Semi-Annual Report 2019
30 August 2019

STRABAG
SOCIETAS EUROPAEA

Content

KEY FIGURES

KEY FINANCIAL FIGURES

	6M/2019	6M/2018	Δ %	2018
Output volume (€ mln.)	7,506.99	6,875.39	9	16,322.88
Revenue (€ mln.)	6,979.07	6,307.35	11	15,221.83
Order backlog (€ mln.)	18,325.61	18,874.24	-3	16,899.71
Employees (FTE)	76,638	73,394	4	75,460

KEY EARNINGS FIGURES

	6M/2019	6M/2018	Δ %	2018
EBITDA (€ mln.)	294.74	200.38	47	952.60
EBITDA margin (% of revenue)	4.2	3.2		6.3
EBIT (€ mln.)	61.00	20.03	205	558.21
EBIT adjusted (€ mln.)[1]				502.90
EBIT margin (% of revenue)	0.9	0.3		3.7
EBIT margin adjusted (% of revenue)[1]				3.3
EBT (€ mln.)	41.50	12.59	230	530.78
Net income (€ mln.)	13.94	2.87	386	362.78
Net income after minorities (€ mln.)	10.66	-0.56	n. a.	353.53
Net income after minorities margin (% of revenue)	0.2	0.0		2.3
Earnings per share (€)	0.10	-0.01	n. a.	3.45
Cash flow from operating activities (€ mln.)	-320.66	-147.30	-118	736.18
ROCE (%)	0.7	0.5		7.6
Investment in fixed assets (€ mln.)	313.10	289.10	8	644.99

KEY BALANCE SHEET FIGURES

	30.6.2019	31.12.2018	Δ %
Equity (€ mln.)	3,532.57	3,653.77	-3
Equity ratio (%)	29.9	31.4	
Net debt (€ mln.)	-240.57	-1,218.28	80
Gearing ratio (%)	-6.8	-33.3	
Capital employed (€ mln.)	5,579.82	5,552.09	0
Balance sheet total (€ mln.)	11,804.01	11,621.45	2

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

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

CEO'S REVIEW

Dear shareholders, associates and friends of STRABAG SE,

We can be satisfied with the development of the STRABAG Group in the first six months of 2019: The earnings grew even more strongly than the output volume, and the order backlog remained – once again thanks to numerous large orders – almost stable at a very high level.

It is true that the output volume and earnings for the first half of the year are not an adequate measure for the full year's performance, especially as – as announced – a key account in the services sector was transferred to a competitor on 30 June 2019. In general, however, the picture meets with our expectations and we are therefore reaffirming our forecast for 2019: an output volume above € 16.0 billion and an EBIT margin of at least 3.3 %.

Yours,

Thomas Birtel
CEO of STRABAG SE

- Output volume up 9 % in the first half of 2019
- EBITDA (+47 %), EBIT up from € 20.03 million to € 61.00 million
- Order backlog nearly stable (-3 %) at high level of € 18.3 billion
- Outlook for 2019 confirmed: output volume should exceed € 16 billion, targeted EBIT margin of ≥ 3.3 %

IMPORTANT EVENTS

FEBRUARY

Future reporting of STRABAG SE for first and third quarters

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

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

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

Extension of mining contract in Chile

Züblin International GmbH Chile SpA, a subsidiary of STRABAG SE, was awarded an extension to its contract with Mina Candelaria Subterránea for the Candelaria open pit and underground mine in Copiapó in Chile's Atacama region for another four years. The contract value amounts to € 65 million. The extension to the contract involves, among other works, 22,400 m of horizontal developments, plus 1,771,000 t of loading and transport of material.

MARCH

STRABAG consortium upgrading bridges along A9 motorway near Allersberg

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

Mining contracts for € 500 million in Chile

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

Contract awarded for Boll-Sinneringen bypass in Switzerland

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

Renovation of the south section of M3 metro line in Budapest

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

Refinancing of € 2.4 billion in loans before maturity

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

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

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

ZÜBLIN to design and build wastewater pumping station in Qatar

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

APRIL

Acquisition of property management assets of CORPUS SIREO

STRABAG Property and Facility Services GmbH (STRABAG PFS) of Germany in April acquired the property management business and all employees of CORPUS SIREO Real Estate GmbH. In tandem with the agreement, several long-term property management contracts were also concluded between STRABAG PFS and the Swiss Life Group. This currently involves more than 340 Swiss Life properties in various asset classes held in Germany with a total value of more than € 3 billion. The focus is on residential and office buildings. An above-average contract period was agreed for the portfolio.

