary, by issuing up to 57,000,000 registered no-par shares for cash or contributions in kind (in this case also to the partial or full exclusion of the shareholders’ subscription rights).

The Management Board, in accordance with Section 174 Paragraph 2 of the Austrian Stock Corporation Act (AktG), was further authorised by resolution of the 8th Annual General Meeting of 15 June 2012 and with the approval of the

Supervisory Board to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act (AktG) – in particular convertible bonds, income bonds and profit participation rights – with a total nominal value of up to € 1,000,000,000, which may also confer subscription and/or exchange rights for the acquisition of up to 50,000,000 shares of the company and/or may be designed in such a way that they can be issued as equity, also in several tranches and in different combinations, up to five years inclusive from the day of this resolution, also indirectly by way of a guarantee for the issue of financial instruments through an associate or related entity of the company with conversion rights on shares of the company.

The Management Board was also authorised by resolution of this Annual General Meeting, in accordance with Section 65 Para 1b of the Austrian Stock Corporation Act (AktG), for a period of five years from this resolution, to sell or assign its own shares, with approval by the Supervisory Board, in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Section 228 Para 3 UGB) or third parties acting on behalf of the company.

8. With the exception of the agreements over a syndicated surety loan and a syndicated cash credit line, there exist no significant agreements to which STRABAG SE is party and which would become effective, change or end due to a change of ownership in STRABAG SE following a takeover offer.

9. No compensation agreements exist between STRABAG SE and its Management and Supervisory Board members or employees in the event of a public takeover offer.

Related parties

Business transactions with related parties are described in item 29 of the notes.

Supporting information

At the beginning of March 2009, an accident occurred during underground construction at the South Lot for the North-South urban metro line in Cologne, resulting in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Debris collapsed into a hole which opened next to the North-South construction site at the Waidmarkt crossover junction. Two people were trapped under the rubble, and rescuers were only able to recover their bodies.

Construction on the underground is being carried out by a joint venture (JV) of Bilfinger SE (formerly Bilfinger Berger AG), Wayss & Freytag Ingenieurbau AG and the STRABAG Group subsidiary Ed. Züblin AG. The JV is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Ed. Züblin AG holds a 33.3 % interest in the JV.

The public prosecutor's office commissioned three separate experts to begin an investigation – initially against persons unknown – into possible negligent homicide and endangerment in construction. Two independent civil proceedings are 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.

For purposes of the investigation into the cause of the accident, construction began on a model of the building, the completion and use of which was originally expected by mid-2014. Because of delays for organisational and technical reasons, however, full completion and use can be expected no sooner than mid-2017. The model is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the JV. A final report on the results of the investigation of the accident site, as well as the expert opinion, thus remains outstanding.

Merely for the purpose of extending the statute of limitations the public prosecuter's office in

December 2013 opened proceedings against approx. 100 persons associated closely or loosely with the project. This purely precautionary measure does not, however, represent any statement as to the cause of the accident. In view of the absolute limitation period, which ends ten years after the collapse of the building, the public prosecutor's office apparently wants to bring charges against accused individuals in a timely fashion to achieve a verdict before March 2019. For this reason, the expert opinion will likely be presented to the prosecutor's office even before the model building becomes fully useful and before the expert opinion from the civil evidence proceedings is presented. We cannot rule out the possibility that charges may be filed against individual members of our company in this regard.

As already reported, we continue to believe that this project does not result in any significant damages for the company.

Outlook

The current record order backlog allows further positive development of the output volume to be expected in 2017: The Management Board of STRABAG SE expects output volume to reach at least € 14.0 billion (≥ +4 %). Growth should be seen in all three operating segments: North + West, South + East and International + Special Divisions.

STRABAG had previously issued a target of achieving a sustainable EBIT margin (EBIT/revenue) of 3 % starting in 2016. The efforts to further improve the risk management and to lower costs have already had a positive impact on earnings. In the 2017 financial year, STRABAG is therefore working to again confirm an EBIT margin of at least 3 %.

The output and earnings forecasts are based on the assumption of continued solid demand in building construction, civil engineering and transportation infrastructures in Germany. Positive earnings contributions are also expected from the property and facility management entities and the real estate development business. While the output volume should rise slightly in Poland, in the Czech Republic and in the building construction business in Austria, STRABAG expects stable demand in the Austrian transportation infrastructures segments and in Slovakia. Negative contributions, on the other hand, are again expected from the regional business in Switzerland.

Even without considering the capital expenditures following the acquisition of the minority interest of the still listed German subsidiary STRABAG AG, Cologne – represented in the cash flow from financing activities –, the net capital expenditures should increase in 2017. The cash flow from investing should therefore come to rest at about € 450 million.

Events after the reporting period

The material events after the reporting period are described in item 32 of the notes.

Auditor's report

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

STRABAG SE,
Villach, Austria

which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement/statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

BASIS FOR OUR OPINION

We conducted our audit in accordance with the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and 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. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

MEASUREMENT OF AND REVENUE AND EARNINGS FROM CONSTRUCTION CONTRACTS

Refer to notes section 14 and 18

Risk for the Financial Statements

Revenue recognised in the consolidated financial statements of STRABAG SE as at 31 December 2016 mainly consists of revenue from construction contracts, which is accounted for by reference to their stage of completion (percentage of completion method). 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 based on the percentage of completion 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 recognised by reference to the stage of completion of a project (percentage of completion method).

Technically complex and demanding projects, in particular, involve the risk that the estimate of the total cost deviates considerably from the actual cost incurred. Additionally, there is also a risk that receivables from construction contracts and construction consortia are not recoverable.

Our response

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 analysed 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 finalisation 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 examination of the recoverability of accounts receivable from construction contracts and construction consortia
- Retrospective assessment of individually significant projects in connection with estimation uncertainties

Furthermore, we analysed whether the required disclosures in the notes to the consolidated financial statements include all necessary explanations in regards to revenue recognised from construction contracts and construction consortia and whether they appropriately describe the significant estimation uncertainties.

IMPAIRMENT TESTING OF GOODWILL

Refer to notes section 12

Risk for the Financial Statements

Goodwill represents approximately 4 % of total assets in the consolidated financial statements of STRABAG SE as at 31 December 2016.

An impairment test for goodwill is performed on a yearly basis and whenever impairment indicators have been identified. The determination of the recoverable amount, which serves as a benchmark value in the impairment test, is performed on the basis of future discounted net cash flows. The calculation of the recoverable amount depends significantly on future revenue and margin expectations as well as the discount rates applied and is thus afflicted with significant estimation uncertainties.

Our response

We compared the revenues and margins used as the basis for the calculation of the recoverable amount with the planning for the group of which the Supervisory Board has taken notice. In order to assess the appropriateness of the planning, we obtained an understanding of the planning process and compared the assumptions used with current industry-specific market expectations. Additionally, we also held discussions regarding the assumptions used with the Management Board as well as representatives of the respective business divisions. Beyond that, we assessed the adequacy of the discount rates used as well as the relevant calculations and sensitivity analysis. We examined whether the tested carrying amounts are covered by the recoverable amounts in case of realistic changes in the assumptions. Finally, we analysed whether the disclosures made in the notes to the consolidated financial statements regarding the impairment testing of goodwill are appropriate and complete.

RECOVERABILITY OF DEFERRED TAX ASSETS

Refer to notes 16

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 at 31 December 2016 amount to T€ 436,665 (thereof T€ 107,818 from tax loss carryforwards). Furthermore, deferred tax assets were not recognised for tax loss carryforwards amounting to T€ 1,144,073, since utilisation of the tax losses is not sufficiently assured. The recognition of deferred tax assets is mainly based on the expected realisation of future taxable profits as well as tax planning opportunities available to the entity. Due to the significance of deferred tax assets recognised and those not recognised as well as existing uncertainties in respect of their recoverability, this represents a key audit matter.

Our response

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 input data used by the group to estimate future profit with externally available data, such as e.g. economic forecasts. 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 analysed 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.

MANAGEMENT'S RESPONSIBILITY AND RESPONSIBILITY OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and other legal or regulatory requirements and for such internal control as management determines is 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, and, where appropriate, to disclose matters that are relevant to the group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the group or closure of operations is planned or cases in which such measures appear unavoidable.

The Audit Committee is responsible for overseeing the group's financial reporting process.

AUDITORS' RESPONSIBILITY

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, 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 Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation 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 entity's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the company departing from the going concern assumption.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, 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, among 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 in the course of our audit.

- We report to the Audit Committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

- From the matters communicated with the Audit Committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on other legal requirements

GROUP MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code and other legal or regulatory requirements.

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 has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. 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 the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

OTHER INFORMATION

The legal representatives of the company are responsible for other information. Other information comprises all information provided in the Annual Report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon. We expect the Annual Report to be provided to us after the date of the opinion.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any kind of assurance on it.

In conjunction with our audit, it is our responsibility to read this other information as soon as it becomes available, and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact.

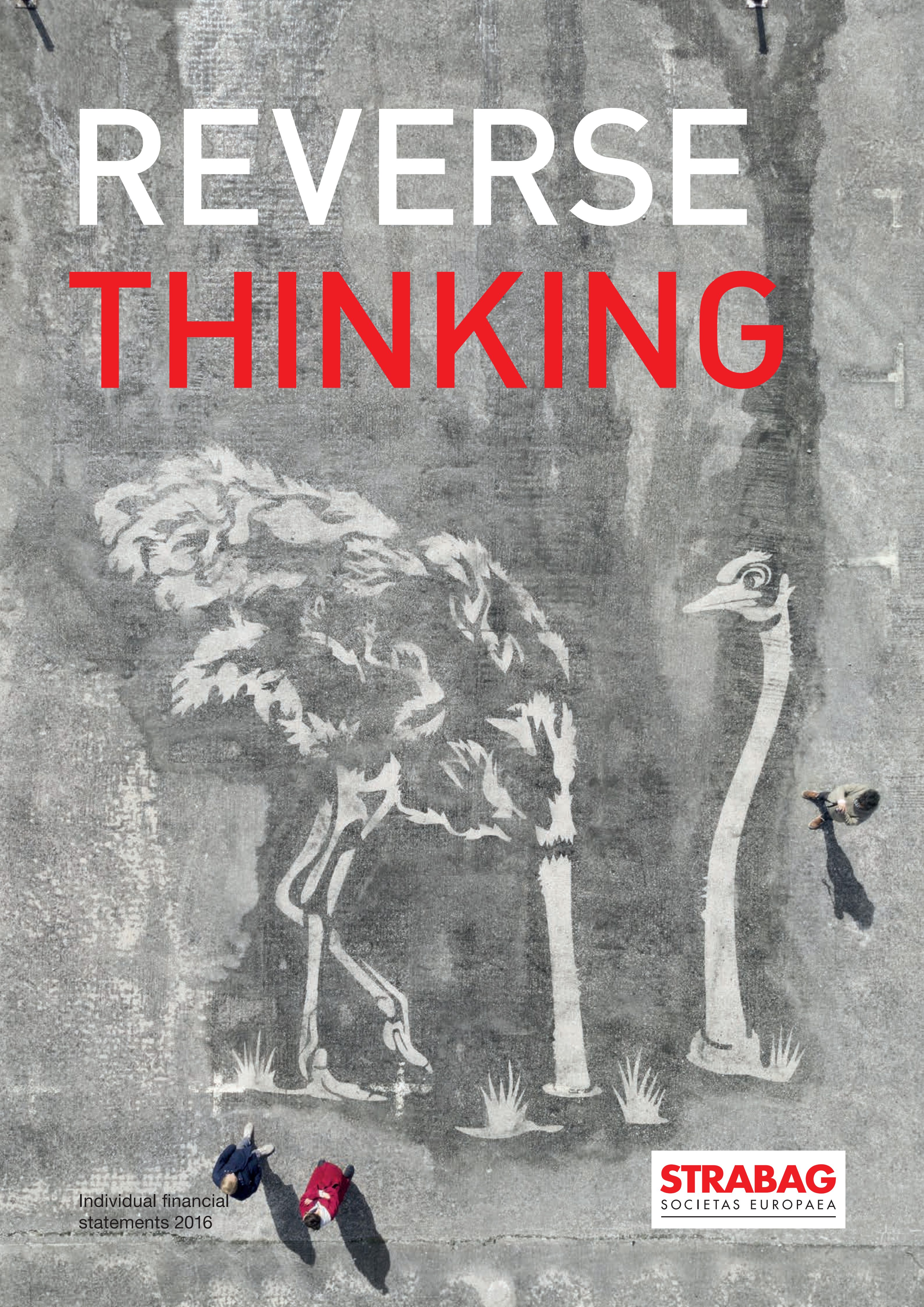
ENGAGEMENT PARTNER

The engagement partner is Dr. Helge Löffler.

Linz, 7 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Wirtschaftsprüfer
(Austrian Chartered Accountant)



REVERSE THINKING

Individual financial statements 2016

STRABAG
SOCIETAS EUROPAEA

Content

INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

Balance sheet as at 31 December 2016

Assests	31.12.2016 €	31.12.2015 T€
A. Non-current assets:		
I. Property, plant and equipment:		
Other facilities, furniture and fixtures and office equipment	**992,097.38**	**1,002**
II. Financial assets:		
1. Investments in subsidiaries	2,563,404,804.24	2,034,923
2. Loans to subsidiaries	36,965,000.00	66,340
3. Investments in participation companies	35,683,852.24	63,513
4. Loans to participation companies	95,084,795.59	87,740
5. Other loans	20,207.67	20
	2,731,158,659.74	**2,252,536**
	2,732,150,757.12	**2,253,538**
B. Current assets:		
I. Accounts receivable and other assets:		
1. Trade receivables	11,624.08	31
2. Receivables from subsidiaries	1,054,765,430.04	1,204,873
thereof with a remaining term more than one year	*250,000,000.00*	*250,401*
3. Receivables from participation companies	10,934,752.80	10,703
thereof with a remaining term more than one year	*3,296,107.13*	*2,780*
4. Other receivables and assets	60,538,316.29	67,004
thereof with a remaining term more than one year	*52,156,000.00*	*58,367*
	1,126,250,123.21	**1,282,610**
II. Cash assets, including bank accounts	**186,588.91**	**196**
	1,126,436,712.12	**1,282,806**
C. Accrual and deferrals	**3,128,476.00**	**5,418**
D. Deferred tax assets	**2,554,040.00**	**0**
Total	**3,864,269,985.24**	**3,541,762**

Equity and liabilities	31.12.2016 €	31.12.2015 T€
A. Equity:		
I. Called up and paid in nominal capital (share capital):		
Subscribed nominal capital (share capital)	110,000,000.00	114,000
less nominal value of own shares	-7,400,000.00	-11,400
	102,600,000.00	**102,600**
II. Capital reserves (committed)	**2,152,047,129.96**	**2,148,047**
III. Retained earnings:		
1. Legally required reserves	72,672.83	73
2. Voluntary reserves	618,572,340.87	303,454
	618,645,013.70	**303,527**
IV. Reserves for own shares	**7,400,000.00**	**11,400**
V. Unappropriated net profit	**104,500,000.00**	**74,100**
thereof profit brought forward	*7,410,000.00*	*5,700*
	2,985,192,143.66	**2,639,674**
B. Provisions:		
1. Provisions for severance payments	377,646.00	373
2. Provisions for taxes	653,673.78	13,362
thereof deferred taxes	*0.00*	*13,359*
3. Other provisions	25,972,016.00	40,418
	27,003,335.78	**54,153**
C. Accounts payable:		
1. Bonds	675,000,000.00	675,000
thereof with a remaining term more than one year	*675,000,000.00*	*675,000*
2. Bank borrowings	140,000,030.60	140,000
thereof with a remaining term up to one year	*13,000,030.60*	*0*
thereof with a remaining term more than one year	*127,000,000.00*	*140,000*
3. Trade payables	1,160,359.93	1,324
thereof with a remaining term up to one year	*1,160,359.93*	*1,324*
4. Payables to subsidiaries	19,200,284.10	14,693
thereof with a remaining term up to one year	*19,200,284.10*	*14,693*
5. Other payables	16,713,831.17	16,918
thereof taxes	*872,312.32*	*795*
thereof social security liabilities	*22,870.45*	*18*
thereof with a remaining term up to one year	*16,713,831.17*	*16,918*
	852,074,505.80	**847,935**
thereof with a remaining term up to one year	*50,074,505.80*	*32,935*
thereof with a remaining term more than one year	*802,000,000.00*	*815,000*
Total	**3,864,269,985.24**	**3,541,762**

Income statement for the 2016 financial year

	2016 €	2015 T€
1. Revenue (Sales)	61,900,240.67	65,607
2. Other operating income	2,009,929.73	8,287
3. Cost of materials and services:		
a) Materials	-32,623.32	-43
b) Services	-15,730,619.45	-16,375
	-15,763,242.77	**-16,418**
4. Employee benefits expense:		
a) Salaries	-7,987,627.58	-8,393
b) Social expenditure	-700,233.96	-844
thereof severance payments and contributions to employee benefit plans	*-88,045.55*	*-79*
thereof statutory social security contributions, as well as payroll-related and other mandatory contributions	*-399,683.19*	*-397*
thereof other social expenditure	*-212,505.22*	*-368*
	-8,687,861.54	**-9,237**
5. Depreciation	-16,264.36	-16
6. Other operating expenses:		
a) Taxes other than those included in item 15	-87,857.43	-129
b) Miscellaneous	-25,731,883.08	-17,534
	-25,819,740.51	**-17,663**
7. Subtotal of items 1 through 6 (operating result)	**13,623,061.22**	**30,561**
8. Income from investments	81,210,592.91	67,615
thereof from subsidiaries	*57,929,473.91*	*53,048*
9. Other interest and similar income	42,605,788.59	34,669
thereof from subsidiaries	*37,122,040.07*	*29,169*
10. Income from disposal and write-up of financial assets and marketable securities	327,130,275.74	278,340
11. Expenses related to financial assets	-37,417,685.58	-80,672
thereof depreciation	*-28,880,866.25*	*-60,487*
thereof expenses from subsidiaries	*-3,048,872.33*	*-42,942*
thereof miscellaneous	*-6,000,000.00*	*-19,102*
12. Interest and similar expenses	-26,906,335.85	-31,411
thereof from subsidiaries	*0.00*	*0*
13. Subtotal of item 8 through 12 (financial result)	**386,622,635.81**	**268,541**
14. Result before taxes	**400,245,697.03**	**299,102**
15. Taxes on income and gains	11,962,349.45	-1,103
thereof income tax	*-1,956,786.63*	*-182*
thereof tax allocation	*-1,993,880.81*	*-922*
thereof deferred tax income	*15,913,016.89*	*0*
16. Income after taxes = net income for the year	**412,208,046.48**	**297,999**
17. Allocation to retained earnings (voluntary reserves)	-315,118,046.48	-229,599
18. Profit for the period	**97,090,000.00**	**68,400**
19. Profit brought forward	7,410,000.00	5,700
20. Unappropriated net profit	**104,500,000.00**	**74,100**

NOTES TO THE 2016 FINANCIAL STATEMENTS OF STRABAG SE, VILLACH

I. Application of Austrian Business Enterprise Code

These 2016 financial statements were prepared in accordance with the Austrian Business Enterprise Code (UGB).

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

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

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

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

II. Accounting policies

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

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

The valuation premise adopted is that of a going concern.

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

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

All recognisable risks and impending losses which occurred in 2016 or an earlier financial year were taken into consideration.

Estimates are based on a conservative assessment. If statistically measurable experiences from similar circumstances are available, these were considered when making the estimates.

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

Low-value assets (individual cost up to € 400.00) are depreciated in full in the year in which they are acquired.

The depreciation is calculated using the straight-line method over the following useful lives:

	Years	
	from	**to**
Other facilities, furniture and fixtures and office equipment	4	15

Extraordinary depreciation on a lower fair value measurement at the reporting date is undertaken where the impairment is considered permanent.

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

Loans are measured at historical cost. Lower values are recognised for permanent or significant impairment losses.

The value of non-current assets is increased where there is no more cause for depreciation. The increase is not higher than the net carrying value calculated under consideration of the regular depreciation that would have been charged in the period.

Trade and other receivables are reported at nominal value.

The valuation of foreign currency receivables follows the strict „lowest value principle“.

Individual value adjustments are made for recognisable risk.

Reversals of depreciation for current assests are done where there are no more causes for depreciation.

Deferred taxes are recognised in accordance with Section 198 Paragraphs 9 and 10 UGB using the balance sheet concept without discounts using the current corporate income tax rate of 25 %.

No deferred tax assets are recognised for tax loss carryforwards.

The provisions for severance payments were calculated using recognised financial mathematical principles, an interest rate of 1.9 % (previous year: 2.5 %), and a retirement age of 62 for women (previous year: 62) and 62 for men (previous year: 62).

Since the 2016 financial year, the actuarial interest on provisions for severance payments has been derived from the 10-year average interest rate as published by Deutsche Bundesbank less a planned salary increase of 2 %.

The interest expense on provisions for severance payments as well as the impact from a changed interest rate are recognised in the employee benefits expense.

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

Under application of the „principle of prudence“, all recognisable risks at the date of balance sheet creation as well as liabilities of uncertain timing or amount were recognised in the item „Other provisions“ at the value required according to reasonable entrepreneurial assessment.

Liabilities are valued at their settlement value.

Foreign currency liabilities are valued in accordance with the strict „highest value principle“.

AMENDMENTS RÄG 2014

In preparing the present financial statements, the previous method of presentation was largely maintained; changes as a result of RÄG 2014 affected the following statements.

With regard to the classification of the balance sheet and of the income statement, the previous year‘s amounts were adapted to the changed requirements of RÄG 2014. This includes especially the offsetting of own shares with the equity, reclassification of other revenue to revenues (and of related expenses from the other operating expenses to other items) and the changed presentation of the statement of changes in non-current assets.

With the exception of the changes due to the first-time adoption of RÄG 2014, the previously used accounting policies were maintained; the changes due to the first-time adoption of RÄG 2014 include especially:

- In accordance with the legal requirements, the deferred taxes were calculated from 1 January 2016. The balance of deferred tax assets on 1 January 2016 is distributed over 5 years. The provision for deferred tax liabilities from the previous year in the amount of T€ 13,359 was reversed.

- The measurement of the provisions for severance payments was adapted as follows:

  + The actuarial interest, due to the new requirement to derive the rate from the 10-year average interest rate as published by Deutsche Bundesbank, was changed to 2.1 % effective 1 January 2016.

  + Future salary increases were taken into consideration.