MAY

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

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

EFKON expands its presence on the Norwegian market

EFKON, the STRABAG subsidiary specialising in toll collection systems, is expanding its share in the Norwegian toll collection system market with two more projects. Following the Bypakke Bergen and Oslopakke 3 contracts with more than 100 tolling stations and a maintenance contract for eight years, EFKON was entrusted with the implementation of two new projects, “Nordhordland package in Hordaland” and “Damåsen-Saggrenda”. The contracts for Nordhordland and Damåsen include the construction and operation of at least five toll stations near Bergen and at least three near Oslo. Commissioning is scheduled for late 2019. The order includes a maintenance contract of at least seven years with the option of an annual renewal.

JUNE

Groundbreaking ceremony for educational campus Seestadt Aspern Nord in Vienna

Together with the city of Vienna, the groundbreaking ceremony for the construction of the educational campus Seestadt Aspern Nord took place on 17 May 2019. The bidding consortium of HYPO NOE Leasing and STRABAG Real Estate (SRE) was awarded the contract in an EU-wide tender for the further design, build, finance and operate phases of the educational campus Seestadt Aspern Nord and the educational campus Aron Menczer. The new educational facility includes a kindergarten with 12 groups, an all-day elementary school with 17 classes and a middle school with 16 classes, for a total of 1,100 children, as well as a youth centre. The facility is scheduled to open on schedule at the beginning of the 2021/22 school year.

STRABAG PFS buys PORREAL in Poland and the Czech Republic

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

STRABAG SE expands its Management Board to include digitalisation

Effective 1 January 2020, STRABAG SE will add digitalisation as a management board responsibility and will correspondingly increase the size of the board from five to six members. The new portfolio, Digitalisation, Corporate Development and Innovation, will be assigned to Klemens Haselsteiner (38). Klemens Haselsteiner started his career in 2004 at the auditing firm KPMG in Austria. After completing his civil service and gathering work experience at a Russian industrial group, he joined the STRABAG Group in Russia in 2011. There he was entrusted with central controlling, among other things. From 2015, he was employed at the German STRABAG group company Ed. Züblin AG, Stuttgart Subdivision – initially as commercial business unit manager for turnkey construction, as of 2018 as commercial subdivision manager.

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

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

EFKON wins large Smart City project in India

EFKON is implementing a traffic monitoring system in Aligarh, India. The contract value for this Smart City project is approx. € 13 million. The contract covers the installation, operation and maintenance of a new traffic surveillance system covering an area of 85 km² with 227 cameras and 63 pan-tilt-zoom (PTZ) cameras, red light surveillance systems with 74 cameras, and other traffic management components. Construction will take place over 12 months, followed by 60 months of operation and maintenance.