These changes resulted from the revaluations at the beginning of the financial year with the following impact on the financial statements for the ongoing financial year (before deferred taxes):

Impact on income statement	**Revaluation total**	**Impact on profit or loss**
+ = income / - = expense	**€**	**€**
Employee benefits expense:	-2,775	-2,775
Revaluation of provisions for severance payments	0	0
thereof deferred	*-2,775*	*-2,775*
Taxes on income:	34,136,000	6,827,200
Reinstatement of deferred taxes	-27,308,800	0
thereof deferred	*6,827,200*	*6,827,200*
	6,824,425	**6,824,425**

Impact on balance sheet	**Revaluation total**	**Impact on equity**
+ = increase in equity / - = decrease in equity	**€**	**€**
Deferred tax assets:	34,136,000	6,827,200
Reinstatement of deferred taxes	-27,308,800	0
thereof deferred	*6,827,200*	*6,827,200*
Provisions for severance payments:	-2,775	-2,775
Revaluation of provisions for severance payments	0	0
thereof deferred	*-2,775*	*-2,775*
	6,824,425	**6,824,425**

III. Notes to the balance sheet

NON-CURRENT ASSETS

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

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

Of the loans, an amount of € 18,132,500.00 (previous year: T€ 17,306) is due within the next year.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

€	Remaining term < one yearr	Remaining term > one year	Book value 31.12.2016
1. Trade receivables	11,624.08	0.00	11,624.08
Previous year in T€	*31*	*0*	*31*
2. Receivables from subsidiaries	804,765,430.04	250,000,000.00	1,054,765,430.04
Previous year in T€	*954,471*	*250,401*	*1,204,873*
3. Receivables from participation companies	7,638,645.67	3,296,107.13	10,934,752.80
Previous year in T€	*7,923*	*2,780*	*10,703*
4. Other receivables and assets	8,382,316.29	52,156,00.00	60,538,316.29
Previous year in T€	*8,637*	*58,367*	*67,004*
Total	**820,798,016.08**	**305,452,107.13**	**1,126,250,123.21**
Previous year in T€	*971,062*	*311,548*	*1,282,610*

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

The item „Other receivables and assets“ includes income of € 625,235.48 (previous year: T€ 617) which will be cash effective after the balance sheet date.

DEFERRED TAX ASSETS

Deferred tax assets were recognised on the reporting date for temporary differences between the tax base and the carrying amount for the following items:

	31.12.2016	1.1.2016
	€	T€
Property, plant and equipment	-6,981	-13
Financial assets	2,080,000	2,427
Remaining seventh from depreciation of capital participation	97,967,316	99,354
Provisions	17,877,646	32,673
Liabilities	1,533,381	2,104
Total	**119,451,362**	**136,545**
Resulting deferred taxes on 31.12. (25 %)	29,862,840	34,136

The deferred taxes developed as follows:

€	
Balance on 31.12.2015	-13,358,977[1]
First-time adoption of RÄG 2014	47,494,977
Balance on 1.1.2016	**34,136,000**
Distribution according to Section 906 (33)/(34)	-27,308,800
Change in profit or loss	-4,273,160
Balance on 31.12.	**2,554,040**

EQUITY

The fully paid-in share capital amounts to € 110,000,000.00 and is divided into 109,999,997 no-par bearer shares and three registered shares.

As at 31 December 2016, STRABAG SE had acquired 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 was between the period July 2011 and May 2013. The average purchase price per share was € 20.79.

1) no capitalisation of deferred tax assets

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016.

The Management Board was further authorised to acquire own shares pursuant to Section 65 Paragraph 1 No. 8 as well as Paragraphs 1a and 1b AktG on the stock market or over-the-counter to the extent of up to 10 % of the share capital, also to exclusion of proportionate selling rights that may accompany such an acquisition (reverse exclusion of subscription rights). At the same time, the Management Board was authorised to decide, in accordance with Section 65 Paragraph 1b AktG, to sell or assign own shares in a manner other than on the stock market or through a public tender.

PROVISIONS

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

ACCOUNTS PAYABLE

	Remaining term				
€	**< one year**	**> one year**	**> five years**	**Book value**	**Real securities**
1. Bonds	0.00	475,000,000.00	200,000,000.00	675,000,000.00	0.00
Previous year in T€	*0*	*475,000*	*200,000*	*675,000*	*0*
2. Bank borrowings	13,000,030.60	127,000,000.00	0.00	140,000,030.60	0.00
Previous year in T€	*0*	*31,500*	*108,500*	*140,000*	*0*
3. Trade payables	1,160,359.93	0.00	0.00	1,160,359.93	0.00
Previous year in T€	*1,324*	*0*	*0*	*1,324*	*0*
4. Payables to subsidiaries	19,200,284.10	0.00	0.00	19,200,284.10	0.00
Previous year in T€	*14,693*	*0*	*0*	*14,693*	*0*
5. Other payables	16,713,831.17	0.00	0.00	16,713,831.17	0.00
Previous year in T€	*16,918*	*0*	*0*	*16,918*	*0*
Total	**50,074,505.80**	**602,000,000.00**	**200,000,000.00**	**852,074,505.80**	**0.00**
Previous year in T€	*32,935*	*506,500*	*308,500*	*847,935*	*0*

Payables to subsidiaries involve routine clearing and clearing of tax allocation.

The item „Other payables" includes expenses in the amount of € 15,873,834.52 (previous year: T€ 15,838) which will be cash effective after the balance sheet date.

CONTINGENT LIABILITIES

	31.12.2016	**31.12.2015**
	€	**T€**
Sureties	19,140,087.93	218,272
Declarations of patronage	53,481,108.82	47,151
Other commitments and contingencies	343,952.00	2,236
Total	**72,965,148.75**	**267,659**
thereof with subsidiaries	26,153,602.62	241,545

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

Performance bonds in the amount of € 462,547,826.39 (previous year: T€ 372,783) exist for construction projects of subsidiaries.

Due to long-term rentals, letting and leasing, the use of property, plant and equipment not shown in the balance sheet results in an obligation of € 6,977,067.24 (previous year: T€ 6,914) for the 2017 financial year. The sum of all obligations for the next five years is € 34,885,336.20 (previous year: T€ 34,571).

FINANCIAL INSTRUMENTS

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

As at 31 December 2016, interest payments for the bonded loan were hedged by means of the following hedging transactions:

	2016		2015	
T€	**Nominal value**	**Market value**	**Nominal value**	**Market value**
Interest rate swap (fixed rate payer)	108,500	-1,710	108,500	73

The hedging period of the interest rate swap lasts until 2021 at the latest.

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

The establishment of hedging relationships allowed the company as at 31 December 2016 to forego the creation of provisions for pending losses from interest rate swaps in the amount of T€ 1,710 (previous year: T€ 0), as it is highly likely that the unrealised losses will be compensated by contrary unrealised gains from future interest payments.

The effective compensation between unrealised gains and losses is proven by means of effectiveness tests. If concordance of the essential conditions of the hedged item and the hedging transactions is established, the hedge effectiveness is measured using the critical terms match method. Otherwise, effectiveness is measured by means of the dollar offset method. As no interest rate swaps were designated as hedging transactions in the 2016 financial year, effectiveness measurements were not necessary.

IV. Notes to the income statement

REVENUES (SALES)

	2016	2015
	€	T€
Domestic revenue	27,705,738.52	26,745
Foreign revenue	34,194,502.15	38,862
Total	**61,900,240.67**	**65,607**

EMPLOYEE BENEFITS EXPENSE

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

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

The severance payment expenses include contributions to employee benefit plans in the amount of € 83,084.55 (previous year: T€ 66).

The salaries of the Management Board members in the 2016 financial year amounted to T€ 6,761 (previous year: T€ 5,829).

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

OTHER OPERATING EXPENSES

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

V. Miscellaneous

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

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

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

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

The expenses for the auditor, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, for the financial year amount to T€ 663 (previous year: T€ 679), of which T€ 59 (previous year: T€ 59) are for the audit of the financial statements, T€ 540 (previous year: T€ 535) for other audit services and T€ 63 (previous yer: T€ 86) for miscellaneous services.

In addition, T€ 23 (previous year: T€ 31) were calculated for other payables to subsidiaries.

By resolution of the General Meeting of the company on 19 June 2015, Dr. Thomas Heidel was appointed special representative of STRABAG AG, Cologne, in accordance with Section 147 of the German Stock Corporation Act (AktG), for the purpose of asserting compensation claims arising from various transactions between companies of STRABAG AG, Cologne, and affiliated companies of STRABAG SE, Villach.

By letter dated 20 June 2016, the special representative asserted in writing compensation claims against STRABAG SE in the amount of approx. € 81 million. Additional compensation claims in the amount of approx. € 136 million against STRABAG SE were asserted by letter dated 20 March 2017. The claims thus amount to a total of approx. € 217 million not including interest.

To date, no suit has been filed against STRABAG SE to assert these compensation claims. In response to a minority request, the Extraordinary General Meeting of STRABAG AG, Cologne, on 24 March 2017 resolved to instruct Dr. Thomas Heidel to legally assert these claims; a lawsuit is therefore expected to be filed.

The claims involve, above all, alleged overvaluation of investments at the time of sale including consequences from unexpected negative developments among individual transferred investments.

The Management Board of STRABAG SE does not believe that there is any basis for these claims.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

APPROPRIATION OF NET INCOME

The Management Board proposes to pay out a dividend in the amount of € 0.95 per share for the 2016 financial year.

Villach, 7 April 2017

The Management Board

Dr. Thomas Birtel

Mag. Christian Harder

Dipl.-Ing. Dr. Peter Krammer

Mag. Hannes Truntschnig

Dipl.-Ing. Siegfried Wanker

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

Statement of changes in non-current assets as of 31 December 2016

	Acquisition and production costs			
€	Balance 1.1.2016	Additions	Disposals	Balance 31.12.2016
I. Tangible assets:				
Other facilities, furniture and fixtures and office equipment	1,203,251.97	6,102.42	0.00	1,209,354.39
II. Financial assets:				
1. Investments in subsidiaries	2,141,019,417.37	910,897,798.17	384,304,132.09	2,667,613,083.45
2. Loans to subsidiaries	69,240,000.00	0.00	32,275,000.00	36,965,000.00
3. Investments in participation companies	94,165,269.91	540,000.00	0.00	94,705,269.91
4. Loans to participation companies	87,740,004.70	16,379,102.35	9,034,311.46	95,084,795.59
5. Other loans	19,702.11	505.56	0.00	20,207.67
	2,392,184,394.09	**927,817,406.08**	**425,613,443.55**	**2,894,388,356.62**
Total	**2,393,387,646.06**	**927,823,508.50**	**425,613,443.55**	**2,895,597,711.01**

Accumulated depreciation						
Balances 1.1.2016	**Additions**	**Reversal of depreciation**	**Disposals**	**Balance 31.12.2016**	**Carrying values 31.12.2016**	**Carrying values 31.12.2015**
200,992.65	16,264.36	0.00	0.00	217,257.01	992,097.38	1,002,259.32
106,096,226.21	512,053.00	2,400,000.00	0.00	104,208,279.21	2,563,404,804.24	2,034,923,191.16
2,900,000.00	0.00	0.00	2,900,000.00	0.00	36,965,000.00	66,340,000.00
30,652,604.42	28,368,813.25	0.00	0.00	59,021,417.67	35,683,852.24	63,512,665.49
0.00	0.00	0.00	0.00	0.00	95.084.795.59	87.740.004.70
0.00	0.00	0.00	0.00	0.00	20.207.67	19.702.11
139,648,830.63	**28,880,866.25**	**2,400,000.00**	**2,900,000.00**	**163,229,696.88**	**2,731,158,659.74**	**2,252,535,563.46**
139,849,823.28	**28,897,130.61**	**2,400,000.00**	**2,900,000.00**	**163,446,953.89**	**2,732,150,757.12**	**2,253,537,822.78**

List of participations (20.00 % interest minimum)

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in subsidiaries:			
"A-WAY Infrastrukturprojektentwicklungs- und -betriebs GmbH", Spittal an der Drau	100.00	7,662	4,437
Asphalt & Beton GmbH, Spittal an der Drau	100.00	4,165	1,300
Bau Holding Beteiligungs AG, Spittal an der Drau	65.00	992,914	71,249
BHG Bitumen d.o.o. Beograd, Belgrade	100.00	7	-2
BHG Sp. z o.o., Pruszkow	100.00	2,000	493
CESTAR d.o.o., Slavonski Brod	74.90	3,322	293
CLS Construction Legal Services AB, Stockholm	100.00	5	0
CLS CONSTRUCTION LEGAL SERVICES Sp. z o.o., Pruszkow	100.00	295	11
CLS CONSTRUCTION SERVICES s.r.o., Prague	100.00	10	-1
CLS Kft., Budapest	100.00	171	11
CML CONSTRUCTION SERVICES d.o.o. (formerly: CLS CONSTRUCTION SERVICES d.o.o.), Zagreb	100.00	22	-111
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Cologne	100.00	469	228
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Schlieren	100.00	51	12
CML Construction Services GmbH (formerly: CLS Construction Legal Services GmbH), Vienna	100.00	86	2
CML CONSTRUCTION SERVICES s.r.o. (formerly: CLS CONSTRUCTION SERVICES s. r. o.), Bratislava	100.00	35	0
CML CONSTRUCTION SERVICES SRL (formerly: CLS CONSTRUCTION LEGAL SERVICES SRL), Bucharest	100.00	14	6
DC1 Immo GmbH, Vienna	100.00	24	-11
DRP, d.o.o., Ljubljana	100.00	-5,789	-656
ERRICHTUNGSGESELLSCHAFT STRABAG SLOVENSKO s.r.o., Bratislava-Ruzinov	100.00	2,664	451
Facility Management Holding RF GmbH, Vienna	100.00	-8	1
FLOGOPIT d.o.o. Beograd, Novi Beograd	100.00	-129	-26
Ilbau Liegenschaftsverwaltung AG, Hoppegarten	100.00	1,132,247	74,210
Karlovarske silnice, a. s., Ceske Budejovice	100.00	2,419	4
KMG - KLIPLEV MOTORWAY GROUP A/S, Copenhagen	100.00	1,783	620
Mazowieckie Asfalty Sp.z o.o., Pruszkow	100.00	-19[3]	-3[3]
Mikrobiologische Abfallbehandlungs GmbH, Schwadorf	51.00	470[3]	130[3]
Mineral Abbau GmbH, Spittal an der Drau	100.00	3,112	748
OOO CLS Construction Legal Services, Moscow	100.00	286	70
Panadria mreza autocesta d.o.o. u likvidaciji, Zagreb	100.00	0	0
Prottelith Produktionsgesellschaft mbH, Liebenfels	52.00	-2,320[3]	-98[3]
PRZEDSIEBIORSTWO ROBOT DROGOWYCH Sp.z o.o. W LIKWIDACJI, Choszczno	100.00	[4]	[4]
SAT REABILITARE RECICLARE SRL, Cluj-Napoca	100.00	935	198
SAT SANIRANJE cesta d.o.o., Zagreb	100.00	232	71
SAT SLOVENSKO s.r.o., Bratislava	100.00	2,030	390
SAT Ukraine, Brovary	100.00	1,814[3]	482[3]
"SBS Strabag Bau Holding Service GmbH", Spittal an der Drau	100.00	299,831	28,706
SF Bau vier GmbH, Vienna	100.00	-26	-7
STRABAG A/S, Trige	100.00	-243[3]	-940[3]
STRABAG AG, Schlieren	100.00	25,545	-12,676
"Strabag Azerbaijan" L.L.C., Baku	100.00	-3,385	-805
STRABAG Infrastruktur Development, Moscow	100.00	234	65
STRABAG Oy, Helsinki	100.00	3,499	1,729
STRABAG Property and Facility Services a.s., Prague	100.00	3,567	42
STRABAG Real Estate GmbH, Cologne	28.40	134,505	36,548
Strabag RS d.o.o., Banja Luka	100.00	-399[3]	-74[3]
STRABAG Sh.p.k., Tirana	100.00	[4]	[4]
"STRABAG" d.o.o. Podgorica, Podgorica	100.00	4,415[3]	760[3]
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	94.00	203	-318
TOO STRABAG Kasachstan, Astana	100.00	-3,006[3]	-1,896[3]

1) according to § 224 Paragraph 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2015
4) no statement according to § 242 Paragraph 2 UGB

Name and residence of the company T€	Interest %	Equity/ negative Equity[1]	Result of the last financial year[2]
Investments in participations companies:			
A-Lanes A15 Holding B.V., Nieuwegein	24.00	[4]	[4]
ASAMER Baustoff Holding Wien GmbH, Vienna	20.93	[4]	[4]
ASAMER Baustoff Holding Wien GmbH & Co.KG, Vienna	20.93	[4]	[4]
DYWIDAG Verwaltungsgesellschaft mbH, Munich	50.00	[4]	[4]
Erste Nordsee-Offshore-Holding GmbH, Vienna	49.90	[4]	[4]
Klinik für Psychosomatik und psychiatrische Rehabilitation GmbH, Spittal an der Drau	30.00	[4]	[4]
Moser & CO. S.R.L, Brunico	50.00	[4]	[4]
OOO "STRATON", Sotschi	50.00	[4]	[4]
SHKK-Rehabilitations GmbH, Vienna	33.33	[4]	[4]
SIRIUS Beteiligungsgesellschaft m.b.H., Vienna	42.50	[4]	[4]
SOCIETATEA COMPANIILOR HOTELIERE GRAND SRL, Bucharest	35.31	[4]	[4]
SRK Kliniken Beteiligungs GmbH, Vienna	25.00	[4]	[4]
Straktor Bau Aktien Gesellschaft, Kifisia	50.00	[4]	[4]
Syrena Immobilien Holding Aktiengesellschaft, Spittal an der Drau	50.00	[4]	[4]
Zweite Nordsee-Offshore-Holding GmbH, Vienna	49.90	[4]	[4]

1) according to § 224 Paragraph 3 UGB
2) net income / loss of the year
3) Financial statements as of 31.12.2015
4) no statement according to § 242 Paragraph 2 UGB

Management and Supervisory Board

Management Board:

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

Supervisory Board:

Dr. Alfred G u s e n b a u e r (Chairman)
Mag. Erwin H a m e s e d e r (Vice Chairman)
Mag. Hannes B o g n e r
Thomas B u l l (since 6 February 2017)
Mag. Kerstin G e l b m a n n
William R. S p i e g e l b e r g e r
Dr. Gulzhan M o l d a z h a n o v a (since 13 January 2016 until 6 February 2017)
Andrei E l i n s o n (until 13 January 2016)
Dipl.-Ing. Andreas B a t k e (works council)
Miroslav C e r v e n y (works council)
Magdolna P. G y u l a i n e (works council)
Georg H i n t e r s c h u s t e r (works council)
Wolfgang K r e i s (works council)

MANAGEMENT REPORT

Important events

JANUARY

STRABAG building hydroelectric power plant in Bosnia-Herzegovina

A consortium consisting of STRABAG and Croatian industrial company Končar has been awarded the contract to build the Vranduk power plant on the river Bosna on behalf of energy supply company JP Elektroprivreda BiH. STRABAG AG, with a share of 63.4 %, is leading the consortium. The 20 MW hydropower plant will be completed for € 57 million within a period of 46 months. The contract includes the planning of the power plant, the construction, supply and installation of all plant and equipment, as well as testing and commissioning.

Hydroelectric power plant on the river Bosna

Art-Invest hires Ed. Züblin AG to build "Alter Wall" shopping boulevard in Hamburg

Property development and investment company Art-Invest Real Estate commissioned STRABAG subsidiary Ed. Züblin AG as main contractor to realise the project "Alter Wall Hamburg". "Alter Wall Hamburg" is an approximately 150 m long shopping boulevard with 18,000 m² of offices and 12,000 m² of retail space in Hamburg, Germany. The construction works, with a contract value of about € 80 million, are scheduled to be completed in the summer of 2018.

Refinancing of € 2.4 billion in loans before maturity

STRABAG SE took advantage of the favourable financing environment and recent credit enhancement 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 2021 – with two options to extend by one year each further allow STRABAG SE to secure its comfortable financing position for the long term.

FEBRUARY

STRABAG awarded three road construction contracts in Poland


High demand in road infrastructure

STRABAG, via its Polish subsidiaries, has been awarded three contracts totalling PLN 734 million (approx. € 171 million) from Poland's General Directorate for National Roads and Highways (GDDKiA). As part of the overall works on the S17 between Warsaw and Garwolin, STRABAG will design and build a 15.2 km long section from the Lubelska junction near Warsaw to Kołbiel, including four junctions, for PLN 301 million. The second contract, with a value of PLN 183 million, comprises the design and construction of an 8.7 km long bypass road near Kołbiel. A further contract includes the design and building of the S8 expressway between Radziejowice and Przeszkoda for PLN 250 million. The 9.9 km concrete roadway is scheduled for completion within 31 months. In addition to the dual carriageway roadway, the works also comprise the Żabia Wola junction as well as several civil engineering structures, among them a bridge over Pisia Tuczna, pedestrian overpasses and three rest areas. Noise barriers and wildlife crossings will also be built along the section.

STRABAG to build Contract Section South of Berlin–Dresden rail line for Deutsche Bahn

Two German subsidiaries of STRABAG SE have been awarded Contract Section South by Deutsche Bahn AG to upgrade 30 km of the Berlin–Dresden railway line. The consortium of STRABAG Rail GmbH, Berlin, and STRABAG AG, Cologne, will perform track works and build new overpasses. Construction is scheduled for completion by the end of 2018. The contract has a value of about € 66 million. STRABAG Rail GmbH will lay new tracks on the Berlin–Dresden rail line along a length of 27 km between Hohenleipisch and Walddrehna and perform maintenance works on the existing tracks along a length of 26 km. At the same time, STRABAG Rail will build seven railway overpasses and STRABAG AG eight road overpasses.

Upgrading of Berlin–Dresden rail line

MARCH

Züblin to build section of "Stockholm Bypass" with contract value of about € 76 million

Züblin Scandinavia AB, a Swedish subsidiary of Ed. Züblin AG, has been awarded the contract by the Swedish transport authority Trafikverket to build a section of the Stockholm motorway bypass. The project comprises the construction of an approximately 950 m long section of motorway including interchange for a total of about € 76 million. The works being carried out by Züblin in the district of Akalla north of Stockholm include large sheeting and shoring measures for excavation works, an approximately 120 m long concrete tunnel built using cut-and-cover, an approximately 480 m long trough for the tunnel approach and a roundabout.

STRABAG wins further € 108 million contract section for A1 motorway in Poland

After the Woźniki–Pyrzowice section of the A1 motorway in Poland STRABAG has now also been awarded the contract to build the section between the Zawodzie junction and Woźniki junction. The 16.7 km long route is to be opened to traffic in the second half of 2019. The contract has a value of € 108 million. Besides the concrete roadway, STRABAG will also build the Woźniki junction as well as bridges and several adjoining local roads.

Union Investment commissions Züblin to expand "RiemArcaden" in Munich

"RiemArcaden" designed by the architectural firm of "Allmann Sattler Wappner"

Union Investment has commissioned Ed. Züblin AG to expand the mixed-use building "RiemArcaden" in eastern Munich in Germany. The value of the new contract amounts to about € 46 million. The works comprise the turnkey construction of a building with about 20,400 m^2 of hotel and retail space as well as the retrofit of parts of an existing underground car park. Construction should be completed by the summer of 2018.

STRABAG subsidiary Züblin building new trivago headquarters in Dusseldorf, Germany

Ed. Züblin AG has been hired as general contractor to build the new corporate headquarters of trivago GmbH in the Medienhafen business area of Dusseldorf. The entire project, including construction design, has a total contract value of about € 81 million. Construction works are scheduled for completion in mid-2018.

STRABAG building first IKEA store in Serbia

STRABAG was commissioned as main contractor to build the first IKEA store in Serbia. The store will be located in Bubanj Potok in the Serbian capital Belgrade. The value of IKEA's investment is estimated at € 70 million. Construction works will be completed in mid-2017. The store will offer more than 30,000 m^2 of retail space.

STRABAG planning sale of hydraulic engineering business to Boskalis

STRABAG SE has reached an agreement signed on 31 March 2016 with Netherlands-based Royal Boskalis Westminster N.V. on the sale of the hydraulic engineering business. As part of an asset deal with a purchase price of € 70 million, Hamburg-based STRABAG Wasserbau GmbH, the leader in the German dredging sector, transferred its equipment, staff and a series of recently signed maintenance contracts to the buyer. The transaction took place on 1 April 2016.

APRIL

Züblin building Offshore Terminal Bremerhaven

Ed. Züblin AG, in a joint venture with Heinrich Hirdes GmbH, has been selected to build the Offshore-Terminal Bremerhaven (OTB) in Germany. The contract, with a value of approx. € 120 million, comprises the terminal (quays and hinterland), terminal access and retrofitting of the corresponding levees. OTB is to be handed over to the terminal operator, BLG Logistics, in late 2018/early 2019.

New port construction contract in Bremerhaven

Full acquisition of Ed. Züblin AG

The STRABAG Group increased its stake in the subsidiary Ed. Züblin AG starting in April from 57.26 % to 100 % as of 5 August 2016 in multiple steps. The agreement with the minority shareholders includes a basic purchase price as well as a provision for a variable purchase price portion, to be determined depending on Ed. Züblin AG's respective net income after minorities for each of the years 2015 to 2019. Shares of STRABAG SE were not used as acquisition currency.

MAY

STRABAG awarded road and tunnel construction contract in Norway

STRABAG has been selected as main contractor to build a section of European Route E16, the most important link between the Norwegian capital of Oslo and the country's second largest city of Bergen. The Øye–Eidsbru section, located in the middle of this route, comprises the new construction of 4.5 km of main road and 2.1 km of side roads. A 1,970 m long tunnel forms the heart of the project. The contract value is around € 37 million.

JUNE

Leading role in the refinancing of Irish N17/N18 PPP-project

STRABAG SE has initiated and led the first successful refinancing of an Irish motorway public-private partnership (PPP) project. The N17/N18 project between Gort and Tuam is therefore benefiting from improved financial market conditions while still in the construction phase. The total private sector investment volume in this project amounts to approximately € 400 million. STRABAG has a stake in both the concession company DIRECTROUTE (10 %) as well as the construction consortium (25 %).

Züblin awarded € 400 million contract in Chile

Züblin International has been awarded a € 400 million contract by Codelco, the world's largest copper producer. The Chuquicamata Mine, located in northern Chile, will be transformed from the world's largest copper open pit to an underground operation. The contract includes 63 km of tunnel excavation, 7 km of shafts and the transportation of 3.6 million t of materials. Construction works will be finished in 2021. Züblin is also working on Codelco's El Teniente Mine as well as on the Andina Mine.

BIM.5D® for Siemens in Switzerland

STRABAG AG Switzerland has been awarded the contract to build an office building and a production building for Siemens in Zug, Switzerland. The contract, which has a value of around € 100 million, will be carried out by STRABAG as design-and-build contractor. The client, Siemens Real Estate, chose STRABAG also for its proven competence in Building Information Modelling (BIM), which is applied in this project.

Application of BIM.5D®

German A-Modell project (A8 motorway) refinanced

The motorway concession company PANSUEVIA GmbH & Co. KG, along with its 50:50 joint venture partners HOCHTIEF and STRABAG, has achieved the refinancing of the German A8 A-Modell. The European Investment Bank (EIB), will not only stay on board as creditor but has also made use for the first time of its new financing instrument, Senior Debt Credit Enhancement (SDCE). The approximately 58 km section of the A8 between Ulm and Augsburg was opened to traffic on schedule in September 2015 after slightly more than four years of construction. PANSUEVIA had designed, financed, and carried out the widening of the section to six lanes and took over maintenance and operation of the section for a period of 30 years.

JULY

Rating of BBB confirmed by S&P

The international rating agency Standard & Poor's (S&P), in its July analysis, has confirmed the BBB credit rating of STRABAG SE. The outlook remains at "stable". The rating had been raised by one level in 2015. The key performance indicators that had contributed to last year's increase continue to show good development, says S&P. The agency recognised the progress made in increasing profitability, especially in the area of risk management, and believes STRABAG to be on the right path toward an EBIT margin of 3 %.

Cancellation of 4,000,000 own shares executed

In accordance with a resolution passed at the 12th Annual General Meeting on the share capital of STRABAG SE has been reduced by the cancellation of 4,000,000 own shares as per 22 July 2016. The share capital thus amounts to € 110,000,000.00, divided into 109,999,997 bearer shares with voting rights and three registered shares with voting rights each representing a proportion of the share capital amounting to € 1.00. A resolution was also taken at the 12th Annual General Meeting authorising the acquisition of own shares, subject to approval by the Supervisory Board of STRABAG SE. On 15 July 2016, the Supervisory Board agreed to this. The question of whether and to what extent the Management Board of STRABAG SE will make use of the authorisation remains open.

AUGUST

STRABAG renovating rail line in southern Czech Republic

STRABAG Rail a.s. has been awarded a contract by the Czech Railway Infrastructure Administration (Správa železniční dopravní cesty) to renovate the 46 km long rail line between Okříšky and Zastávka u Brna in the south of the country. The infrastructure project with a value of about € 34 million is being co-financed by the EU from the Cohesion Fund. Construction is to be completed by July 2017. The renovation works will contribute to shorter travel time on the line by making adjustments to the track geometry and thanks to partial switch renewal.

Vattenfall acquires project development company for offshore wind park “Global Tech II”

Vattenfall has acquired Northern Energy GlobalTech II GmbH from Erste Nordsee-Offshore-Holding GmbH, a joint subsidiary of STRABAG SE and indirectly Etanax GmbH. Northern Energy GlobalTech II GmbH is the owner of the offshore wind project “Global Tech II”. Global Tech II is located in the German North Sea 85 km north of the island of Borkum. The project is currently under development with a number of up to 79 wind turbines in an area of 47 km². The contractual partners have agreed not to disclose any information about the purchase price.

Züblin to construct new Axel Springer building in Berlin

Construction under teamconcept partnering scheme

Ed. Züblin AG has been commissioned by Axel Springer SE to build its new building in Berlin, Germany. Züblin will realise the project as general contractor under the group’s teamconcept. The partnering scheme already helped Züblin secure the qualification competition for the preconstruction phase that started in early 2015 and the company has been working jointly with Axel Springer, Rotterdam-based architectural firm OMA and the design team on all phases of the project from the preliminary design to the construction permit.

SEPTEMBER

STRABAG building Slovak national football stadium in Bratislava

UEFA Category 4 stadium

STRABAG SE has been commissioned by the investor NFŠ a.s. to build the new national football stadium with more than 22,000 seats in the Slovakian capital Bratislava. The structural works including the technological minimum equipment to be built by STRABAG are scheduled for completion in 2018. The contract has a value of € 50 million. The stadium is being built at the site of the old Tehelné pole Stadium that has since been demolished. The new stadium will meet the requirements for a UEFA Category 4 stadium, which means it will have the capacity to handle international matches.

Large contract for STRABAG subsidiary: Expansion of Södertälje Canal

Züblin Scandinavia AB has been awarded the contract by the Swedish Maritime Administration Sjöfartsverket to build a new lock and to enlarge the Södertälje Canal – a part of the so-called Mälaren project – located south of Stockholm in Sweden. The project has a contract value of € 127 million. The construction works will be finished by the end of 2019. An important prerequisite for the construction process is that all boat traffic proceed without disturbance throughout the construction period.

Södertälje Canal south of Stockholm

Rail contract in Hungary

STRABAG will electrify and upgrade the 51 km railway line between Budapest and Esztergom on behalf of one of Hungary's largest state-owned investment companies, NIF (National Infrastructure Development Company). The contract, with a value of approx. € 108 million, will be carried out as a joint venture with TRSZ Kft. and MVM OVIT Zrt. – STRABAG holds 51.67 % in this project. Construction is scheduled for completion in 2018.

OCTOBER

STRABAG wins best bidder contest for widening of A1 motorway in Austria

STRABAG has been awarded the contract by ASFINAG, the Austrian motorway operator, to widen the A1 motorway to three lanes between Matzleinsdorf and Pöchlarn. The contract also comprises the widening of eight bridges along the 5.1 km section. The contract has a total value of approx. € 22 million. Construction works are to be completed in May 2018. STRABAG won the best bidder competition thanks to its performance in the award criteria of quality and work safety.

NOVEMBER

Consortium around STRABAG to build section of D3 motorway in Slovakia

A construction consortium around STRABAG (44 %) has been chosen to build a 5.6 km section of the D3 motorway in northern Slovakia. The € 239 million contract is being performed on behalf of the state motorway company NDS a.s. and is scheduled to be completed after 48 months of construction. The project comprises the construction of the roadway, 19 bridges, several retaining walls and more than 11 km of noise barriers.

Construction of the East Side Mall shopping centre in Berlin

East Side Mall in Berlin's Friedrichshain district

Luxembourg-based Forum Invest S.a.r.l has commissioned Ed. Züblin AG to build the new East Side Mall in Berlin, Germany. Forum Invest is represented by Berlin-based project development company FREO Financial & Real Estate Operations GmbH. The contract for the new construction, to be carried out under STRABAG's teamconcept partnering scheme, has a value of about € 84.3 million including construction design. The architectural design was conceived by Dutch architecture office UNStudio, which also designed the Züblin-built Mercedes-Benz Museum in Stuttgart in Germany.

DECEMBER

STRABAG increased its stake in Raiffeisen evolution to 100 %

STRABAG continues to strengthen its market position in the field of residential project development in Austria. The company increased its interest in Raiffeisen evolution project development GmbH, Vienna, from 20 % to 100 % as of 22 December 2016. The company is one of Austria's leading project development companies and was renamed STRABAG Real Estate GmbH after the purchase. Founded in the year 2003, its ownership structure had previously been: Raiffeisen Zentralbank AG (40 %), UNIQA Insurance Group AG (20 %), Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H (20 %) and STRABAG AG, Austria (20 %).

Züblin to build Kriegsstraße car tunnel in Karlsruhe

Two-lane car tunnel

Karlsruher Schieneninfrastruktur-Gesellschaft mbH (KASIG) is putting its trust in the civil engineering competence of Ed. Züblin AG. The STRABAG Group subsidiary is leading a consortium with Schleith GmbH to build the Kriegsstraße car tunnel in Karlsruhe, Germany. The two-lane tunnel in Kriegsstraße is the second part of the Kombilösung public transport infrastructure project to build an efficiently functioning rail network for the local public transport and to reduce the volume of surface car traffic in central Karlsruhe. The contract for the road tunnel has a value in the low triple-digit euro millions.

Rebuilding Hungarian football stadium Sóstó

The Hungarian unit of STRABAG has been awarded the contract by the City of Székesfehérvár, 70 km from Budapest, to rebuild the Sóstó football stadium. The demolition of the old stadium was also carried out by STRABAG. The approx. € 40 million project is scheduled for completion in late 2017.

Football stadium for 14,000 spectators

Country report

DIVERSIFYING THE COUNTRY RISK

Output volume down 6 %

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 an output volume of € 13.5 billion in the 2016 financial year, a minus of 6 % versus the previous year. While very positive development had been registered in Slovakia, Poland and the Czech Republic in 2015, the output volume fell back in these countries in particular. One reason for this decline is the expiration of the EU Cohesion Fund regime at the end of 2015 and the fact that the new round of funding has not yet been used to the same degree by the eligible countries. The core market of Austria, in comparison, was characterised by increasing business activity. STRABAG also defended the exceptionally high level in Germany, the group's largest market by far.

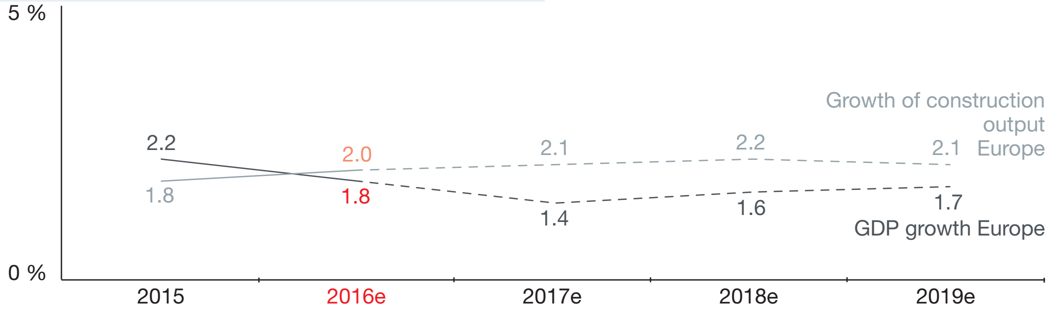
OUTPUT VOLUME BY COUNTRY

€ mln.	2016	% of total output volume 2016	2015	% of total output volume 2015	Δ %	Δ absolute
Germany	6,270	46	6,256	44	0	14
Austria	2,099	16	2,003	14	5	96
Poland	774	6	941	7	-18	-167
Czech Republic	631	5	765	5	-18	-134
Slovakia	461	3	716	5	-36	-255
Hungary	448	3	594	4	-25	-146
Switzerland	378	3	343	2	10	35
Americas	348	3	310	2	12	38
Benelux	309	2	302	2	2	7
Middle East	267	2	315	2	-15	-48
Romania	254	2	241	2	5	13
Denmark	234	2	219	2	7	15
Sweden	179	1	240	2	-25	-61
Rest of Europe	150	1	168	1	-11	-18
Russia	139	1	230	2	-40	-91
Asia	131	1	92	1	42	39
Serbia	89	1	46	0	93	43
Italy	82	1	188	1	-56	-106
Africa	78	1	120	1	-35	-42
Croatia	78	1	68	0	15	10
Slovenia	65	0	98	1	-34	-33
Bulgaria	27	0	35	0	-23	-8
Total	**13,491**	**100**[1]	**14,290**	**100**	**-6**	**-799**

1) Rounding differences are possible.

ECONOMIC DYNAMISM LEVELLING OFF[1]

GROWTH COMPARISON CONSTRUCTION VS. GDP EUROPE



Strong growth expected in Eastern Europe

The European **economy** continued its moderate **growth trajectory** at a slightly lower level in 2016. To a degree, growth factors were neutralised by a series of hindrances: above all the higher geopolitical and political insecurities, not least after the Brexit vote, as well as the waning growth outside of the EU and the weaker global trade. In some EU countries, meanwhile, the effects of the financial and economic crisis are still being felt. Below the line, the economy in the 19 Euroconstruct countries still managed to grow by 1.8 % in 2016 but remained below the previous year's plus of 2.2 %. For 2017, Euroconstruct forecasts a further decline of the growth rate to +1.4 % before the curve should begin to point upwards again starting in 2018.

A similar statement can be made about the global economy. Overall, the forecasts remain cautious yet positive. The investment hesitancy in the euro area will likely continue to dampen the growth opportunities, and both private as well as public consumption should increase less strongly in the Euroconstruct countries in 2017 than the year before. The foreign trade dynamism is also expected to wane further, as will the positive effect of low energy prices, since these have been noticeably on the rise again. The monetary policy, meanwhile, is having a positive effect on the growth dynamism and should continue to do so in the years to come. A turnaround is expected for the emerging markets, whose economy should have reached its low point in 2015 and should now begin to exhibit renewed positive development. Striking growth above the European average in 2016 was again seen in Spain, Ireland and Sweden, while Germany and, recently, also Austria are in midfield in a European comparison. GDP growth remained clearly below the mean value in Norway, Denmark and Portugal. The countries of Central and Eastern Europe again achieved the 3 % mark, thus clearly leaving Western Europe behind. While the dynamism is likely to diminish further in Western Europe in 2017, an even stronger plus is expected in Eastern Europe.

CONSTRUCTION SECTOR GROWING SOMEWHAT MORE SLOWLY THAN EXPECTED

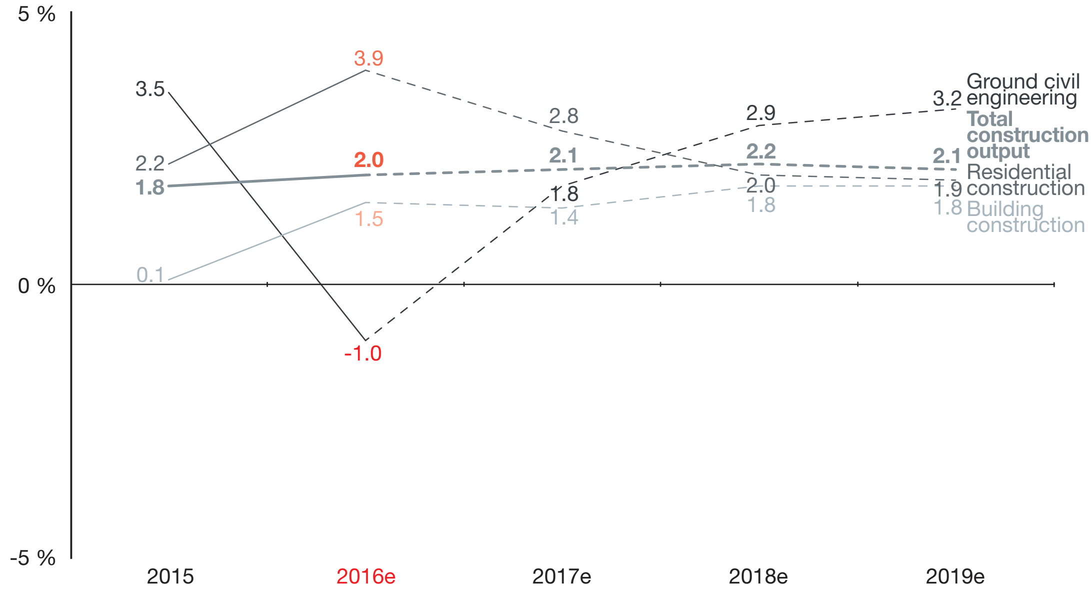
In contrast to the economy as a whole, the **construction sector** in the 19 Euroconstruct countries registered slightly higher growth (+2.0 %) in 2016 than the year before (+1.8 %). The plus fell short of the original forecasts, however, which had predicted a clearer sign of recovery. The expectations for the coming years were also scaled back slightly. Nevertheless, thanks to the low interest environment and the subsequent appetite for real estate investments, the construction dynamism should still continue to outperform the general economy. The most recent Euroconstruct forecasts for the period 2017–2019 predict growth between +2.1 % and +2.2 %.

On a country-by-country basis, the development was again quite varied. The strongest growth was registered in Ireland, the Netherlands and Sweden. Showing signs of weakness were Portugal and, above all, the countries of Central and Eastern Europe, which last year had still contributed decisively to the positive overall figures. Growth stagnated in the United Kingdom and Switzerland, while the remaining Euroconstruct countries grew around the average rate of +2.0 %. For the coming years, Euroconstruct forecasts a clear turnaround for the CEE nations. In Finland, Sweden, Norway, the Netherlands and Germany, on the other hand, the dynamism is expected to weaken slightly. In contrast, higher construction output is expected from Denmark and Italy, among others.

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 2016 reports. The indicated market share data are based on the data from the year 2015.

RESIDENTIAL CONSTRUCTION AND BUILDING CONSTRUCTION LEAVE CIVIL ENGINEERING BEHIND

DEVELOPMENT OF CONSTRUCTION SECTOR EUROPE



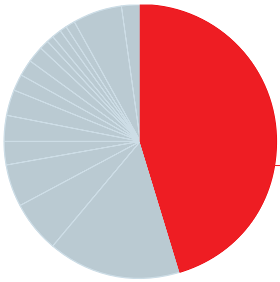
In a sector-by-sector comparison, European residential construction registered the strongest growth last year. This was followed by non-residential building construction, which also grew considerably more strongly than the year before. Civil engineering, on the other hand, had to concede a noticeable decline following the solid growth of 2015.

For **residential construction**, which accounted for nearly one half of the total European construction volume in 2016, the forecasts had to be adjusted upwards several times over the course of the year. The sector thus assumed the leading role in the recovery of the European construction industry. The construction volume in residential construction grew by 3.9 %, nearly twice as strongly as the year before. In absolute numbers, growth in 2016 was again driven by France, Germany and the United Kingdom, followed by Italy, where the building construction volume still only accounts for around one third of the value before the financial and economic crisis. The largest growth was registered by Sweden, the Netherlands, Norway, Finland, Slovakia and Hungary, among others. The plus in residential construction should drop back down to 2.8 % this year, which, however, still is a solid growth rate. Above-average growth rates are forecast for Ireland, which has ranked at the top for years, as well as France, the Netherlands, Portugal, Spain, Sweden and Hungary. In Germany, development will probably be stagnant for the most part.

In contrast to residential construction, the forecasts for non-residential **building construction** – the sector accounted for nearly one third of the European construction volume in 2016 – had to be taken back. At the midpoint of the year, it had still been expected that this sector would more clearly leave the stagnation of the previous years behind. In the end, building construction in the 19 Euroconstruct countries grew by 1.5 % and so still clearly surpassed the value of 2015 (+0.1 %). In a country-by-country comparison, Germany registered the highest growth and will likely do so again this year, albeit at a slightly slower pace. An improvement was also reported by Italy, the Netherlands, Belgium and Denmark. The largest losses, on the other hand, were suffered in the Czech Republic and Poland. In the years to come, the building construction sector should largely mirror the general economy; higher growth rates are expected only for new office buildings and agricultural buildings. In the United Kingdom, however, the building construction volume will likely decline in 2017 as a consequence of the Brexit.