JULY

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

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

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

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

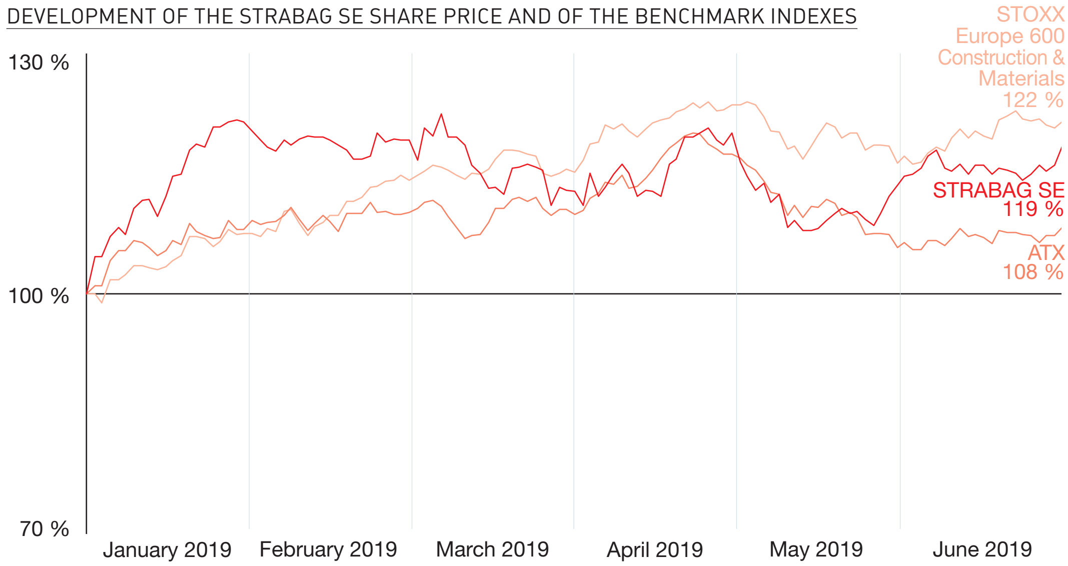
AUGUST

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

STRABAG Rail a.s. was awarded the contract to modernise an approximately 12 km railway section between Oldřichov u Duchcova and Bílina on behalf of the Czech national railway infrastructure administration. The contract value amounts to CZK 1.91 billion (~ € 74 million). The construction works are scheduled for completion in the spring of 2021. The contract was awarded to a consortium. The share attributable to consortium leader STRABAG Rail a.s. amounts to 73 %.

SHARE

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



The share prices on the international stock exchanges rose strongly at times during the first six months of 2019. Growing concerns among investors regarding international trade relations and the global economic development, however, led to a reversal of some of these gains in May, at least on the Vienna Stock Exchange. The Austrian market thus saw a considerable increase of the Austrian blue chip index **ATX** in the first quarter of 2019, whereas the second quarter was characterised by an index decline. On balance, however, a plus of 8 % remained in the first half of the year.

The **STRABAG SE share** reached its highest value of the year to date with € 31.45 on 5 March 2019 and closed the first half of the year at € 30.50 or a plus of 19 %. STRABAG SE thus outperformed the Austrian blue chip index but not the construction industry index **STOXX Europe 600 Construction & Materials**, which closed the first half of 2019 with +22 %.

STRABAG SE's shares are currently under observation by eight international banks. The analysts calculated an average share price target of € 36.90. Detailed analyses and recommendations are available on the STRABAG SE website: www.strabag.com > Investor Relations > Share > Equity Research

STRABAG SE SHARE

	6M/2019
Market capitalisation on 28 June 2019 (€ million)	3,129.30
Closing price on 28 June 2019 (€)	30.50
Year's high on 5 March 2019 (€)	31.45
Year's low on 2 January 2019 (€)	26.85
Performance six months 2019 (%)	19
Outstanding bearer shares on 28 June 2019 (absolute) (shares)	102,599,997
Outstanding bearer shares six months 2019 (weighted) (shares)	102,599,997
Weight in WBI on 28 June 2019 (%)	3.02
Volume traded six months 2019 (€ million)[1]	78.14
Average trade volume per day (shares)[1]	21,439
Share of total volume traded on Vienna Stock Exchange (%)	0.26

1 Double count

MANAGEMENT REPORT JANUARY–JUNE 2019

Output volume and revenue

STRABAG SE generated an output volume of € 7,506.99 million in the first half of 2019. This upward movement of 9 % was driven in particular by Germany as a whole, by building construction in Austria, by the execution of the order backlog in Hungary and by a large-scale project in the United Kingdom. The consolidated group revenue grew by 11 %. This resulted in a slight increase of the ratio of revenue to output volume from 92 % to 93 %.

Order backlog

The order backlog as at 30 June 2019 weakened slightly by 3 % compared to the same period of the previous year. Declines were recorded in Austria, Germany and, on the whole, in the countries of Central and Eastern Europe. This development was partially offset by the substantial expansion of an existing contract in the United Kingdom.