Civil engineering, which accounted for 21 % of the European construction volume, was unable to latch on to the positive development of 2015 (+3.5 %) and registered a minus of 1.0 % in 2016. Here, too, things became worse over the course of the year with growth of 1.5 % still being forecast in June. The largest losses were reported in Slovakia, Hungary and the Czech Republic, the greatest growth in Norway and Ireland. In the countries of Central and Eastern Europe, the move from one EU funding period to the next had the expected impact. The United Kingdom, which also registered a significant minus, is suffering under Brexit-related insecurities in this sector as well. Sectors with a higher share of public investments – like transport – were generally affected more strongly by the declines than fields such as telecommunications or energy. For the future, Euroconstruct is more optimistic and expects average annual growth of 2.6 % in the civil engineering sector by the year 2018. While the sector should find its way back to higher dynamism in the countries of Eastern Europe, it will likely stagnate in Germany from 2018 onwards.

GERMANY



Overall construction volume:	€ 304.3 billion.
GDP growth:	2016e: 1.9 % / 2017e: 1.4 %
Construction growth:	2016e: 2.5 % / 2017e: 1.5 %

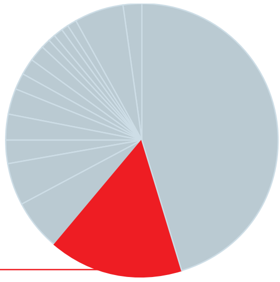
The upswing of the German economy continued as expected in 2016. The GDP growth of 1.9 % resulted – in contrast to the previous years – primarily from a strong increase of private domestic consumption and not so much from corporate investments or foreign demand. Low savings interest rates, secure jobs and rising real wages boosted the Germans' willingness to spend; at the same time, public spending increased as a result of the at times still high number of refugees. With the ebbing of the immigration floods, however, Euroconstruct expects domestic consumption to again grow more slowly, and the political and economic problems of many of the German states are leading German companies to be hesitant with regard to new investments. GDP growth should therefore drop by half to 1.0 % in the next two years.

The German construction economy was also able to bring in positive figures in all respects in 2016, registering an overall plus of 2.5 %. The above-average strong growth in residential construction (+3.0 %) resulted from additional planning permissions and new projects by local governments and municipal housing companies in response to the large refugee numbers. The impact of these measures, however, should only be seen as temporary and Euroconstruct expects a gradual decline in residential construction to -0.7 % by 2019.

Clearly positive development was also registered by the sectors building construction (+1.4 %) and civil engineering (+2.7 %). While retail and industry benefited from the strong economic growth in 2016, the telecommunication sector's massive broadband expansion provided a stimulus to civil engineering, which had still generated negative growth the year before. Growth is again predicted for the two sectors in 2017 (+0.7 % and +1.2 %, respectively), although the many different problems are expected to lead to considerably weaker results in the medium term. Significant driving forces for the future development include the increase of the minimum wage, high energy prices, the still unforeseeable consequences of Brexit, the growing importance of foreign production and the triumph of online retailers with the subsequently reduced demand for new commercial buildings.

The STRABAG Group is market leader in Germany, with a 2.1 % share of the market. The share of the German road construction market even amounts to 9.1 %. With € 6,269.95 million, the group generated about 46 % of its total output volume in Germany in 2016. Most of this is assigned to the segment North + West. Property and facility services in Germany are listed under International + Special Divisions.

AUSTRIA



Overall construction volume:	€ 34.4 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.5 %
Construction growth:	2016e: 1.6 % / 2017e: 1.4 %

Austria's GDP grew by 1.7 % in 2016, which places it above the EU average of +1.4 % that has been estimated by ETH Zurich. The main factor driving this positive development was the growth of private consumption, which, in turn, can be traced back to the tax reform of 1 January 2016 that increased real incomes by an estimated 2.9 %. A dampening effect in the period under report was exerted by Austria's negative trade balance, however, which was burdened by significantly higher imports of consumer goods. The forecast for the near future (of around +1.5 % a year) seems modest when taken by itself. But if you consider the entry into force in 2017 of the balanced budget amendment (the so-called "debt brake"), which was designed to reduce public spending in Austria, along with the expected slowdown of the German economy, then this assessment must be seen as quite positive.

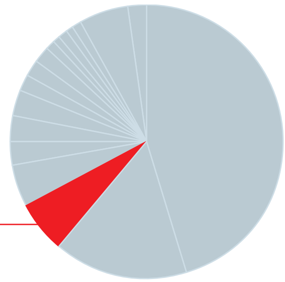
Euroconstruct expects to see similar annual growth rates through 2019 for the Austrian construction sector, which again generated a plus of 1.6 % after the negative performance of -0.6 % in 2015. In particular, residential construction (+1.5 %) developed better than had been expected. This can be traced back to several factors: firstly, the consistently high demand for housing in large metropolitan areas; secondly, rising real estate prices, which, in combination with lower credit rates, attract private investors; and thirdly, the public sector's so-called housing offensive, which aims at containing the price of real estate through affordable new buildings.

Building construction even managed a plus of 2.0 % in 2016 because the industrial sector, after years of hesitant investments, again acted more dynamically in the period under report; increased activity was also seen among offices and commercial space.

The weakest sector in 2016 was civil engineering with a plus of 1.1 %, resulting primarily from investments in transportation infrastructures in which public subsidies played an important role. The further expansion of the road and, especially, of the rail network will continue to have a fixed place in the Austrian budget in the years to come; stable growth can therefore continue to be expected in this area.

The STRABAG Group generated a total of 16 % of the group output volume in its home market of Austria in 2016 (2015: 14 %). Austria thus continues to be one of the company's top three markets, along with Germany and Poland. The output in 2016 reached a volume of € 2,098.62 million. With a share of 5.9 %, STRABAG is the number 1 on the Austrian market. The share of the road construction market amounts to 20.3 %.

POLAND



Overall construction volume:	€ 44.8 billion
GDP growth:	2016e: 3.2 % / 2017e: 3.5 %
Construction growth:	2016e: -0.8 % / 2017e: 4.2 %

As in the previous two years, the Polish economy was again able to record a stable plus of 3.2 % in 2016. Similar growth (up to 3.6 %) is being forecast for the years to come. Although the expiration of the 2007–2013 EU financial framework resulted in decreased investments in the first half of the year, the associated slowdown of economic growth is seen by Euroconstruct to be only temporary. Rising consumer spending, which, in turn, is being driven by the good situation on the labour market, should continue to shape the following quarters when more money is available to households through the higher child benefits.

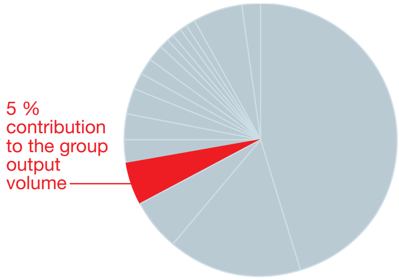
The Polish construction industry presented itself as very inconsistent, with a negative overall performance in 2016. Following the strong growth of the previous two years (+5.1 % and +4.1 %), the sector registered a minus of 0.8 % in the year under report. This development can be traced back to declining investments, which have several causes, above all the general insecurity in the economy as well as the legislative changes and the aforementioned expiration of an EU funding period.

With growth of 5.8 %, residential construction saved the overall performance of the industry in 2016. The construction boom that had blessed this sector with a generous plus of 8.1 % the year before continued in the period under report – supported by the low credit and mortgage rates. In contrast, building construction and, especially, civil engineering felt the full force of the public sector's decision to halt investments. The sales figures fell by up to 27 % in six of the seven non-residential subsectors; only commercial buildings were able to attain a plus of 4.0 %. The bottom line is a minus of 2.4 % for building construction in 2016.

Civil engineering generated an even more resounding minus of -4.5 %, whose causes – besides the general investment decline – are also homemade. For example, a number of railway construction projects that were announced years ago have not yet been started because the necessary documentation has not been submitted in full. The Ministry of Development and Euroconstruct, however, expect a return to positive figures (between +8.5 % and +13.6 %) in the next three years because the 2014–2020 EU financing programmes will co-finance the construction of important infrastructure projects.

As the number 3 in the Polish construction sector, STRABAG generated a construction volume of € 773.74 million in 2016, accounting for 6 % of the total output volume of the group. This makes Poland the third largest market for the STRABAG Group. The company's share of the entire Polish construction market amounted to 2.1 %, in road construction it is 8.0 %.

CZECH REPUBLIC



Overall construction volume: € 15.7 billion
GDP growth: 2016e: 2.3 % / 2017e: 2.4 %
Construction growth: 2016e: -9.0 % / 2017e: -3.2 %

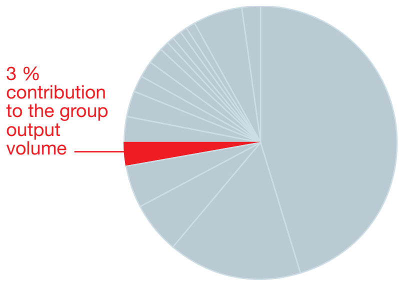
After the turnaround in 2014 and the record year of 2015 with GDP growth of 4.5 %, the Czech economy consolidated at a stable plus of 2.3 % in the year under report. Although this development was supported by several factors that have only a temporary effect, e.g. EU subsidies, the reduction of the value-added tax rate to 10 %, higher wages and lower oil prices, the expectation of positive changes – above all rising industrial production and an improved situation on the labour market – in the years 2017–2019 leads Euroconstruct to predict continuous growth rates of about 2.4 % a year. This forecast is reinforced by the fact that the Czech Republic is currently seen as one of the most attractive investment markets in Central and Eastern Europe.

The Czech construction economy presented itself as highly inconsistent in 2016. While residential construction (+3.5 %) was able to at least somewhat latch on to the sensational performance of 2015 (+14.7 %), building construction and civil engineering registered dramatic declines. While the minus of 13.9 % in civil engineering can be partially explained by the outstanding performance of the previous year (+16.8 %), the weak performance of the building construction sector (-11.1 %) is mainly due to domestic problems. The development of public-sector projects in particular is often defeated by bureaucracy and the slow pace of the works. The transition to the new EU funding period, for example, did not proceed smoothly, and available financing was offset by a lack of green-light construction projects.

Once these difficulties have been overcome, however, the Czech construction industry is expected to boom. The high demand for new housing, stimulated by the low mortgage rates, promises growth of up to 14.5 % (2019) for the residential construction sector. Similarly, the development of new shopping centres, large office buildings (above all in Prague) as well as industrial and storage buildings (Amazon) should slowly push non-residential building construction to at least +1.9 % (2019). Civil engineering should again grow by 11.6 % in 2019 if – besides the investments already made in sewerage systems, waste water treatment and flood control – long overdue rail and road construction projects are realised as well.

In the Czech Republic, STRABAG is the number 1 on the market. With an output volume of € 630.56 million, about 5 % of the group's total output volume was accounted for by the Czech market in 2016. The group's share of the entire construction market stood at 4.4 %; in road construction, this figure even reached 13.0 %.

SLOVAKIA



Overall construction volume: € 4.8 billion
GDP growth: 2016e: 3.6 % / 2017e: 3.5 %
Construction growth: 2016e: -5.4 % / 2017e: 6.2 %

The upswing that has characterised the Slovak economy since 2010 continued in the period under report. Thanks to rising consumer spending of private households and higher net exports, the 2016 GDP growth (3.6 %) exceeded the forecasts by half a percentage point. Despite expectations of lower public-sector investments, Euroconstruct continues to see significant GDP growth (2017: +3.5 %, 2018: +3.9 %, 2019: +4.4 %) in the years to come. This is not least because of the automotive industry, as announcements of new orders by VW, Groupe PSA and Jaguar Land Rover are adding fuel to the Slovak economic engine.

In spite of these circumstances, the construction industry registered in part a negative performance in 2016. This must be seen relative to the previous year's figures, however. The plus of 18.5 % in 2015 had only been possible thanks to enormous state investments in transport infrastructures as well as extensive EU subsidies; against this backdrop, the sector ended the year under report with a minus of 5.4 %.

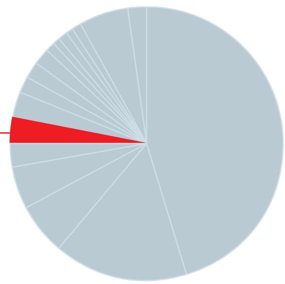
At least the residential construction sector experienced an upswing in 2016, gaining +12.1 % on higher demand, in equal parts, for owner-occupied and investment housing. Being on the more expensive side, luxury apartments remained unsellable. In the highest demand was government-subsidised housing.

Building construction fell by 0.9 % in 2016 despite the renovation, insulation and expansion of school and hospital buildings as well as the construction of scientific and technical centres. The construction of a production facility, a logistics centre and an intermodal terminal for carmaker Jaguar Land Rover – with participation by STRABAG in the preliminary works – supports the positive forecast for 2017 (+3.0 %).

The minus of 20.1 % in civil engineering in the period under report is, as already mentioned, to be seen as a correction after 2015 (+53.4 %). However, several important projects were delayed by authority disputes in the wake of the parliamentary elections. However, the civil engineering volume is expected to grow by 15.0% in 2017.

With a market share of 13.9 % and an output volume of € 461.16 million in 2016, STRABAG is the market leader in Slovakia. In road construction, STRABAG's market share reached 16.6 %. Slovakia contributed 3 % to the group's total output volume in 2016.

HUNGARY



Overall construction volume:	€ 9.0 billion
GDP growth:	2016e: 2.8 % / 2017e: 3.0 %
Construction growth:	2016e: -3.3 % / 2017e: 10.0 %

In the year under report, the growth of the Hungarian economy slowed down somewhat versus 2015 (+3.1 %). At +2.8 % in 2016, however, it was still clearly above the EU average (+1.4 %). Higher real incomes (about +7.0 %), lower unemployment figures (about 5.0 %, half as high as 2013) and, consequently, greater prosperity for the households were strong drivers of domestic consumption. Euroconstruct expects further GDP growth of 3.0 % for 2017 and even foresees a plus of 3.4 % for the 2018 election year.

Although the Hungarian construction industry had to concede an overall decline of 3.3 % in 2016, all the signs are pointing to an upswing as the government is making efforts to fill investment holes and gaps between the EU financing periods with funds from the federal budget. The next years are therefore expected to show an increase in output volume.

Residential construction, which had largely stagnated in the previous two years, proved to be the most successful sector in 2016 with growth of +14.0 %. The market for new construction boomed thanks to a broad and generous fiscal policy of subsidies, tax cuts, tax rebates and special loans that helped to improve the standard of living especially for young families. At the same time, the growth of tourism unleashed an enormous wave of renovations and modernisation works among rental property owners. Further considerable growth (+23.4 % and +20.4 %) is therefore expected for 2017 and 2018 before the sector should consolidate at +6.4 % in 2019.

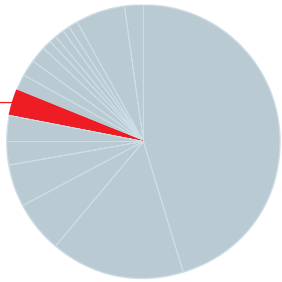
The Hungarian building construction sector (+1.2 %) presented a disparate image in the period under report. On the one hand, private investors made quite noteworthy investments in office, logistics, industrial and agricultural buildings;

on the other hand, many large public-sector projects remain on ice due to the lack of EU financing. As soon as the funding becomes available, there should be a noticeable upswing. The experts are forecasting a plus of 6.5 % for 2017 and even stronger growth of 9.0 % for the following year.

The crash of the Hungarian civil engineering sector (-15.0 %) appears less dramatic when seen against the backdrop of the expired EU funding programmes that had been the cause for strong growth in the years before. There can be no doubt that infrastructure investments are needed, above all in the expansion of the rail network for freight transport and public transportation. This should find expression in the coming years with growth between 6.5 % (2017) and 10.0 % (2018).

The STRABAG Group generated € 448.12 million, or 3 % of its output volume, in Hungary. STRABAG is the number 1 on the Hungarian construction market. The company's share of the entire market stood at 6.4 % in 2016; in road construction, it is 22.5 %.

SWITZERLAND



Overall construction volume: € 64.9 billion
GDP growth: 2016e: 1.6 % / 2017e: 1.8 %
Construction growth: 2016e: 0.1 % / 2017e: 1.3 %

With GDP growth of 1.6 % in the period under report, the Swiss economy appears to have recovered somewhat from the "Swiss franc shock" and to have gradually found its way back to moderate growth. Parallel to the recovery of the global economy, Euroconstruct also expects to see positive development in Switzerland for the years 2017–2019 with annual growth of about 1.9 %.

In contrast, the Swiss construction sector gained only 0.1 % in 2016 and is currently in a phase of consolidation. Particularly the poor weather conditions in the spring and summer of 2016 slowed the activity of many construction companies noticeably. Attractive financing conditions and an increasingly friendlier economic framework, however, encourage extensive investments especially in hospital and infrastructure projects. As a result, a plus of 1.3 % is expected for 2017 and should even reach 2.6 % in 2018.

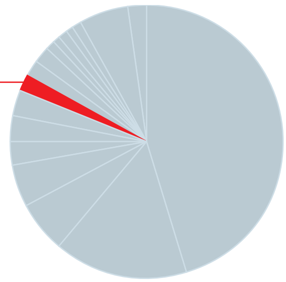
The Swiss residential construction sector stagnated in 2016 at the same low level as the previous year even though institutional investors, in their search for returns on their capital, invested massively in multi-dwelling units. Private investments on the other hand, for example in single-family homes, often failed due to the careful loan granting policy of the Swiss banks. Considering the weak growth of salaries and wages, as well as the situation on the labour market, Euroconstruct predicts only modest growth for residential construction in the coming years (2017: +0.4 %, 2018: +0.7 %).

The slightly better performance (+1.2 %) of non-residential building construction reflects a mixed situation. On the one hand, large projects like the one at the Zurich Airport, or projects by biotechnology and pharmaceutical companies, contributed to growth of this sector. On the other hand, the weak manufacturing industry had no remaining capacity to make investments in 2016 and the market for office buildings also faced an oversupply of free space. The relatively positive forecast for the coming two years (+2.5 % and +2.7 %) can be traced primarily to the need to build new health centres and modernise existing hospitals for the ageing population.

The weakest development in the year under report was registered by civil engineering with a minus of 1.3 %. At least the country's FABI programme to finance and upgrade the Swiss rail infrastructure, which went into effect in 2016, already led to an improvement of the order situation. An additional CHF 6.5 billion are to be invested between 2018 and 2030 following implementation of the national road and agglomeration transport fund (NAF). A final decision, however, was still subject to a plebiscite scheduled for February 2017. The Euroconstruct forecast, therefore, is for +1.7 % in 2017 and +6.4 % in 2018.

Switzerland contributed € 378.34 million, or 3 %, to the STRABAG Group's total output volume in 2016.

BENELUX



BELGIUM

Overall construction volume:	€ 42.2 billion
GDP growth:	2016e: 1.4 % / 2017e: 1.2 %
Construction growth:	2016e: 3.1 % / 2017e: 2.3 %

NETHERLANDS

Overall construction volume:	€ 69.8 billion
GDP growth:	2016e: 1.7 % / 2017e: 1.7 %
Construction growth:	2016e: 5.5 % / 2017e: 4.3 %

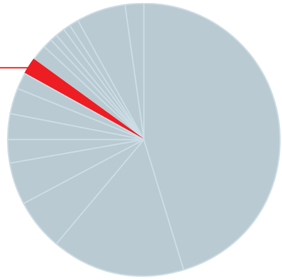
The economy of the Benelux states showed itself to be moderately dynamic, yet constant in 2016. The GDP growth of 1.4 % in Belgium and 1.7 % in the Netherlands, which would have been even higher without the state-imposed reduction of gas production volumes, can be traced back to lower unemployment, higher household incomes and rising corporate investments.

The **Belgian construction output** developed significantly better than had been hoped in the period under report (+3.1 % instead of the expected +0.1 %); particularly non-residential building construction, after two negative years, registered above-average growth of +4.7 %. Although the expiration of the “Schools for Tomorrow” programme in 2017 will most likely mean a slight flattening of the steep upwards curve, Euroconstruct believes that this sector can continue to expect growth rates above 3.0 % even in the coming two years. Residential construction (+3.4 %), which benefited from temporary measures (e.g. more planning permissions) in the year under report, must expect lower growth in 2017 (+1.4 %) because of the end of tax rebates like the bonus for purchasing a home as one’s main residence or the reduced VAT rates for renovation works. Bringing up the rear in the Belgian construction economy in 2016 was civil engineering, the only sector to end the year with negative growth (-1.3 %). With the start of construction on the Oosterweel Project to complete the motorway ring around Antwerp by 2020, Euroconstruct expects a strong revival of road construction activity that should give civil engineering a plus of 2.9 % in 2017 and growth of 6.3 % in 2018.

Even stronger was the performance of the **Dutch construction industry** in 2016. With +5.5 %, the sector could latch on to the positive result (+7.5 %) of the year before – which, given the government’s radical austerity measures, must be seen as an impressive achievement. The sector again owes its growth primarily to residential construction (+9.5 %) and especially to new constructions, which – not least because of the higher housing need for asylum seekers – gained another 12.0 % after the growth of 32.3 % in 2015. Admittedly, these figures are based on very low baseline values; in combination with historically low credit rates and tax incentives for residential renovation, Euroconstruct therefore forecasts further growth for this sector of 6.6 % and 6.0 % in the next two years. The figures for building construction and civil engineering (+3.3 % and +2.6 % in the last year) are quite modest in comparison. Federal budget cuts are forcing local governments to put new construction projects on hold in favour of more affordable maintenance measures, which is why growth is expected to remain only moderate, albeit constant, in the years to come. In total, Euroconstruct forecasts construction growth of 28 % in the Netherlands for the years 2014–2019, which could make up for 90 % of the losses from the crisis years.

STRABAG generated an output volume of € 308.93 million in the Benelux countries in 2016. This corresponds to a share of 2 % of the group output.

ROMANIA



Overall construction volume:	€ 16.1 billion
GDP growth:	2016e: 4.8 % / 2017e: 4.3 %
Construction growth:	2016e: 3.7 % / 2017e: 5.2 %

With GDP growth of 4.8 % in 2016, Romania again ranked at the top of the list of EU member states. Rising industrial production and retail sales boosted the economy, while increased employment figures, greater real wages and the generally higher standard of living found expression in private and public-sector investments. The cumulative effect of these factors, according to EECFA (Eastern European Construction Forecasting Association), promises similarly high GDP growth also in the next two years (average +4.4 %).

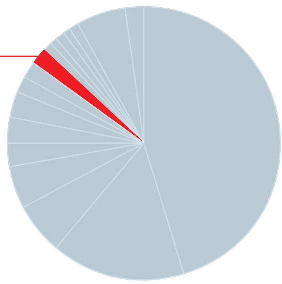
The Romanian construction industry developed in line with the general economic upswing in the year under report, registering positive growth (+3.7 %) for the second year in a row since 2015. The increases are even expected to reach 5.2 % and 8.6 % in 2017 and 2018. Residential construction in particular, which accounts for about one third of the total market, posted enormous gains in 2016 (+12.8 %). Historically low mortgage rates and an attractive speculative market situation – characterised by low construction costs and rising real estate prices – should continue to generate annual growth between 10 % and 12 % in the medium term.

A generous plus of 5.3 % was also registered by building construction, which above all owes its success to offices and industrial buildings. Especially in IT, Romania is attracting numerous foreign companies to the country with its relatively low wages and highly qualified labour force. EECFA therefore expects annual growth rates of 5.8 % in the next two years.

The expected negative performance in civil engineering (-4.1 %) must be seen against the backdrop of the extremely strong value from 2015 (+10.3 %) when the government, afraid of losing EU subsidies, developed the greatest possible activity in this sector. With the implementation of the new EU financing programmes, together with the political changes following the change of government in 2016, the civil engineering sector will likely continue to stagnate for another year (2017: -1.0 %) before – above all thanks to new projects in road and rail construction – an upswing takes hold in 2018 that EECFA quantifies at +9.5 % from today's vantage point.

The STRABAG Group, with an output volume of € 253.71 million in 2016 and a market share of 1.5 %, continues to hold the position of market leader in the Romanian construction market. In road construction, the share of the market amounts to 1.3 %.

DENMARK



Overall construction volume:	€ 28.1 billion
GDP growth:	2016e: 1.0 % / 2017e: 1.8 %
Construction growth:	2016e: 2.1 % / 2017e: 2.5 %

As in previous years, Denmark's economy grew at a weak yet positive rate in 2016. The GDP plus of 1.0 % can primarily be traced to increased gross investments in property, plant and equipment as well as private consumption, which is being aided by the continuing decrease of the already low level of unemployment. Foreign trade, on the other hand, remains a cause for concern for the Danish economy. Euroconstruct nevertheless sees the future as quite positive. The national debt is within the Maastricht limit and above all the considerable wealth of private investors nourishes expectations of moderate, yet steady growth.

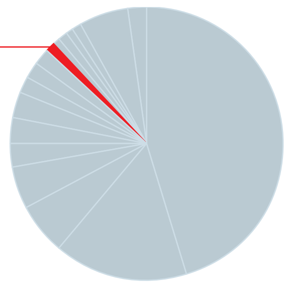
In comparison to the economy as a whole, the Danish construction industry performed better in the period under report. The plus of 2.1 % indicated that the above-average decline since the beginning of the financial and economic crisis is now being followed by a just as above-average upswing (+2.5 % are forecast for 2017, +3.0 % for 2018). This development is due not least to the need for affordable, at times temporary, accommodation for refugees. Residential construction therefore posted the highest gains in 2016 (+2.4 %), a trend that is expected to continue (up to +3.0 % in 2019). One uncertainty for the medium-term development of the construction economy, however, is the increase of the already high property taxes proposed by the Danish government in October 2016.

In non-residential building construction, which generated a plus of 1.7 % in 2016, an extensive programme for new hospitals promises strong momentum in the next few years. Euroconstruct expects growth of 3.7 % for 2017 and even awaits +4.2 % and +4.3 % for 2018 and 2019.

The performance of the civil engineering sector (+2.0 %) had to be adjusted downwards in 2016. Not only were planned subsidies for the expansion of transport infrastructures cut after the change of government in 2015, construction has also been delayed on the Fehmarnbelt project as planning permission for the 17.6 km road and rail tunnel is still outstanding from the German side. Considering the unpredictability of such politically delicate issues, Euroconstruct is willing to venture only a careful growth forecast for this sector: +1.5 % for 2017 and +2.0 % for 2018.

The STRABAG Group generated an output volume of € 234.39 million in Denmark in 2016, thanks mostly to the contributions from building construction.

SWEDEN



Overall construction volume:	€ 37.3 billion
GDP growth:	2016e: 3.4 % / 2017e: 2.1 %
Construction growth:	2016e: 6.9 % / 2017e: 2.7 %

The Swedish economy expanded by 3.4 % in 2016, more strongly than had been expected. Driving this growth were, besides the generally expansive financial policy, the low credit rates, falling unemployment, rising real wages and the resulting increased domestic consumption, which was also supported by the great number of refugees immigrating to the country. But experts are warning that the Swedish households are in debt and that private investments as well as public spending will fall back noticeably in the next few years. Euroconstruct expects a step-by-step reduction of GDP growth to 1.6 % by 2019.

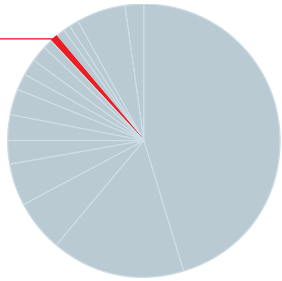
With growth of 6.9 %, the construction industry contributed significantly to Sweden's positive economic performance in 2016. A downright boom was registered by residential construction, which, after the strong previous year (+16.4 %), grew by another 12.4 %. Sweden is admittedly still far from the government's ambitious goal of creating 70,000 new homes a year by 2025. As the steep production curve is expected to flatten out, a plus of 3.8 % should still be possible in 2017 before negative growth rates (-0.3 % to -4.0 %) from 2018 onwards.

With a generous plus of 4.4 %, the Swedish building construction sector presented itself as surprisingly strong in 2016. Industrial and retail buildings contributed to this growth as much as new health centres, schools and other educational facilities that are necessary as a result of the country's demographic development. According to Euroconstruct, a moderate decline to +1.2 % is likely already in 2017 as the real estate market is expected to cool and credit rates are expected to rise.

In 2016, civil engineering (+1.6 %) once again brought up the rear in the Swedish construction economy. The investment deficit that has been accumulating for years in transporta-

tion infrastructures means that a large part of the budget is going towards renovation and maintenance works. Still, intense work is being carried out on new large-scale projects – above all in Stockholm and around Gothenburg. For this reason, the experts are forecasting the most significant growth in this sector (2017: +2.6 %, 2018: +2.4 %) for the years to come.
The output volume of the STRABAG Group in Sweden amounted to € 179.07 million in 2016. The activities are focused on projects in infrastructure and residential construction.

RUSSIA



Overall construction volume: € 107.8 billion
GDP growth: 2016e: -0.7 % / 2017e: 0.7 %
Construction growth: 2016e: -1.1 % / 2017e: -1.7 %

2016 was a difficult year for the Russian economy, as the country had to fight battles on several fronts. On the one hand, and in the truest sense of the word, it was involved in armed conflicts in Ukraine and Syria; on the other hand, in an economic sense, the continuing Western sanctions as well as the low level of the rouble exchange rate and of the oil price had a noticeable impact. The GDP consequently fell for the second year in a row, even if it was by just 0.7 % this time. EECFA expects rising consumer demand to lead to a turnaround (+0.7 %) already in 2017; for 2018, the plus should amount to 1.5 %.

As always, the reaction of the construction industry to the economic development was delayed and differed from sector to sector. Declines in residential and non-residential construction were contrasted by significant growth in civil engineering. In total, this resulted in negative performance of -1.1 %. A further minus of 1.7 % is expected for 2017 before the situation should begin to improve in 2018 with an estimated +2.0 %.

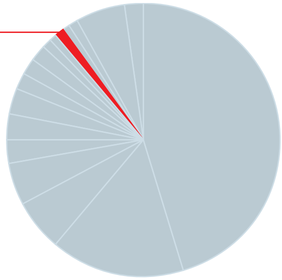
The decline of 5.7 % in residential construction is due primarily to the strongly reduced demand for single-family homes, which – in contrast to multi-dwelling units – received no federal subsidies. The government is now attempting to boost this sector with subsidised mortgage loans, but experience has shown that the market response to such measures is sluggish. Residential construction is therefore again expected to end 2017 with a negative performance (-7.1 %) before the state programmes have an effect (2018: +2.7 %). Compounding matters for the immediate future, recent changes to Russian law are complicating the realisation process for residential buildings.

Non-residential building construction also performed poorly in the year under report. The minus of 4.9 % reflects the dropping order volumes, the lack of solvent tenants and the conversion of commercial real estate already under construction. These difficulties can be blamed on the lower income among the population, which inevitably impacts purchasing power and retail sales. As the public sector also sees itself forced to save, the construction of educational facilities will likely continue to fall until 2018. The situation is not expected to improve until the overall economy has recovered somewhat – given the usual delayed reaction, not before 2019. The only ray of hope in this sector is the construction of health buildings.

The only sector to end 2016 on a positive note was civil engineering, which grew by a full 5.2 %. Here, too, the government filled several budget holes with outside financial support. For road construction, for example, a motorway toll system ("Plato") was introduced for trucks weighing over 12 t; moreover, income from traffic fines is now specifically appropriated for the maintenance of regional road networks. In the coming years, civil engineering growth will be supported particularly by the realisation of important gas pipeline projects as well as construction works for the power supply infrastructure. An annual plus of 3.0 % is expected for both 2017 and 2018.

The STRABAG Group generated an output volume of € 138.86 million in Russia in 2016. This region contributed 1 % to the group's overall output volume in the period under report. STRABAG is active almost exclusively in building construction and civil engineering in the region.

SERBIA



Overall construction volume: € 2.1 billion
GDP growth: 2016e: 2.8 % / 2017e: 3.2 %
Construction growth: 2016e: 9.4 % / 2017e: 11.0 %

Serbia's economy recovered from the floods of 2014 that had plunged the country into a recession. The hesitant upswing in 2015 was fuelled by the government with a legislative reform as well as a reform of the state approval procedures, which led to an abundance of planning permissions across all sectors. The construction industry was thus able to contribute significantly to the unexpectedly high economic growth of +2.8 %, a development that is especially impressive considering the simultaneous realisation of a three-year budget consolidation plan as well as drastic savings measures. GDP forecasts of +3.2 % (2017) and +3.5 % (2018) therefore appear quite plausible.

Serbia's construction industry, which had already celebrated a generous plus of 18.0 % in 2015, was able to grow by a further 9.4 % in the period under report. In contrast to previous years, in which priority had been given to the reconstruction of roads, bridges and transport infrastructures, the focus now has been on both residential and non-residential building construction. Since Serbia managed to reduce its budget deficit to 1.5 % in 2016, the rigid austerity measures are expected to be relaxed in 2017, which promises higher public-sector investments and, consequently, a brighter future for the construction industry. Specific estimates are for +11.0 % in 2017 and +13.0 % in 2018.

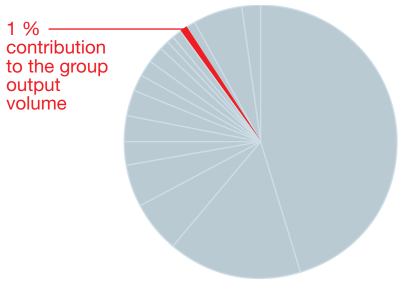
The performance of the residential construction sector (+15.6 %) is being interpreted not only as a revival but also as the beginning of a new growth cycle. The market in this sector is currently growing equally in terms of supply and demand. The experts believe that falling unemployment, rising incomes, lower interest rates and accelerated permission procedures will lead to further double-digit growth rates in 2017 and 2018.

The aforementioned legislative reform had an even stronger impact on the building construction sector (+26.0 %) and many backlogged projects could finally be started following permission in 2016. Additionally, retail and industrial buildings particularly, but also health buildings and transport-related structures, benefited from public-sector investments that had been lacking in the years before.

Civil engineering again contributed the greatest share to Serbia's construction volume growth in 2016, although the apparently marginal plus of 1.0 % must be seen in relation to the enormous growth the year before (+26.4 %). While the Serbian road network has meanwhile reached a sufficient level, extensive expansionary works on the rail infrastructure are now needed. The energy sector, with the construction of new power plants and the expansion of the power grid, is contributing enormously to the overall construction output. EECFA expects another strong plus of 9.9 % for 2017 and growth of 14.8 % in 2018.

The STRABAG Group achieved an output volume of € 89.28 million on the Serbian market in 2016.

ITALY



Overall construction volume:	€ 164.5 billion
GDP growth:	2016e: 0.8 % / 2017e: 0.9 %
Construction growth:	2016e: 1.9 % / 2017e: 2.2 %

Following the turnaround in 2015, Italy was able to stabilise its economic growth in the period under report. The modest plus of 0.8 % reflects the conflicting signals coming from the labour market – rising employment rates, falling unemployment figures – on the one hand and, on the other hand, from the weaker domestic demand not least as a result of the waning confidence of the households.

In 2016, the Italian construction industry grew significantly more strongly than the economy as a whole. The plus of 1.9 % confirms the upswing that had set in the year before after nearly a decade of negative dynamism. Euroconstruct also expects continuous growth of the construction economy for the next three years with an annual average of +2.0 % – on the condition that there are sufficient funds in the budget to realise the planned investment programme and that renovation measures can be further boosted through tax rebates.

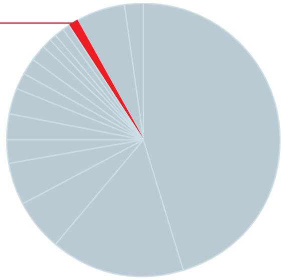
In contrast to 2015, when the individual construction sectors reported quite disparate performances, the industry presented itself largely homogenous in 2016 with growth between 1.7 % (residential construction) and 2.1 % (building construction and civil engineering). The only negative performance remains that of new residential buildings (-4.4 %), which, however, could be offset by the plus of 3.1 % among renovations. Euroconstruct believes that this subsector will continue to play an important role in the years to come.

Building construction, with a plus of 2.1 %, was able to latch on to its good performance of the previous year (+2.3 %). The growth of 2.7 % among new buildings, in combination with the consistently strong renovations activities (+1.9 %), leads Euroconstruct to expect continuous growth between 1.7 % and 2.3 % also for the next three years.

The fact that civil engineering could again report growth by 2.1 % after the already strong performance in 2015, confirms the stable upwards development in this sector. The expectations for the coming years are correspondingly positive (2017: +2.5 %, 2018: +3.1 %, 2019: +3.8 %). This forecast is supported not only by the government's plans to invest strongly in infrastructure projects but also by the available data regarding public tenders and already awarded contracts.

The output volume of the STRABAG Group in Italy amounted to € 81.61 million in 2016. STRABAG is mainly active in tunnelling and road construction in the north of the country and the output volume is therefore assigned largely to the segment International + Special Divisions.

CROATIA



Overall construction volume:	€ 2.9 billion
GDP growth:	2016e: 2.6 % / 2017e: 2.5 %
Construction growth:	2016e: 5.3 % / 2017e: 8.2 %

With GDP growth of 2.6 %, the Croatian economy clearly surpassed the original forecast (+1.0 %) in 2016. Thanks to the new, stable government, EECFA expects to see similarly strong growth rates in the coming years.

The general economic upswing also had a noticeable impact on the Croatian construction sector. Following the turnaround in 2015, which saw the first positive result (+5.0 %) after six negative years, the current plus of 5.3 % is confirmation of the upwards trend. For 2017 and 2018, the experts expect further growth at rates of up to 8.2 %. One of the reasons for the above-average performance of the construction industry is to be found in the increasingly skilful use of EU subsidies, which had previously been tapped to a much lesser degree.

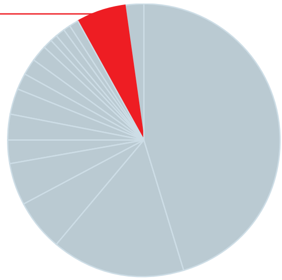
The most gratifying, albeit smallest plus (+2.8 %) in 2016 was generated by the problem child of the Croatian construction industry: residential construction. Since the start of the financial and economic crisis, this sector had performed consistently negative. Thanks to rising incomes and a constant (foreign) demand for holiday homes, it appears that the turnaround has finally been reached. However, the EECFA forecast of +8.6 % and +7.1 % for the next two years must be enjoyed with a word of caution. The government is planning to increase property taxes and eliminate tax rebates for a first home purchase. These measures, despite the planned introduction of subsidised credit rates, will have an overall negative impact on young buyers.

Leading the pack in the year under report was, once more, building construction (+7.6 %) and particularly hotel buildings. The tourism boom, recent privatisations and increased availability of financing helped grow this sector by 38 % in the reporting year. Storage and industrial buildings also registered enormous growth, while office buildings exhibit growth potential only for the future. In total, the building construction sector should continue to register solid growth in the years to come with a plus of 6.3 % in 2017 and 5.6 % in 2018.

Within Croatia's civil engineering sector (+4.9 %), the development was diversified in 2016. On the one hand, pipelines, communication networks, power grids, and water collection and treatment systems together grew by 25 %. On the other hand, bureaucratic barriers delayed the expansion of the road and, above all, the rail network, which resulted in a negative performance in transportation infrastructures (-5.0 %). If Croatia manages to eliminate these internal problems, the future performance of the civil engineering sector could even exceed the EECFA forecasts (2017: +9.5 %, 2018: +6.0 %).

The STRABAG Group generated € 78.07 million on the Croatian market in 2016.

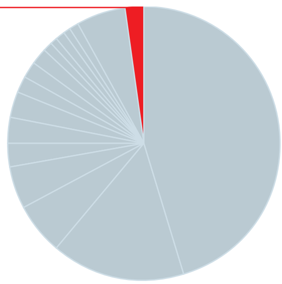
MIDDLE EAST, AMERICAS, AFRICA, ASIA



To ensure its independence from the economic conditions in individual countries as much as possible, STRABAG is active not only on its main European markets but also outside of Europe – mostly as main contractor in direct export. For many years, often even decades, the company has had a presence above all in Africa and Asia, Canada and Chile, as well as the Middle East. The focus of STRABAG's international activities is on civil engineering, industrial and infrastructure projects, and tunnelling – demanding fields in which a high level of technological expertise is needed. Milestones in the year under report include the contract awards for the Chilean copper mines Chuquicamata and El Teniente. Business activities in the markets of the Middle East, however, where the group has traditionally had a strong presence, have slowed down because of the relatively weak oil prices.

In total, the STRABAG Group generated € 824.11 million, or 6 %, of its overall group output volume outside of Europe in 2016. The activities in non-European countries – with minor exceptions – are assigned to the segment International + Special Divisions.

SLOVENIA, BULGARIA AND REST OF EUROPE



SLOVENIA

Overall construction volume:	€ 2.3 billion
GDP growth:	2016e: 2.3 % / 2017e: 2.9 %
Construction growth:	2016e: -8.4 % / 2017e: 4.9 %

BULGARIA

Overall construction volume:	€ 6.1 billion
GDP growth:	2016e: 3.2 % / 2017e: 3.0 %
Construction growth:	2016e: -18.5 % / 2017e: 7.8 %

Slovenia

With GDP growth of 2.3 %, the Slovenian economy developed as positively as expected in 2016 thanks to several factors. With the restructuring of the banking system, a sense of normality returned to loan granting in 2015 and especially in 2016. Additional contributions came from the falling unemployment figures and higher real wages. This positive trend should continue in the medium term and a plus of 2.9 % and 2.6 % is expected for the coming two years.

As expected, the Slovenian construction sector, due to the lack of available credit lines, was unable to keep up with the positive overall economic development. At -8.4 %, however, the minus was less drastic than had been feared and the return to normal financing possibilities indicates a significantly more positive future. EECFA forecasts a plus of 4.9 % already for 2017 and even foresees growth of 14 % in 2018. These welcome prospects, however, are offset by the challenge of satisfying the growing demand. As most of the large construction companies in the country went bankrupt during the crisis years, many non-industry companies and foreign players are pushing their way onto the market, which brings with it the risk of great competitive pressure.

By far the strongest growth in the period under report was registered by residential construction (+4.3 %), driven primarily by the construction of new single-family homes and the renovation of existing buildings. The positive outlook for 2017 (+7.7 %) and 2018 (+6.2 %), however, should not hide the fact that the sector is growing at disparate rates in different parts of the country. Ljubljana and the coast can expect significantly stronger growth than, for example, Maribor.

Surplus capacities, i.e. unsold and unused office and industrial space, influenced the performance of the non-residential building construction sector in 2016. The minus of 8.2 % resulted not least from the lack of new construction projects (-20.3 %). With increasing demand and private investments, the experts expect a return to positive growth of 7.1 % already in 2017.

Civil engineering exhibited a quite volatile development in the past few years. It grew by 33.2 % (2014), then fell back by 9.1 % (2015) before reaching a new low with -18.1 % in the year under report. Triggering this volatility is the question of financing. Since the expiration of EU funding, investments have been lacking because public-private partnership models to finance large infrastructure projects have not been usual in Slovenia so far. This situation should change in 2018 with the start of construction on the rail line to the Port of Koper and the expansion of the Karawanks motorway tunnel. The forecasts for this sector are accordingly promising (2017: +1.3 %, 2018: +26.3 %).

In 2016, the STRABAG Group generated an output volume of € 65.14 million in Slovenia and so positioned itself as the second-largest construction company in the country.

Bulgaria

The Bulgarian economy expanded by 3.2 % in 2016, more strongly than had been expected. Driving this development were the falling unemployment figures and rising real wages as well as the resulting higher private consumption. Given the stable budget deficit of 1 % as well as an inflation rate below 1 %, the GDP can be expected to grow by 3.0 % in 2017.

Despite the positive economic environment, the Bulgarian economy struggled with several difficulties in the year under report. This resulted in a minus of 18.5 % overall. Especially the transition from one EU programme period to the next was not very smooth and caused dramatic declines in civil engineering (-33.6 %), which, however, must be seen as only temporary. A number of large projects in the pipeline should get started in 2017, above all rail and road construction works, the expansion of the underground system in Sofia and the expansion of the gas pipeline links to the neighbouring countries. The future energy policy, however, will depend strongly on the new government to be elected this year. At any rate, EECFA expects a revival of the civil engineering sector for the next two years with growth of +8.7 % and +10.9 %.

Unlike the civil engineering sector, which depends greatly on EU subsidies, residential and non-residential building construction again registered generous growth in 2016 (+5.4 % and +5.0 %). Low mortgage rates drove residential construction, above all in the large cities of Sofia and Plovdiv, while tourism, which benefited from the uncertain situation in Turkey and Egypt, boosted the activities on the Bulgarian Black Sea coast. Thanks to state programmes to improve energy efficiency, which includes funding for renovation works, in particular on large panel system buildings, the experts' predictions for growth of 11.6 % (2017) and 14.3 % (2018) in the residential construction sector appear realistic.