Financial performance

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 47 % to € 294.74 million in the first half of 2019. The 30 % year-on-year increase in depreciation and amortisation includes, among other things, an opposing effect on the EBITDA from the first-time adoption of IFRS 16 Leases, so that earnings before interest and taxes (EBIT) amounted to € 61.00 million after € 20.03 million in the same period of the previous year. This increase is attributable to the development of the International + Special Divisions segment.

Net interest income stood at € -19.50 million. In the first six months of the previous year, it had amounted to € -7.44 million. The decline of net interest income can be attributed to negative exchange rate differences amounting to € 1.24 million (in the same period of the previous year, exchange gains of € 6.91 million were reported) and to a small extent to the abovementioned impact from IFRS 16. Earnings before taxes (EBT) amounted to € 41.50 million compared to € 12.59 million in the first half of the previous year. As a result, income taxes also increased to € -27.56 million. This left a net income of € 13.94 million.

Earnings attributable to minority shareholders was barely changed at € 3.28 million. Overall, a net income after minorities of € 10.66 million was achieved. In the same period of the previous year, it was still slightly in negative territory. With 102,600,000 outstanding shares, this corresponds to earnings per share of € 0.10 (6M/2018: € -0.01).

Financial position and cash flows

The balance sheet total – once again due to the first-time application of IFRS 16 – increased to over € 11 billion compared to 31 December 2018. The share of property, plant and equipment in the balance sheet total increased from 18 % to 22 %. The cash and cash equivalents decreased as is seasonally usual. At the same time, the equity ratio remained at a high level of around 30 %; at the end of 2018, it had stood at over 31 %. As is usual for the season, the net cash position fell from € 1,218.28 million at the end of 2018 to € 240.57 million (30 June 2018: € 711.71 million). As at 30 June 2019, lease liabilities amounting to € 314.46 million were included for the first time.

The cash flow from operating activities was 118 % lower in negative territory, at € -320.66 million, due to a higher working capital increase compared to the previous year. The cash flow from investing activities, in part due to generally higher capital expenditures, slipped by 8 % and so was slightly more negative at € -298.59 million. The repayment of a bond with a lower volume than the one in the previous year and the fact that the dividend payment will not be made until the third quarter of 2019 led to a cash flow from financing activities of € -183.27 million after € -362.85 million in the first half of the previous year.

Capital expenditures

A large portion of the maintenance expenditures is invested in the core markets of Germany, Austria, Poland and Serbia. Increased demand for additional investments can be felt in the high-performance markets of Germany, Poland, Chile and Hungary. Among other things, there have been increased investments in equipment for the mining sector in Chile and in asphalt and concrete mixing plants. The capital expenditures include € 313.10 million (6M/2018: € 289.10 million) for the purchase of intangible assets and of property, plant and equipment, € 16.30 million (6M/2018: € 12.73 million) for the purchase of financial assets, and changes in the scope of consolidation of € 9.33 million (6M/2018: € 0.77 million).

Employees

The number of employees increased by 4 % to 76,638. Growth was registered especially in the Americas region as well as in Germany, Poland and Austria.

Major transactions, risks and strategy

During the first six months of the financial year, there were no transactions with related parties which significantly influenced the financial situation or the business result nor were there any changes to transactions with related parties which were presented in the annual financial statements of 31 December 2018 and which significantly influenced the financial situation or business result of the first six months of the current financial year.

In the course of its entrepreneurial activities, the STRABAG Group is exposed to a number of risks, which can be identified and assessed using an active risk management system and dealt with by applying an appropriate risk policy. Among the most important risks are external risks such as cyclical fluctuations in the construction industry, operating and technical risks in the selection and execution of projects, IT risks, investment risks as well as financial, personnel, ethical, legal and political risks.

The risks are explained in more detail in the 2018 management report. A review of the current risk situation revealed that in the reporting period there existed no risks which threatened the existence of the company and that for the future no risks are recognisable which constitute a threat to its continued existence.

In the first half of 2019, there were no significant changes to the group strategy as detailed in the 2018 Annual Report.

Outlook

For the current 2019 financial year, STRABAG continues to expect the output volume to exceed the € 16.0 billion mark. By segments, a decline is now expected in International + Special Divisions with increases in North + West and in South + East. The forecast for an EBIT margin of at least 3.3 % remains in place, as does the outlook for net capital expenditures (cash flow from investing activities), which should reach a maximum of € 550 million in 2019.