In building construction, the segments of office, industrial and logistics buildings developed more dynamically in 2016 than had been expected and so were able to offset the stagnation among retail buildings. In the medium term, EECFA expects further, although modest, growth rates of +4.6 % (2017) and +2.9 % (2018).

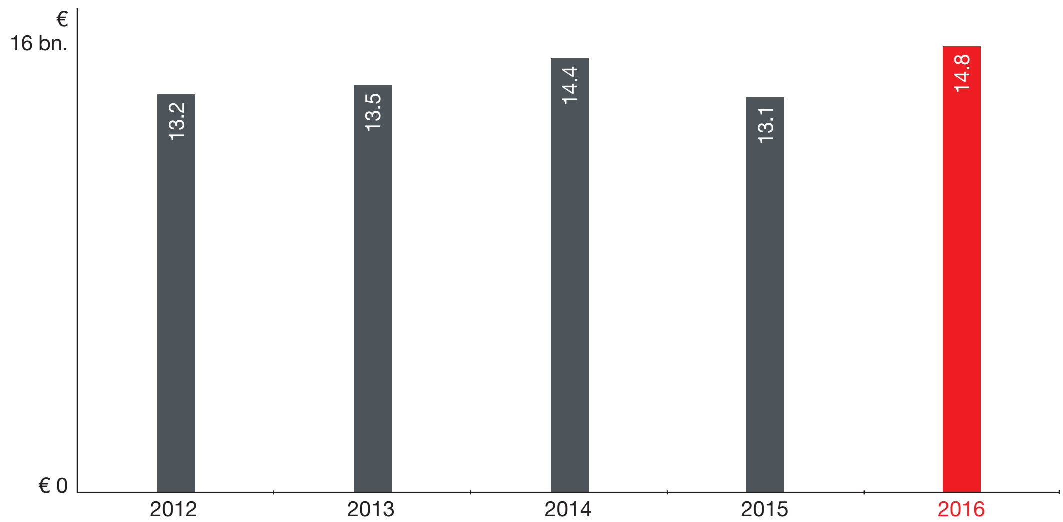
The STRABAG Group generated € 26.90 million on the Bulgarian market in 2016.

Order backlog

ORDER BACKLOG BY SEGMENT AS AT 31 DECEMBER 2016

€ mln.	Total 2016	North + West	South + East	International + Special Divisions	Other	Total 2015	Δ total %	Δ total absolute
Germany	6,493	5,175	82	1,230	6	4,876	33	1,617
Austria	1,856	30	1,250	575	1	1,733	7	123
Italy	963	0	1	962	0	1,011	-5	-48
Poland	873	853	0	20	0	849	3	24
Americas	689	3	0	686	0	457	51	232
Slovakia	515	0	498	17	0	355	45	160
Benelux	412	389	14	9	0	347	19	65
Middle East	403	4	1	398	0	501	-20	-98
Sweden	376	359	0	17	0	278	35	98
Czech Republic	287	0	272	14	1	323	-11	-36
Romania	271	5	257	9	0	393	-31	-122
Hungary	268	9	245	14	0	137	96	131
Rest of Europe	252	11	158	83	0	264	-5	-12
Switzerland	247	14	225	8	0	307	-20	-60
Russia	241	18	197	26	0	390	-38	-149
Asia	171	0	3	168	0	267	-36	-96
Denmark	160	149	0	11	0	322	-50	-162
Croatia	106	0	104	2	0	55	93	51
Serbia	83	0	81	2	0	94	-12	-11
Africa	55	11	0	44	0	92	-40	-37
Slovenia	51	0	51	0	0	57	-11	-6
Bulgaria	44	0	44	0	0	27	63	17
Total	**14,816**	**7,030**	**3,483**	**4,295**	**8**	**13,135**	**13**	**1,681**

DEVELOPMENT OF ORDER BACKLOG



Numerous new large orders in building construction and in transportation infrastructures in Germany helped push the order backlog in the country and in the group total to a new record high of € 14.8 billion in 2016, a plus of 13 % versus the previous year. At the same time, growth in Chile, Slovakia, Hungary and Austria was balanced out by declines in Denmark, Russia and Romania.

CONSTRUCTION SITES INCLUDED IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Category	Number of construction sites	Number of construction sites as % of total	Order backlog € mln.	Order backlog as % of total
Small orders (€ 0–1 mln.)	10,538	85	1,879	13
Medium-sized orders (€ 1–15 mln.)	1,526	12	2,837	19
Large orders (€ 15–50 mln.)	234	2	3,337	22
Very large orders (>€ 50 mln.)	99	1	6,763	46
Total	**12,397**	**100**	**14,816**	**100**

Part of risk management

The overall order backlog is comprised of 12,397 individual projects. More than 10,000 of these, or 85 %, involve small orders with a volume of up to € 1 million each; the much smaller remaining proportion of 15 % covers medium-sized to very large orders with contract volumes of € 1 million and up. A total of merely 99 projects have a volume above € 50 million. The high number of individual contracts guarantees that the risk involved with one project does not threaten the group success as a whole. The ten largest projects in the order backlog as at 31 December 2016 added up to 19 % of the order backlog, compared to 18 % at the end of 2015.

THE TEN LARGEST PROJECTS IN THE ORDER BACKLOG AS AT 31 DECEMBER 2016

Country	Project	Order backlog € mln.	as % of total order backlog
Italy	Pedemontana motorway	798	5.4
Chile	Chuquicamata, underground mine	419	2.8
Germany	Stuttgart 21, underground railway station	292	2.0
Austria	Koralm Tunnel, Section 2	244	1.6
Germany	Axel Springer new construction, Berlin	221	1.5
Germany	Messe City, Cologne	211	1.4
Chile	Alto Maipo power plant	162	1.1
Israel	5th Water Supply, Jerusalem	148	1.0
Germany	Adlershof office building	146	1.0
Germany	Adidas World of Sports	124	0.8
Total		**2,765**	**18.7**

Impact on changes to the scope of consolidation

In the 2016 financial year, 58 companies (thereof five because of mergers with fully consolidated companies) were included in the scope of consolidation for the first time. These companies contributed a total of € 29.17 million to group revenue and € 5.11 million to net income after minorities. As a result of first-time inclusions, current and non-current assets increased by € 380.84 million, current and non-current liabilities by € 180.40 million.

Financial performance

The consolidated **group revenue** for the 2016 financial year amounted to € 12,400.46 million. This corresponds to a minus of 6 % – the same change as with the output volume. The ratio of revenue to output remained at the previous year's level of 92 %. The segment North + West contributed 47 %, South + East 31 % and International + Special Divisions 22 % to the revenue.

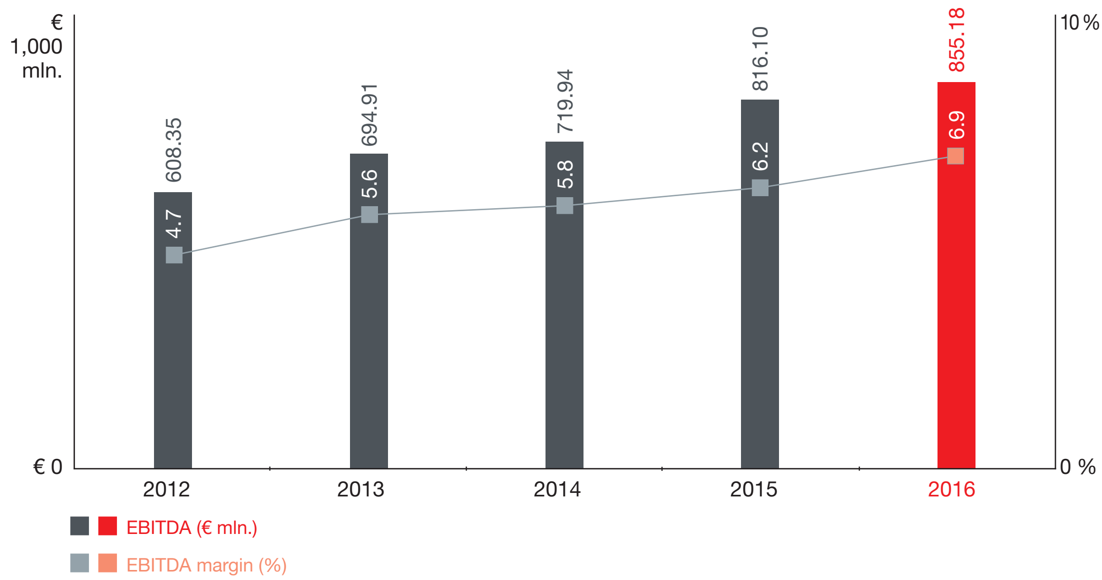
The **changes in inventories** involve mainly the real estate project development business, which was conducted as actively in 2016 as in the past. While disposals had affected the changes in inventories in 2015, the successful sales were overcompensated in 2016 by new project developments. The **own work capitalised** remained at a very low level. The total of **expenses for construction materials, consumables and services used** and the **employee benefits expense**, expressed in relation to the revenue, remained unchanged at 90 % – the same as in the past few years.

EXPENSES

€ mln.	**2016**	**2015**	**Δ %**
Construction materials, consumables and services used	7,980.01	8,619.03	-7
Employee benefits expense	3,210.91	3,158.25	2
Other operating expenses	795.85	826.90	-4
Depreciation and amortisation	430.27	475.06	-9

The **share of profit or loss of equity-accounted investments**, which also includes earnings from joint ventures, grew significantly versus the year before. This item includes both non-operating income from the sale of a minority investment related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million as well as losses resulting from a low double-digit million euro impairment in the offshore wind business. The **net income from investments**, composed of the dividends and expenses of many smaller companies or financial investments, could also be increased as a result of reduced expenses arising from investments.

DEVELOPMENT OF EBITDA AND EBITDA MARGIN



Effective tax rate: 33.0 %

Earnings per share: € 2.71

In total, there was a 5 % increase of the **earnings before interest, taxes, depreciation and amortisation** (EBITDA) to € 855.18 million, while the EBITDA margin grew from 6.2 % to 6.9 %. Adjusted for the aforementioned non-operating item, the EBITDA and the EBITDA margin would have amounted to € 827.37 million and 6.7 %, respectively. The **depreciation and amortisation** fell by 9 % to € 430.27 million, mainly because of the sale of hydraulic engineering equipment – a special depreciation allowance of € 21.7 million had been recorded in this regard the year before. The figure contains goodwill impairment in the amount of € 4.88 million, which is a clear reduction compared to the previous year's € 24.75 million.

The **earnings before interest and taxes** (EBIT) increased significantly by 25 % to € 424.91 million, which corresponds to an EBIT margin of 3.4 % after 2.6 % in 2015. The improvement would have been possible even without the special item, in which case the EBIT and the EBIT margin would have reached € 397.10 million and 3.2 %, respectively. This is due in part to the absence of past burdens related to large projects and the earnings improvements in the home markets of Austria and Germany. The combination of the unexpectedly low revenue with aperiodic positive impacts on earnings in 2016 makes it impossible to simply extrapolate the margin values for the following year.

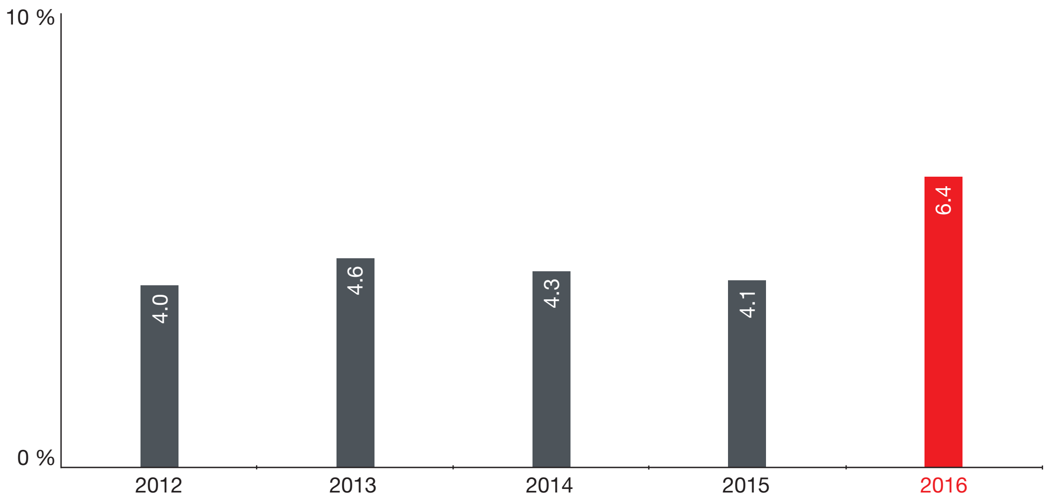
The **net interest income** was greatly reduced with € -3.78 million after € -24.42 million the year before. The positive foreign currency effects increased to € 13.01 million in 2016 (2015: € 8.43 million). Loan repayments helped to bring down the interest on borrowings.

In the end, the **earnings before taxes** showed a plus of 33 %. The income tax ratenearly returned to normal at 33.0 % after a reported rate of 42.4 % in 2015 that had resulted from the absence of tax relief for the losses in Chile, goodwill impairments and in response to back taxes due to company audits in Germany. The **net income** settled at € 282.00 million in 2016. After € 182.50 million in 2015, this corresponds to an increase of 55 %.

The STRABAG Group in 2016 acquired the remaining minority interest in Ed. Züblin AG. The earnings owed to minority shareholders thus amounted to only € 4.34 million, compared to € 26.21 million the year before. Consideration must be given to the fact that the minority shareholders of Ed. Züblin AG still helped carry the winter losses from the first quarter of 2016. The **net income after minorities** for 2016 came to € 277.65 million, a plus of 78 % versus the previous year. The **earnings per share** also increased by 78 % to € 2.71.

The **return on capital employed** (ROCE)[1)] increased from 4.1 % to 6.4 %. This is its highest level in nine years.

DEVELOPMENT OF ROCE



1) ROCE = (net income + interest on debt – interest tax shield (25 %))/(average group equity + interest-bearing debt)

Financial position and cash flows

BALANCE SHEET

€ mln.	2016	% of balance sheet total[1]	2015	% of balance sheet total
Non-current assets	4,129.93	40	4,205.41	39
Current assets	6,248.48	60	6,523.46	61
Equity	3,264.59	31	3,320.64	31
Non-current liabilities	2,420.40	23	2,440.88	23
Current liabilities	4,693.42	45	4,967.35	46
Total	**10,378.41**	**100**	**10,728.87**	**100**

The **balance sheet total** of STRABAG SE fell back from € 10.7 billion to € 10.4 billion. This was in large part due to the decrease in cash and cash equivalents from € 2.7 billion to € 2.0 billion as well as the increase of inventories resulting from the inclusion of projects form the acquisition of Raiffeisen evolution project development GmbH (now STRABAG Real Estate GmbH, Vienna). Conspicuous on the liabilities side is the stable **equity ratio** of 31.5 % (2015: 31.0 %), the reduced financial liabilities and the significantly lower non-controlling interests following the acquisition of all minority interests in Ed. Züblin AG.

KEY BALANCE SHEET FIGURES

	2012	2013	2014	2015	2016
Equity ratio (%)	31.2	30.7	30.6	31.0	31.5
Net debt (€ mln.)	154.55	-73.73	-249.11	-1.094.48	-449.06
Gearing ratio (%)	4.9	-2.3	-7.9	-33.0	-13.8
Capital employed (€ mln.)	5,322.35	5,462.11	5,357.82	5,448.01	5,258.17

Net cash position: € 449.06 million

As usual, a **net cash position** was reported on 31 December 2016. This figure fell from € 1,094.48 million to € 449.06 million, as an unusually high level of cash and cash equivalents had been registered in 2015 and several noteworthy enterprise investments and one real estate investment were financed with existing liquidity in 2016.

CALCULATION OF NET DEBT[2]

€ mln.	2012	2013	2014	2015	2016
Financial liabilities	1,649.98	1,722.70	1,609.92	1,579.75	1,426.08
Severance provisions	79.91	78.40	97.66	96.13	110.02
Pension provisions	429.92	422.24	505.94	451.50	457.48
Non-recourse debt	-630.31	-585.11	-538.61	-489.53	-439.38
Cash and cash equivalents	-1,374.96	-1,711.97	-1,924.02	-2,732.33	-2,003.26
Total	**154.55**	**-73.73**	**-249.11**	**-1,094.48**	**-449.06**

Despite a 5 % higher cash flow from earnings of € 690.37 million, the **cash flow from operating activities** fell by 79 % to € 264.17 million. The strong working capital reduction of the previous years, influenced among other things by the uncharacteristically high project-related advance payments, was now reversed by around one half as expected. The **cash flow from investing activities**, as a consequence of higher investments in property, plant and equipment, through the acquisition of the Tech Gate Vienna property near the STRABAG headquarters in Vienna, and because of the acquisition of Raiffeisen evolution group (now STRABAG Real Estate GmbH, Vienna) sank by 36 % on the year to € -434.43 million. The **cash flow from financing activities** amounted to € -564.18 million after € -117.55 million in 2015. This development was driven especially by the acquisition of the remaining shares of Ed. Züblin AG and by the refinancing in the real estate project development business. Additionally, a bond issue last year had contributed positively to the cash flow.

1) Rounding differences are possible.
2) The non-recourse liabilities that were considered are related to a single PPP project. 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.

REPORT ON OWN SHARES

The 12th Annual General Meeting on 10 June 2016 voted to approve a simplified reduction of the share capital by € 4,000,000.00 in accordance with Section 192 Paragraph 3 No. 2 and Section 192 Paragraph 4 of the Austrian Stock Corporation Act (AktG) through withdrawal of 4,000,000 own shares representing a proportionate amount of the share capital of € 4,000,000.00 for the purpose of reducing the number of own shares. Also approved in this regard was a resolution concerning changes to the Articles of Association in Section 4 Paragraph 1. Implementation occurred with the decision on registration on 22 July 2016. As at 31 December 2016, STRABAG SE holds 7,400,000 bearer shares equalling 6.7 % of the share capital. Their 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. The average purchase price per share was € 20.79.

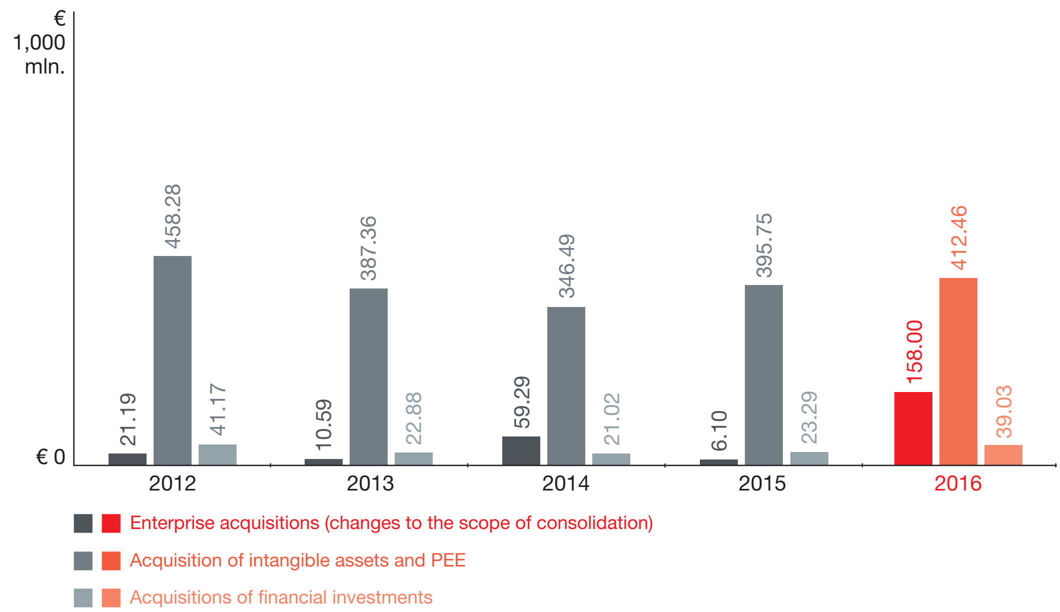
Capital expenditures

STRABAG had forecast net capital expenditures (cash flow from investing activities) in the amount of approximately € 400 million for the 2016 financial year. In the end, they totalled € 434.43 million for a level that was again at that of 2014. This figure had been unusually low in 2015 due to the lack of any significant acquisitions.

The gross investments (CAPEX) before subtraction of proceeds from asset disposals stood at € 609.49 million. This figure includes **expenditures on intangible assets and on property, plant and equipment** of € 412.46 million, the **purchase of financial assets** in the amount of € 39.03 million, and **enterprise acquisitions** (changes to the scope of consolidation) of € 158.00 million. About € 250 million is spent annually as maintenance expenditures related to the equipment and vehicle fleet in order to prevent inventory obsolescence. In addition to these necessary maintenance expenditures, of which the largest proportion in 2016 was spent in Germany, Austria and the Czech Republic, STRABAG also invested especially in construction materials.

Expenditures on intangible assets and on property, plant and equipment during the year under report must be seen against depreciation and amortisation in the amount of € 430.27 million. This figure also includes goodwill impairment in the amount of € 4.88 million.

COMPOSITION OF CAPEX



Financing/Treasury

KEY FIGURES TREASURY

	2012	2013	2014	2015	2016
Interest and other income (€ mln.)	73.15	66.72	82.17	82.07	73.90
Interest and other expense (€ mln.)	-123.87	-98.26	-108.37	-106.49	-77.68
EBIT/net interest income (x)	-4.1	-8.3	-10.8	-14.0	-112.4
Net debt/EBITDA (x)	0.3	-0.1	-0.3	-1.3	-0.5

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 2016, STRABAG SE had four bonds with a total volume of € 675 million on the market.

In order to diversify the financing structure, STRABAG SE had placed its first **bonded loan** in the amount of € 140 million in the 2012 financial year. The variable interest portions of the bonded loan were refinanced at better conditions in 2015. This long-term debt financing instrument is in many ways similar to a bond, with an important difference being that bonded loans are issued directly to institutional investors without using an organised capital market, i.e. an exchange.

The existing liquidity of € 2.0 billion assures the coverage of the group's liquidity needs. Nevertheless, further bond issues or a refinancing of existing financing instruments are planned, depending on the market situation, in order to maintain a high level of liquidity reserves in the future and to take advantage of favourable market conditions.

Total credit line for cash and surety loans of € 7.5 billion

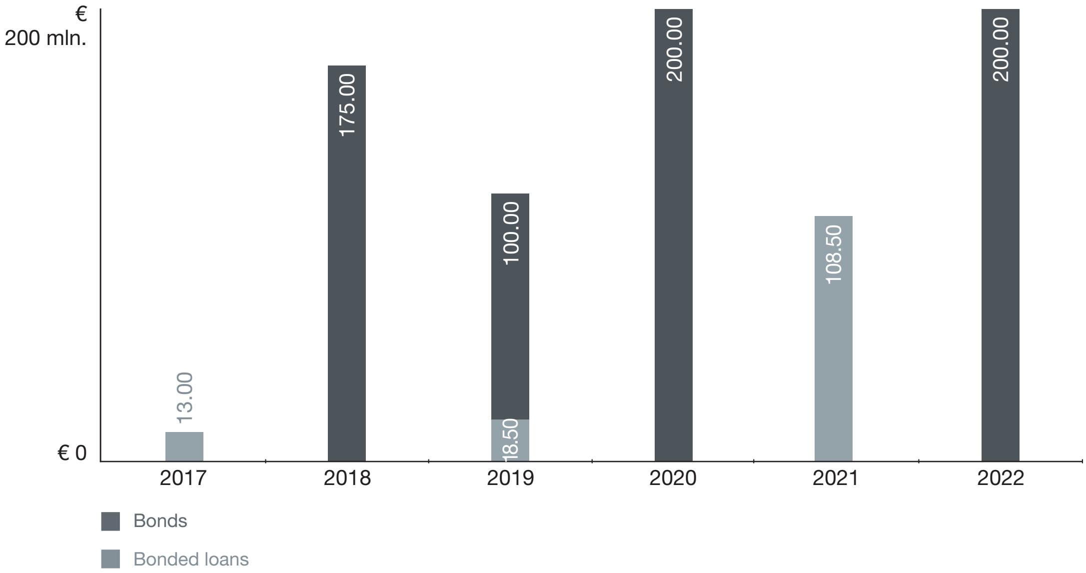
STRABAG SE has a total credit line for cash and surety loans in the amount of € 7.5 billion. The credit lines include a **syndicated surety credit line** in the amount of € 2.0 billion and a revolving **syndicated cash credit line** of € 0.4 billion, each with a term to maturity until at least 2022. In January 2016, both facilities were refinanced before the end of their term, i.e. their conditions and terms to maturity were changed. The group also has bilateral credit lines with banks. With a high degree of diversification regarding its surety and cash credit line, STRABAG creates an adequate risk spread in the provision of the credit lines and secures its comfortable liquidity position.

In June 2015, **Standard & Poor's** (S&P) had raised STRABAG SE's **investment grade rating** by one level from BBB-, outlook stable, to BBB, outlook stable. This rating was confirmed in July 2016. S&P sees STRABAG SE's strengths above all in the stable margins in an otherwise quite cyclical market environment, in the effective risk management and in the strong market positions.

PAYMENT OBLIGATIONS

€ mln.	**Book value 31 December 2016**
Bonds	675.00
Bank borrowings	745.77
Liabilities from finance leases	5.30
Total	**1,426.07**

PAYMENT PROFILE OF BONDS AND BONDED LOANS



MANAGEMENT REPORT

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

FINANCIAL PERFORMANCE

The revenue for the 2016 financial year amounted to € 61.90 million, a decline of € 3.71 million below the previous year's level (€ 65.61 million). This development is due to a decrease in the intra-group allocations.

	2016	2015
Revenue (T€) (sales)	61,900	65,607
Earnings before interest and taxes (T€) (EBIT)	384,546	295,844
Return on sales (%) (ROS)[1]	>100.0	>100.0
Return on equity (%) (ROE)[2]	14.2	11.9
Return on investment (%) (ROI)[3]	10.4	8.8

The earnings before interest and taxes (EBIT) grew significantly by € 88.71 million versus the previous year from € 295.84 million to € 384.55 million. This figure was influenced by a significantly higher net income from investments.

The operating earnings were impacted negatively by bad debt allowances on receivables from subsidiaries and by the year-on-year higher legal and consulting expenses. Additionally, the lower income from option extensions and the decrease in intra-group allocations had a negative impact on earnings.

The considerable growth of the financial earnings by € 118.08 million from € 268.54 million to € 386.62 million is due to the significantly lower expenses for financial assets and the year-on-year higher investment income. The positive development of the financial earnings was also supported by the increased income from the disposal of financial assets. This figure again includes a noteworthy disposal profit from an intra-group transfer.

The interest income reached a positive total of € 15.7 million (2015: € 3.26 million). This development is due to reduced external financing costs and higher interest income from subsidiaries.

Overall, the company generated a net profit of € 412.21 million for the 2016 financial year (2015: € 298.00 million).

The improved earnings also had a positive impact on the profitability figures.

FINANCIAL POSITION AND CASH FLOWS

The balance sheet total of STRABAG SE grew to € 3.9 billion in the 2016 financial year (2015: € 3.5 billion), with substantial changes among only a few balance sheet items.

The development of the financial assets was influenced by additions as well as disposals of investments in subsidiaries. The additions resulted mainly from shareholder contributions to subsidiaries, the decrease primarily involved investment sales. Furthermore, long-term loans were down as a result of principal payments. In total, the financial assets increased by € 478.62 million versus the previous year.

The decline of receivables from subsidiaries concerns receivables from cash clearing, which were reduced as a result of investments in financial assets.

The reduction in other provisions is due to the lower investment risk provisions.

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

	2016	2015
Net debt (T€)[1]	101,104	-54,808
Working capital (T€)[2]	46,139	33,142
Equity ratio (%)	77.3	74.5
Gearing ratio (%)[3]	3.4	n. a.

The net debt of € 101.10 million on 31 December 2016 resulted from the reduction of cash and cash equivalents from shareholder contributions to subsidiaries.

The working capital increased by € 13.00 million in the 2016 financial year from € 33.14 million in 2015 to € 46.14 million. This resulted from the reduction of the current non-interest-bearing debt.

The equity ratio of 77.3 % grew from 74.5 % in the previous year as a result of a significant equity increase and remains at a very high level.

T€	2016	2015
Cash flow from operating activities	82,390	103,133
Cash flow from investing activities	-171,607	369,843
Cash flow from financing activities	-66,690	48,700

The cash flow from operating activities of € 82.39 million is mostly due to the cash flow from earnings, although the growth of the working capital had a negative effect.

The cash flow from investing activities saw an inflow of cash totalling € 757.28 million in the year under report, thereof € 745.97 million from disposals of financial assets. This figure is offset by the application of funds for additions to financial assets in the amount of € 928.89 million. In total, the cash flow from investing activities therefore amounted to € -171.61 million.

The payment of dividends for the 2015 financial year led to an outflow of € 66.69 million in the cash flow from financing activities in 2016.

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

Segment report

OVERVIEW OF THE FOUR SEGMENTS WITHIN THE GROUP

The business of STRABAG SE is divided into four segments, of which there are three operative segments North + West, South + East and International + Special Divisions, and the segment Other, which encompasses the group's central divisions and central staff divisions.

The segments are comprised as follows[1]:

NORTH + WEST
Management Board responsibility:
Peter Krammer
Germany, Poland, Benelux, Scandinavia, Ground Engineering

SOUTH + EAST
M. B. responsibility: Siegfried Wanker
Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe, Environmental Engineering
M. B. responsibility: Thomas Birtel
Russia

INTERNATIONAL + SPECIAL DIVISIONS
M. B. responsibility: Hannes Truntschnig
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 or ground engineering. 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 Engineering		✓	
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.

SEGMENT NORTH + WEST PROFITS FROM GERMANY

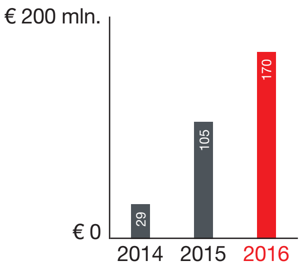
The segment North + West executes construction services of nearly any kind and size with a focus on Germany, Poland, the Benelux countries and Scandinavia. Ground engineering can also be found in this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	6,174.91	6,368.40	-3	-193.49
Revenue	5,802.44	5,895.10	-2	-92.66
Order backlog	7,030.41	5,397.45	30	1,632.96
EBIT	169.89	105.17	62	64.72
EBIT margin (% of revenue)	2.9	1.8		
Employees	22,233	22,421	-1	-188

OUTPUT VOLUME NORTH + WEST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	4,654	4,665	0	-11
Poland	711	852	-17	-141
Benelux	240	227	6	13
Denmark	224	213	5	11
Sweden	160	210	-24	-50
Switzerland	36	29	24	7
Rest of Europe	28	49	-43	-21
Austria	27	19	42	8
Africa	26	11	136	15
Russia	19	39	-51	-20
Middle East	18	17	6	1
Hungary	15	1	n. a.	14
Americas	8	28	-71	-20
Romania	6	8	-25	-2
Asia	2	0	n. a.	2
Italy	1	0	n. a.	1
Total	**6,175**	**6,368**	**-3**	**-193**

EBIT

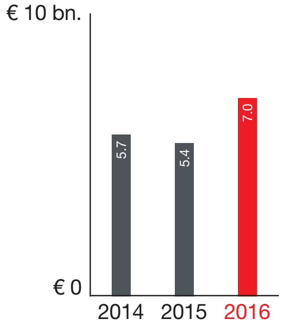


EBIT significantly better after being burdened the previous year

The output volume of the North + West segment reached € 6,174.91 million in the 2016 financial year, a minus of 3 % year-on-year. The figure remained nearly unchanged in the largest market, i.e. Germany, but fell significantly in Poland, the second-largest market in this segment. The negative development is due to the less favourable weather in the first three months of the year under report but can also be explained by the relatively high output volume in 2015.

The revenue was also down slightly, decreasing by 2 % to € 5,802.44 million. The earnings before interest and taxes (EBIT) grew by 62 % to € 169.89 million as a result of improvements in Germany and the absence of past burdens related to a large project in the Netherlands. The EBIT margin thus approached the group's target, reaching 2.9 % after 1.8 % in the year before.

ORDER BACKLOG



Order backlog driven by Germany

The order backlog increased considerably by 30 % to € 7,030.41 million. New orders were registered in Sweden, in Benelux and – thanks to several transportation infrastructures projects – in Poland, but the strong increase in the overall volume of orders came almost exclusively from Germany (+43 %). The most important new projects acquired in the German building construction and civil engineering sector in 2016 include the new Axel Springer building in Berlin, the trivago headquarters in Dusseldorf, the Möckernkiez residential project in Berlin-Kreuzberg, the Offshore Terminal Bremerhaven and the shopping centre East Side Mall in Berlin. At the same time, a number of completed commercial buildings in several German cities were handed over to the clients. New orders were also registered in the German transportation infrastructures business, including the contract for track construction and civil engineering structures along the Berlin–Dresden line for Deutsche Bahn.

Little change in employee numbers

The number of employees in the segment stood at 22,233 in 2016, more or less unchanged (-1 %) versus the previous year. In Poland, additional staff were recruited in response to the positive order backlog. In contrast, employee levels fell back in the Scandinavian countries.

Outlook: German infrastructure investments picking up speed

Given the record order backlog, a higher output volume is expected in the segment North + West for 2017. The **German building construction** and **civil engineering business** should continue to contribute positively to both output volume and earnings. The dynamic situation of the market makes it necessary to focus on effective staff loyalty and recruiting measures. In **transportation infrastructures**, STRABAG also expects an overall positive outlook for the coming years. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. Investments totalling around € 265 billion are planned for more efficient transport networks until 2030. At first the number of projects up for tender increased only slowly in 2016 as the public sector had enormously reduced its procurement and planning capacities in the past few years. With the start of the second half of the year, however, the tendering activity began to pick up speed.

The **railway construction** sector in Germany remains characterised by high risks and the monopoly positions among the clientele. The **construction materials business** in the country is developing similarly to the transportation infrastructures business, as evidenced by the stable to slightly rising production figures.

The **Polish construction sector** has been undergoing a significant recovery since the year 2014. For 2016, the volume of public-sector tenders was expected to be about comparable to the previous year's level. But tenders for these projects got underway only slowly and finally came to a complete standstill in the third quarter. Thanks to the good order backlog, however, the output volume for 2017 has already been secured through existing contracts. Meanwhile, the company is becoming more active in the area of public-sector tenders in the Polish building construction and civil engineering sector.

The upwards trend in the construction sector in **Scandinavia** is continuing. The main factor driving this development is the high number of infrastructure projects and residential units especially in Denmark.

SELECTED PROJECTS NORTH + WEST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Germany	Stuttgart 21, underground railway station	292	2.0
Germany	Axel Springer new construction Berlin	221	1.5
Sweden	Expansion of Södertälje Canal	119	0.8
Poland	A1 Zawodzie–Woźniki	87	0.6
Poland	A1 Tuszyn–Pyrzowice	85	0.6

SEGMENT SOUTH + EAST: STABLE AT A HIGH LEVEL

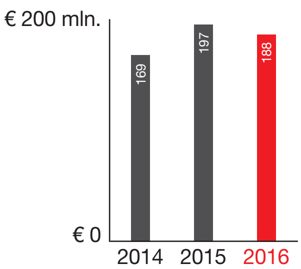
The geographic focus of the segment South + East is on Austria, Switzerland, Hungary, the Czech Republic, Slovakia, Russia and South-East Europe. The environmental engineering activities are also handled within this segment.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	4,000.98	4,535.13	-12	-534.15
Revenue	3,888.52	4,412.35	-12	-523.83
Order backlog	3,482.61	3,477.45	0	5.16
EBIT	188.00	197.05	-5	-9.05
EBIT margin (% of revenue)	4.8	4.5		
Employees	17,758	18,043	-2	-285

OUTPUT VOLUME SOUTH + EAST

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Austria	1,657	1,600	4	57
Czech Republic	521	644	-19	-123
Slovakia	420	666	-37	-246
Hungary	321	466	-31	-145
Switzerland	303	279	9	24
Romania	221	203	9	18
Germany	127	129	-2	-2
Rest of Europe	92	101	-9	-9
Serbia	85	43	98	42
Russia	83	174	-52	-91
Croatia	67	55	22	12
Slovenia	50	89	-44	-39
Bulgaria	23	32	-28	-9
Poland	8	18	-56	-10
Italy	5	7	-29	-2
Asia	5	3	67	2
Africa	4	11	-64	-7
Sweden	4	0	n. a.	4
Benelux	2	1	100	1
Middle East	1	13	-92	-12
Americas	1	1	0	0
Denmark	1	0	n. a.	1
Total	**4,001**	**4,535**	**-12**	**-534**

EBIT

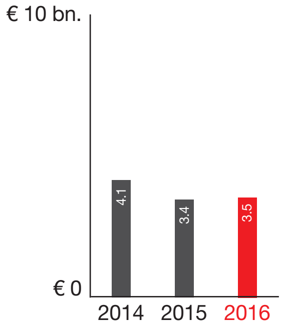


Segment continues to contribute positively to earnings

The output volume in the segment South + East fell by 12 % to € 4,000.98 million in 2016. Most of this decline is accounted for by Slovakia – where significant growth had been observed the year before – as well as Hungary and the Czech Republic. The output volume in Russia, which had already been at a low level, also declined once more.

The segment also registered a 12 % decline of the revenue to € 3,888.52 million. The earnings before interest and taxes (EBIT) fell less strongly, slipping by 5 % to € 188.00 million. This figure had been at a relatively high level in the previous year due to aperiodic income from an agreement related to large construction projects following completion.

ORDER BACKLOG



Order backlog unchanged

The order backlog remained at the previous year's level with a volume of € 3,482.61 million. Growth in countries like Slovakia and Hungary was offset by declines in Romania and Russia. The new orders in 2016 reflected the group's broad range of services, with projects ranging from a hydropower plant in Bosnia-Herzegovina and an IKEA store in Serbia to a building for Siemens built using BIM.5D® to football stadiums in Hungary and Slovakia to numerous road and rail projects in the Czech Republic, Hungary, Austria and Slovakia.

Market situation in Russia contributes to lower employee levels

The number of employees fell slightly by 2 % to 17,758. The market situation in Russia led to staff reductions there, while the situation in the other countries of Central and Eastern Europe was quite varied.

Outlook: Output growth expected

STRABAG expects to be able to increase the **output volume** in this segment in 2017. **Austria**, the largest market in the segment, can be described as stable. The increase of the order backlog (+4 %) is due especially to building construction in Vienna. The increased stake in Vienna-based Raiffeisen evolution project development GmbH, a project development company specialising in residential construction, from 20 % to 100 % should further strengthen STRABAG's market position. Despite the great need for renovation work on lower tier roads, an improvement of the market for transportation infrastructures is still not in sight due to the lack of public investments in this area.

Hungary had reported an unusually high output volume in transportation infrastructures during the previous year. Following declines in the double-digit percentage range in the intervening period, STRABAG is now confident of again growing the output volume in Hungary in the coming year.

Large infrastructure projects with EU co-financing are currently still up for tender in **Slovakia**, e.g. highways or projects in the field of waste water and for the automotive industry. The relatively high volume of tenders, however, is leading to higher prices for subcontractor services. There also is a shortage of skilled labour. At the same time, construction sector competitors are estimating their bidding prices near the limit of profitability. This is also true in the **Czech Republic**. In contrast to Slovakia, however, projects here mostly involve private clients in building construction and civil engineering.

The **Swiss** construction market remains hotly contested, especially in the building construction business. The price level is very low.

Despite isolated growth opportunities, **South East Europe** has been affected by a lower level of tendering activity and, as a result, by more aggressive competition. In Romania, for example, STRABAG is looking to expand its nationwide business in transportation infrastructures, especially due to the slow pace of contract awards for the relatively high volume of tenders for large-scale projects.

In **Russia**, STRABAG should have reached the trough on the output curve. The low domestic demand continues to affect the country's construction sector, but a revival of the economy is hoped for in the medium term – thanks in part to investments by western industrial companies.

SELECTED PROJECTS SOUTH + EAST

Country	Project	Order backlog in € mln.	as % of total group order backlog
Slovakia	Industrial park	89	0.6
Switzerland	New construction of office and production buildings for Siemens	84	0.6
Russia	Domodedovo Airport	67	0.4
Romania	Road maintenance DN67B Scoarța–Pitești	57	0.4
Austria	Graz Eckertstraße	48	0.3

SEGMENT INTERNATIONAL + SPECIAL DIVISIONS: EARNINGS GROWTH AFTER A NUMBER OF CONTRARY EFFECTS

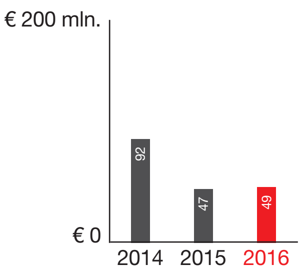
The segment International + Special Divisions includes, on the one hand, the field of tunnelling. The concessions business, on the other hand, represents a further important area of business, with global project development activities in transportation infrastructures in particular. Regardless of where 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 in this segment. Additionally, most of the services in non-European markets are also bundled in International + Special Divisions.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	3,154.89	3,250.11	-3	-95.22
Revenue	2,681.02	2,790.88	-4	-109.86
Order backlog	4,294.97	4,253.23	1	41.74
EBIT	48.87	46.79	4	2.08
EBIT margin (% of revenue)	1.8	1.7		
Employees	26,027	27,077	-4	-1,050

OUTPUT VOLUME INTERNATIONAL + SPECIAL DIVISIONS

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Germany	1,411	1,410	0	1
Austria	380	352	8	28
Americas	339	280	21	59
Middle East	248	284	-13	-36
Asia	124	89	39	35
Hungary	111	118	-6	-7
Czech Republic	103	113	-9	-10
Italy	75	181	-59	-106
Benelux	66	73	-10	-7
Poland	49	63	-22	-14
Africa	47	93	-49	-46
Slovakia	39	49	-20	-10
Russia	31	8	288	23
Rest of Europe	30	18	67	12
Romania	26	29	-10	-3
Switzerland	23	31	-26	-8
Slovenia	15	9	67	6
Sweden	14	29	-52	-15
Croatia	10	12	-17	-2
Denmark	8	5	60	3
Serbia	3	2	50	1
Bulgaria	3	2	50	1
Total	**3,155**	**3,250**	**-3**	**-95**

EBIT

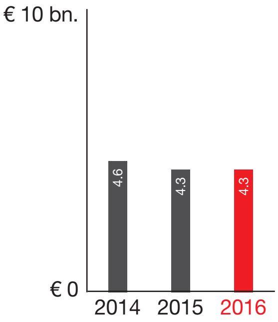


Minor changes in revenue and EBIT

The output volume of the segment International + Special Divisions fell by 3 % to € 3,154.89 million in 2016. The decline was especially strong in Italy, while the other markets registered considerably smaller upward or downward changes.

While the revenue fell by 4 % to € 2,681.02 million, the earnings before interest and taxes (EBIT) grew by 4 % to € 48.87 million. This is the result of a number of contrary effects related to various large projects as well as the aforementioned impairment in the offshore wind business.

ORDER BACKLOG



Order backlog solid thanks to mine project in Chile

The order backlog of € 4,294.97 million (+1 %) remained solid mainly due to the acquisition of a tunnelling project for a copper mine in Chile worth about € 400 million. Growth was observed e.g. in Austria and Germany, declines in Italy and Poland.

Noteworthy staff declines in the Middle East and in Africa

In terms of employee numbers, a noteworthy project-dependent decline was observed in 2016 in the human-resource-intensive regions of the Middle East and Africa. The total number of employees changed by -4 % to 26,027.

Outlook: Slight increase of output volume expected

It should be possible to generate a slightly higher output volume in the segment in the 2017 financial year. A positive contribution to the earnings – albeit not to the same extent as in the past – is expected to come from the **property and facility services business**. Despite expectations of a considerable revenue reduction from the largest client, new clients such as Vodafone, Huawei and Telefónica joined the customer base in late 2015 and during the first quarter of 2016.

Clearly satisfactory business in 2016 was registered in **real estate development**, for which STRABAG continues to maintain a positive outlook given the existing project pipeline and despite the higher property prices. In the project development business, the company is active not only in Germany, but also in Austria, in Poland and in Romania. Properties are constantly being purchased, developed and sold to the investors – in part even before construction is completed. Demand is present for traditional asset classes such as commercial buildings but also for alternatives such as logistics buildings, nursing homes or student housing – also in good locations outside of the important cities. Moreover, STRABAG should be in a position to expand its strong market position in residential project development in Austria following the increase of its stake in Raiffeisen evolution – now STRABAG Real Estate GmbH, Vienna – from 20 % to 100 % in 2016.