SEGMENT REPORT

North + West

€ mln.	6M/2019	6M/2018	Δ %	Δ absolute
Output volume	3,551.91	3,258.76	9	293.15
Revenue	3,265.28	2,970.35	10	294.93
Order backlog	9,215.30	9,403.15	-2	-187.85
EBIT	-29.04	-22.59	-29	-6.45
EBIT margin (% of revenue)	-0.9	-0.8		
EBT	-29.04	-22.59	-29	-6.45
Employees (FTE)	24,824	23,497	6	1,327

The North + West segment posted a 9 % higher **output volume** of € 3,551.91 million in the first half of 2019. This is due to the two largest countries in the segment – Germany and Poland – while the other markets, such as Benelux, Sweden and Denmark, showed small, inconsistent deviations.

The **revenue** increased by 10 %, while the **EBIT** weakened slightly from € -22.59 million to € -29.04 million due e.g. to the strong cost inflation in Poland. As seasonally usual, the earnings thus did not reach the profit zone in the first six months of the financial year.

The **order backlog** as at 30 June 2019 fell only slightly (-2 %) from a very high starting level. The decline in Benelux caused by the execution of large orders in building construction could not be fully compensated by the increases in Denmark and in Germany. The main projects here are the modernisation of the main building at Bielefeld University and the realisation of the office building “Airsite West” at the airport in Munich.

The number of **employees** in Germany and Poland grew along with the output volume. Overall, the staff levels in the segment increased by 6 % to 24,824 employees.

Regarding the **outlook** of the segment, the output volume in North + West is expected to be slightly higher in the 2019 financial year than in the previous year. The upward trend in **Germany** remains unbroken. There also is no slowdown in the construction industry in sight in **Benelux** and **Scandinavia**.

The prices for subcontractors and suppliers in the **German building construction** business and for reinforcing steel are relaxing somewhat but remain at a relatively high level. STRABAG counteracts the capacity risk and price increase risk already in the cost estimation phase through the early inclusion of partner companies. At the same time, the group is strengthening its relationships with core subcontractors and suppliers.

There is also continuing demand in the regional business in the **German transportation infrastructures** sector. Both output volume and order backlog reached record levels by the middle of 2019. Given the still limited capacity for executing projects, this is causing a continued rise in prices for subcontractors and suppliers. While two significant orders helped push the order backlog with regard to large-scale transportation infrastructure projects to a higher level than at the same time last year, competition in some areas remains strong.

The first half of the year confirmed the scenario that had been outlined for the **Polish** construction industry so far: A high order backlog, in combination with, among others, rising costs from labour shortages, is leading to a reduction in profitability. We are also observing an increase in the number of suspensions of public procurement procedures in 2019. In transportation infrastructures, many projects are not being awarded because the bidding prices often exceed the clients’ budgets. Building construction is the only sector in Poland where STRABAG was able to increase its order backlog significantly.

South + East

€ mln.	6M/2019	6M/2018	Δ %	Δ absolute
Output volume	2,067.90	1,916.41	8	151.49
Revenue	1,956.86	1,823.84	7	133.02
Order backlog	4,693.11	4,916.60	-5	-223.49
EBIT	-20.87	-4.15	-403	-16.72
EBIT margin (% of revenue)	-1.1	-0.2		
EBT	-20.87	-4.15	-403	-16.72
Employees (FTE)	18,940	17,791	6	1,149

The **output volume** in the South + East segment rose by 8 % to € 2,067.90 million in the first half of 2019. Increases were recorded mainly in Austria, Hungary, the Czech Republic and Serbia, a decline in Slovakia, for example. The same dynamic by country was evident in the number of **employees**, which increased in total by 6 % to 18,940.

The **revenue** increased by 7 %. The **EBIT**, by contrast, slid further into negative territory at € -20.87 million after € -4.15 million. This is attributable, among other things, to provisions that were made as well as to the approach of the margins to the group level.