The **tunnelling** business in the core markets like Switzerland remains hotly contested with a price level that is at times difficult to comprehend. For this reason, STRABAG is focusing increasingly on bids in Northern Europe and in non-European markets – although price pressure can be observed here as well. The situation is similar for the **concession business**, i.e. public-private partnerships. As the market in Western Europe, with the exception of Germany and the Netherlands, remains thin, and the political environment and competition are proving to be very challenging in Eastern Europe, the UK and selected markets outside of Europe, e.g. in the Americas, are being kept under observation – even if this involves significant costs in bid processing. Besides all of these limiting factors, there is good news to be reported from this business field: In June 2016, it was possible to refinance the PPP models N17/N18 in Ireland and A8 in Germany at optimised conditions.

Owing to the oil price, infrastructure projects have been scarce and competition has increased considerably in the core markets of the Middle East and parts of Africa. As a result, STRABAG is also internationalising its **specialty fields** – this business is registering largely positive development: Pipe jacking is expected to benefit from the growing demand for urban infrastructure especially in the metropolitan areas of South-East Asia. In Singapore, for example, STRABAG has been working on the expansion of the sewer network using this technique. The field of test track construction, thanks to a good market position, also permits the company to issue a positive outlook.

The **construction materials business** exhibits differing trends from country to country. In Hungary, opportunities are in sight with relation to a number of large tenders that are currently in the pipeline. In Austria and the Czech Republic, on the other hand, the market environment is difficult.

With the beginning of 2016, the group merged its services in the field of **intelligent infrastructure solutions** in the subsidiary STRABAG Infrastructure & Safety Solutions GmbH. The order backlog can be described as extremely satisfactory and the entity is working to capacity.

SELECTED PROJECTS INTERNATIONAL + SPECIAL DIVISIONS

Country	Project	Order backlog in € mln.	as % of total group order backlog
Chile	Chuquicamata, underground mine	419	2.8
Chile	Alto Maipo hydropower complex	162	1.1
Austria	Brenner Base Tunnel, Tulfes–Pfons	102	0.7
India	Rohtang Pass Highway Tunnel Section 1	80	0.5
Germany	"Upper West" real estate project development, Berlin	75	0.5

SEGMENT OTHER (SERVICE COMPANIES AND CENTRAL STAFF DIVISIONS)

This segment encompasses the group's internal central divisions and central staff divisions.

€ mln.	2016	2015	Δ 2015–2016 %	Δ 2015–2016 absolute
Output volume	160.25	136.12	18	24.13
Revenue	28.48	25.15	13	3.33
Order backlog	7.80	6.45	21	1.35
EBIT	0.47	0.22	114	0.25
EBIT margin (% of revenue)	1.7	0.9		
Employees	5,821	5,774	1	47

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 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 guidelines and complementary business, process and technical instructions for the workflow in the operating units, supportive central divisions and central staff divisions with technical, legal and administrative service and consulting activities, and Internal Audit as a neutral and independent auditing entity.

Responsibility for the implementation of the project-related risk management systems in the divisions was transferred to the commercial division management. The central division "Project-Related 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 risks
- Operating and technical risks
- Financial risks
- Human resources risks
- IT risks
- Investment risks
- Legal risks
- Political risks

Additional risks exist with regard to occupational 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.

REDUCE OPERATING AND TECHNICAL RISKS WITH 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-related 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 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. Detailed information can be found in the notes under item 27 Financial Instruments.

Business Compliance

COUNTERING ETHICAL RISKS WITH ETHICS AND BUSINESS COMPLIANCE SYSTEM

As corruption is a risk in the construction industry, STRABAG has a number of proven instruments to fight corruption in place within the company. 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 ombudsman. Details are available at www.strabag.com > Strategy > Strategic Approach > Business Compliance and in the Corporate Governance Report.

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 working conditions and raise employee satisfaction further contribute to the company's attractiveness and prestige.

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 multi-step 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 and are approved for implementation by the BPM steering committee.

INVESTMENT RISKS: SECTOR-TYPICAL MINORITY HOLDINGS OF MIXING PLANTS

STRABAG can exert influence on the management of associated companies through its shareholder position and, at best, any existing advisory functions. The shares in asphalt and concrete mixing companies usually involve **sector-typical minority holdings**. With these companies, economies of scope are at the fore.

AVOIDING LEGAL RISKS THROUGH EXTENSIVE RISK ANALYSIS

The 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). Their most important tasks include comprehensive reviews and consultation in project acquisition – e.g. analysis and clarification of tender conditions, performance specifications, pre-contract agreements, tender documents, draft contracts and framework conditions – as well as support in project management.

POLITICAL RISKS: 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 consequence 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.

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 based on **OHSAS 18001** and/or **SCC** or equivalent, 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.

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 has made it its goal to implement an environmental and energy management system based on **ISO 14001** and/or **ISO 50001** and/or **EMAS**, maintain this system and – wherever possible – minimise the use of natural resources, avoid waste and promote recycling.

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 guidelines 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 have emergency scenarios audited in the IT division.

EVALUATION OF PARTNER COMPANIES TO REDUCE RISKS IN THE SUPPLY

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. It 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. 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. The most recent review was performed in the first quarter of 2015.

Risk assessment

The management identifies and monitors risks relating to the financial reporting process, with a focus on those risks that are typically considered to be material.

The preparation of the financial statements requires regular forecasts, with the inherent risk that the actual future development will deviate from the forecast. This especially affects the following matters/items of the consolidated financial statements: assessment of unfinished construction projects, recognition and measurement of provisions (including social capital), the outcome of legal disputes, the collectability of receivables as well as the recoverability of investments and goodwill. In individual cases, external experts are called in or publicly available sources are considered in order to minimise the risk of a false assessment.

Control activities

All control activities are applied in the current business process to ensure that errors or deviations in financial reporting are prevented or detected and subsequently corrected. The control activities range from a review of the period results to specific monitoring of accounts and cost centres to the analysis of ongoing accounting processes. It is the responsibility of the Management 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 committee's 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 companywide monitoring. Additionally, the remaining management levels are responsible for the monitoring of their respective areas of responsibility. Controls and plausibility checks are carried out at regular intervals. The internal audit department is also involved in the monitoring process.

The top management receives monthly summarised financial reports on the development of the output volume, the results of the respective segments and countries, and the liquidity. Financial statements to be published are reviewed internally by several instances within management, receiving a final appraisal by the senior accounting staff and the chief financial officer before being passed on to the Supervisory Board's Audit Committee.

Human resources

In the 2016 financial year, the STRABAG Group employed an average of 71,839 employees (2015: 73,315), of which 43,839 were blue-collar and 28,458 were white-collar workers. The number of employees therefore fell slightly by 2 %. The declines were registered mainly among blue-collar staff in human-resource-intensive regions outside of Europe, though staff levels also decreased noticeably in Russia.

The STRABAG Group places great importance on training and promoting young people, a stance that is reflected in the high number of apprentices and trainees. In 2016, 1,217 blue-collar apprentices (2015: 1,195) and 272 white-collar apprentices (2015: 277) were in training with the group. Additionally, the company employed 73 technical trainees (2015: 84) and 16 commercial trainees (2015: 13).

In the 2016 financial year, the company was able to partially achieve its goal of annually raising the percentage of women in the group. Women accounted for 14.9 % of employees within the entire group, versus 13.9 % in the previous year, but for 8.4 % within group management (2015: 8.7 %).

Research and development

As a technology group for construction services, the STRABAG Group does business in a rapidly changing and highly interconnected environment. It is in this environment that the company applies its assets, comprised not only of its material and financial means but also of its human resources – the knowledge and know-how of its employees –, its structural and organisational capital, and its relational and market capital. The growing convergence between different sectors – driven by increasing societal demands, the fast pace of technological progress, and client requests – confront the company with ever more rapidly shifting challenges. To take a more active role in shaping this change, and 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.

Cooperation with international universities and research institutions, joint development activities with partner companies around the world, and internal research and development projects have been a routine part of the group's daily activities for years. In overall charge of the planning and execution of these projects within the STRABAG Group are the two central divisions **Zentrale Technik (ZT)** and **TPA Gesellschaft**

für Qualitätssicherung und Innovation GmbH (TPA), both of which report directly to the CEO. **ZT** is organised as a central division with more than **921 highly qualified employees at 24 locations**. It provides services in the areas of tunnelling, civil and structural engineering, and turnkey construction along the entire construction process. From the early acquisition stage and bid processing to 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 and renewable energy. 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 quality management and materials-related research and development. 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. Additional research in 2016 focused on the development of an intelligent communication system for mobile machinery in the extractive industries, raw materials recycling and raw materials transport. TPA has **824 employees at 130 locations in 18 countries**, making it one of Europe's largest private laboratory companies.

EFKON AG – 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. The past year was characterised by the successful start of the nationwide tolling system in Belgium, for which EFKON AG delivered the entire toll enforcement system. The research focus in 2016 was on algorithms and methods of vehicle classification on the basis of three-dimensional reconstruction. In this regard, the research project 3D Maut ("3D Toll") was launched together with the Austrian Research Promotion Agency (FFG). The technology company headquartered in Raaba near Graz, Austria, is seeing a high amount of international demand and has repeatedly been able to achieve an export ratio of over 90 % in recent years.

The versatility of the STRABAG Group is reflected in the many different areas of expertise it has to offer and the variety of demands it has to face. The group's **knowledge management** therefore makes use of suitable methods and tools to encourage and support the exchange of experience and information among employees. This facilitates the cooperation among the different divisions, which is an important factor leading to new developments. A special focus in 2016 was on the digitalisation of the construction sites in transportation infrastructures as part of the project "The Integrated Construction Site".

In addition to specific research projects at the group's units and subsidiaries, a large part of the **research and development activities** takes place **during ongoing construction projects** – especially involving tunnelling, construction engineering and ground engineering. During work in these areas, new challenges or specific questions often arise which require new technological processes or innovative solutions to be developed on-site.

The STRABAG Group spent about € 11 million (2015: about € 12 million) on research, development and innovation activities during the 2016 financial year.

Environment

Ecological responsibility is one of the six strategic fields of action within the STRABAG Group. The constant aim is to minimise the negative impact on the environment that results from the business activity. The most effective contribution can be made by lowering the **energy and material use** and reducing the demand for fossil fuels. **Energy management** at STRABAG is an instrument with which it is possible to determine and steer the energy consumption. In the 2016 financial year, the energy costs for the companies within STRABAG SE's scope of consolidation were reduced to € 235.09 million (2015: € 262.77 million). This decline resulted from various external influences. The carbon footprint for the 2016 financial year refers to the group's full scope of consolidation and includes the emissions caused in 67 countries. Within the group, a total of 1,056,598 t of CO_2 were emitted in the year under report. This represents a clear decline of 4 % or 41,383 t of CO_2 in a year-on-year comparison.

ENERGY USE WITHIN THE GROUP

Form of energy	Unit	2012	2013	2014	2015	2016
Electricity	MWh	486,033	497,943	433,164	443,009	451,073
Fuel	thousands of litres	245,660	252,718	230,926	222,261	206,308
Gas	heating value in MWh	565,048	585,857	505,371	531,201	453,395
Heating oil	thousands of litres	17,790	16,053	14,388	17,661	15,383
Pulverised lignite	tonnes	79,107	69,602	75,247	72,174	75,468

Austria, one of our core countries, passed the **Energy Efficiency Act** (EEffG) as a way of bringing into force the EU Energy Efficiency Directive. This was one of the reasons why work began in July 2014 on the introduction of an ISO 50001-certified energy management system in Austria that was successfully rolled out in 2015. All companies in Austria that are at least 50 % owned by STRABAG SE are now in possession of valid certification. Furthermore, energy efficiency measures are being implemented to lower the energy use by 0.6 % on the basis of the total annual energy use of these companies. In Germany, our largest market, the **Energy Services Act** (EDL-G) was amended in 2015. In 2016, we succeeded in introducing an ISO 50001-certified energy management system in Germany. Other European countries have already implemented the **EU Energy Efficiency Directive** into national law and are calling for the total or partial introduction of an energy management system. A comprehensive system was established in Hungary, Serbia, Croatia and Slovenia. In Denmark, external energy audits are performed to comply with the requirement. The necessary measures in Poland, Slovakia and Sweden are centrally coordinated and arranged in the individual countries.

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 pursuant to Section 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 on the Prime Market Segment of the Vienna Stock Exchange. Three shares are registered shares. Each bearer share and each registered share accounts for one vote (one share – one vote). The nomination rights associated with registered shares No. 1 and No. 2 are described in more detail under item 4.

2. The Haselsteiner Group (Haselsteiner Familien-Privatstiftung, Dr. Hans Peter Haselsteiner), the Raiffeisen Group (Raiffeisen-Holding

Niederösterreich-Wien reg. Gen.m.b.H, BLR-Baubeteiligungs GmbH, "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., Raiffeisen Versicherung AG) and Rasperia Trading Limited (controlled by Oleg Deripaska), as shareholder groups of STRABAG SE, have signed a syndicate agreement governing (1) nomination rights regarding the Supervisory Board, (2) the 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 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 Section 65 Paragraph 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 2016 as these shares are held by STRABAG SE as own shares as defined in Section 65 Paragraph 1 No 8 of the Austrian Stock Corporation Act (AktG).

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 2016:

- Haselsteiner Group .... 26.4 %
- Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H. (Raiffeisen Group) .... 13.2 %
- UNIQA Versicherungen AG (UNIQA Group)............................... 14.3 %
- Rasperia Trading Limited .... 25.9 %

The company itself held 7,400,000 no-par shares on 31 December 2016, which corresponds to 6.7 % of the share capital. These shares are currently intended, among others, as acquisition currency.

The remaining shares of the share capital 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. 3 are held by the Haselsteiner Group and registered share No. 2 is held by Rasperia Trading Limited. Registered shares No. 1 and No. 2 allow their bearers to nominate a member each to the Supervisory Board of STRABAG SE.

5. No employee stock option programmes exist.

6. No further regulations exist beyond items 2 and 4 regarding the nomination and recall of members of the Management and Supervisory Boards or regarding changes to the Articles of Association which do not result directly from relevant law and legislation.

7. The 12th Annual General Meeting held on 10 June 2016 authorised the Management Board of the company to buy back own shares in accordance with Section 65 Paragraph 1 No. 8 of the Austrian Stock Corporation Act (AktG) to the extent of up to 10 % of the share capital of the company during a period of 13 months from the day of the resolution, i.e. until 10 July 2017. The Management Board of STRABAG SE was thus authorised, under consideration of the already held 7,400,000 own shares, to acquire an additional 3,600,000 own shares. According to the authorisation by the Annual General Meeting of the company, the acquisition may be made on the stock market or over the counter. The Supervisory Board of the company – as required – has given its approval for over-the-counter purchases. The Management Board of STRABAG SE has not yet made use of this authorisation.

The Management Board of STRABAG SE, in accordance with Section 169 of the Austrian Stock Corporation Act (AktG), was authorised by resolution of the 10th Annual General Meeting of 27 June 2014 and with approval by the Supervisory Board to increase the share capital of the company by up to € 57,000,000 by 27 June 2019, in several tranches if necessary, by issuing up to 57,000,000 registered no-par shares for cash or contributions in kind (in this case also to the partial or full exclusion of the shareholders' subscription rights).

The Management Board, in accordance with Section 174 Paragraph 2 of the Austrian Stock Corporation Act (AktG), was further authorised by resolution of the 8th Annual General Meeting of 15 June 2012 and with the approval of the

Supervisory Board to issue financial instruments within the meaning of Section 174 of the Austrian Stock Corporation Act (AktG) – in particular convertible bonds, income bonds and profit participation rights – with a total nominal value of up to € 1,000,000,000, which may also confer subscription and/or exchange rights for the acquisition of up to 50,000,000 shares of the company and/or may be designed in such a way that they can be issued as equity, also in several tranches and in different combinations, up to five years inclusive from the day of this resolution, also indirectly by way of a guarantee for the issue of financial instruments through an associate or related entity of the company with conversion rights on shares of the company.

The Management Board was also authorised by resolution of this Annual General Meeting, in accordance with Section 65 Paragraph 1b of the Austrian Stock Corporation Act (AktG), for a period of five years from this resolution, to sell or assign its own shares, with approval by the Supervisory Board, in a manner other than on the stock market or through a public tender, to the exclusion of the shareholders' buyback rights (subscription rights), and to determine the conditions of sale. The authorisation can be exercised in full or in part or in several partial amounts for one or several purposes by the company, a subsidiary (Section 228 Paragraph 3 UGB) or third parties acting on behalf of the company.

8. With the exception of the agreements over a syndicated surety loan and a syndicated cash credit line, there exist no significant agreements to which STRABAG SE is party and which would become effective, change or end due to a change of ownership in STRABAG SE following a takeover offer.

9. No compensation agreements exist between STRABAG SE and its Management and Supervisory Board members or employees in the event of a public takeover offer.

Related parties

Business transactions with related parties are described in item 29 of the notes.

Supporting information

At the beginning of March 2009, an accident occurred during underground construction at the South Lot for the North-South urban metro line in Cologne, resulting in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Debris collapsed into a hole which opened next to the North-South construction site at the Waidmarkt crossover junction. Two people were trapped under the rubble, and rescuers were only able to recover their bodies.

Construction on the underground is being carried out by a joint venture (JV) of Bilfinger SE (formerly Bilfinger Berger AG), Wayss & Freytag Ingenieurbau AG and the STRABAG Group subsidiary Ed. Züblin AG. The JV is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Ed. Züblin AG holds a 33.3 % interest in the JV.

The public prosecutor's office commissioned three separate experts to begin an investigation – initially against persons unknown – into possible negligent homicide and endangerment in construction. Two independent civil proceedings are 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.

For purposes of the investigation into the cause of the accident, construction began on a model of the building, the completion and use of which was originally expected by mid-2014. Because of delays for organisational and technical reasons, however, full completion and use can be expected no sooner than mid-2017. The model is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the JV. A final report on the results of the investigation of the accident site, as well as the expert opinion, thus remains outstanding.

Merely for the purpose of extending the statute of limitations the public prosecuter's office in

December 2013 opened proceedings against approx. 100 persons associated closely or loosely with the project. This purely precautionary measure does not, however, represent any statement as to the cause of the accident. In view of the absolute limitation period, which ends ten years after the collapse of the building, the public prosecutor's office apparently wants to bring charges against accused individuals in a timely fashion to achieve a verdict before March 2019. For this reason, the expert opinion will likely be presented to the prosecutor's office even before the model building becomes fully useful and before the expert opinion from the civil evidence proceedings is presented. We cannot rule out the possibility that charges may be filed against individual members of our company in this regard.

As already reported, we continue to believe that this project does not result in any significant damages for the company.

Outlook

The current record order backlog allows further positive development of the output volume to be expected in 2017: The Management Board of STRABAG SE expects output volume to reach at least € 14.0 billion (≥ +4 %). Growth should be seen in all three operating segments: North + West, South + East and International + Special Divisions.

STRABAG had previously issued a target of achieving a sustainable EBIT margin (EBIT/revenue) of 3 % starting in 2016. The efforts to further improve the risk management and to lower costs have already had a positive impact on earnings. In the 2017 financial year, STRABAG is therefore working to again confirm an EBIT margin of at least 3 %.

The output and earnings forecasts are based on the assumption of continued solid demand in building construction, civil engineering and transportation infrastructures in Germany. Positive earnings contributions are also expected from the property and facility management entities and the real estate development business. While the output volume should rise slightly in Poland, in the Czech Republic and in the building construction business in Austria, STRABAG expects stable demand in the Austrian transportation infrastructures segments and in Slovakia. Negative contributions, on the other hand, are again expected from the regional business in Switzerland.

Even without considering the capital expenditures following the acquisition of the minority interest of the still listed German subsidiary STRABAG AG, Cologne – represented in the cash flow from financing activities –, the net capital expenditures should increase in 2017. The cash flow from investing should therefore come to rest at about € 450 million.

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Events after the reporting period

The material events after the reporting period are described in item 32 of the notes.

Auditor's report

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the financial statements of

STRABAG SE,
Villach,

that comprise the statement of financial position as of 31 December 2016, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements.

BASIS FOR OUR OPINION

We conducted our audit in accordance with the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law and professional regulations, and 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 financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

VALUATION OF INVESTMENTS IN AFFILIATED COMPANIES AND RECEIVABLES FROM AFFILIATED COMPANIES

Refer to note Annex I/4

Risk for the Financial Statements

Investments in and receivables from affiliated companies represent a major portion of the assets reported in the annual financial statements of STRABAG SE as of 31.12.2016.

Investments in and receivables from affiliated companies are tested for impairment annually. As a first step, the carrying amount of the investments in affiliated companies is compared with the proportionate share in equity at the reporting date. In case the carrying amount exceeds the proportionate share in equity, a valuation of the investment based on discounted cash flows, which significantly depend on future sales and margin projections, and on discount rates, is performed in a further step. This valuation is subject to significant uncertainty.

Our Response

We reconciled the sales and margins on which the calculations of the valuation of shares in and receivables from affiliated companies are based, with the current planning of the Group, which has been approved by the Supervisory Board. In order to assess the appropriateness of the planning, we gained an understanding of the planning process and compared the assumptions used with current market-specific market expectations, as well as discussing them with the Management Board and representatives of the respective company divisions. In addition, we assessed the appropriateness of the discount rates used as well as the underlying calculation and determined by means of sensitivity analyses whether the tested book values are covered by the respective valuation in the event of possible realistic changes in the assumptions. In conclusion, we examined whether the disclosures and explanations made by the Company regarding investments in and receivables from affiliated companies in the notes are complete and appropriate.

MANAGEMENT'S RESPONSIBILITY AND RESPONSIBILITY OF THE AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

AUDITORS' RESPONSIBILITY

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional– misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We consider 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 entity‘s internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management’s use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity’s ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.

- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

MANAGEMENT REPORT

In accordance with the Austrian Commercial Code the management report is to be audited as to whether it is consistent with the financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the management report in accordance with the Austrian Commercial Code and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report has been prepared in accordance with legal requirements and is consistent with the financial statements. 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 financial statements and the understanding of the Company and its environment, we did not note any material misstatements in the management report.

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements, the management report, and the auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Engagement Partner

The engagement partner is Dr. Helge Löffler.

Linz, 7 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Dr. Helge Löffler
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The financial statements together with our auditor's opinion may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

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 separate financial statements 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, 7 April 2017

The Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L Russia

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

Dipl.-Ing. Dr. Peter Krammer
Responsibility Segment North + West

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

Dipl.-Ing. Siegfried Wanker
Responsibility Segment South + East
(except Division 3L Russia)