The **order backlog** fell by 5 % to € 4,693.11 million compared to 30 June 2018. As expected, it fell back in two markets in particular: In Hungary, resources are currently being used primarily to execute the high order backlog. At the same time, however, another large-scale project – the renovation of the southern section of the M3 underground line in Budapest – was added to the books in the first half of 2019. In Slovakia, bid evaluations on the client side are regularly delayed, sometimes for several years.

Increases in the order backlog were noted, for example, in Romania, the Czech Republic and Switzerland. In the Czech Republic, this is due to numerous motorway and railway construction contracts, including the construction of a section of the D35 motorway. The order backlog in Switzerland was also filled by several medium-sized infrastructure projects, such as the award for the Boll-Sinneringen bypass or Lot 6 of the Limmattalbahn in Dietikon West. In Romania, the growth was due to smaller redevelopment contracts in transportation infrastructures, environmental technology and building construction.

Regarding the **outlook** of the segment, the output volume is likely to continue the trend shown in the first half of 2019, which means that year-on-year growth is expected for the full year.

The home market of **Austria**, in particular, continues to be characterised by positive developments. The positive environment for **building construction** is no longer limited to the Vienna metropolitan area but can also be confirmed for the metropolitan areas of Graz and Linz. This applies to both residential construction as well as commercial and industrial construction. In the first quarter of 2019, STRABAG was commissioned with the construction of the Austrian headquarters of an international technology group. In **transportation infrastructures**, the development is also positive – albeit more subdued than in building construction. The output volume and order backlog could be moderately increased here.

In **Hungary**, incoming orders for the industry as a whole fell by around a third in the first half of 2019, following the large number of large-scale public-sector projects that had been awarded until then due to the 2020 EU funding period. As a result, construction growth in this country far outpaced overall economic growth.

The extremely strong competition with simultaneous cost increases and staff shortages in the **Czech Republic** and **Slovakia** continues. At the same time, however, a number of railway construction contracts were won above all in the Czech Republic. In the building construction segments of both countries, STRABAG is working primarily on commercial projects for private clients, such as the automotive industry.

In **Switzerland**, the building construction sector weakened slightly at the same time that it grew in transportation infrastructures. Public-sector clients are preparing additional large-scale projects, but the price situation remains tense.

The situation in **South-East Europe** is characterised by strongly mixed trends. While the tendering activity can be described as active in transportation infrastructures in Croatia, few such activities are currently taking place in Slovenia. Romania is experiencing political instability, lack of legal certainty and a low price level despite a large number of tenders and material price increases. What all markets have in common is a lack of qualified personnel, extremely high bitumen prices and increasing competition from Chinese companies. In building construction, some countries are exhibiting high demand, while activity is low in others.

The **environmental technology** business is gaining in importance in view of the current Europe-wide discussions concerning the reduction of CO_2 emissions. Here STRABAG not only has the technology for the production of biogas, but also the references in order to be able to meet the increasing demand – mainly from local governments and private project development companies. In the field of geothermal energy, projects in Germany, Romania and Croatia are being pursued together with the STRABAG Group's project development unit. In the highly fragmented market for landfill construction, the company is once again one of the few providers that can service the German market nationwide. The stricter requirements for the storage and recycling of soils and mineral building waste will form the basis for continued positive development in this business area.

Russia exhibits different trends depending on the construction sector. Demand in building construction in Moscow is generally high albeit dampened by legislative measures for project financing in those segments that are relevant for STRABAG. Large-scale projects that could be of interest to STRABAG are being planned in industrial construction, but these will not be opened for bidding in 2019. It can therefore be assumed that the order backlog in Russia will remain at a low level for the time being.

International + Special Divisions

€ mln.	6M/2019	6M/2018	Δ %	Δ absolute
Output volume	1,832.29	1,653.01	11	179.28
Revenue	1,749.05	1,503.36	16	245.69
Order backlog	4,413.20	4,551.53	-3	-138.33
EBIT	123.36	51.96	137	71.40
EBIT margin (% of revenue)	7.1	3.5		
EBT	123.36	51.96	137	71.40
Employees (FTE)	26,452	25,949	2	503

The International + Special Divisions segment generated an **output volume** of € 1,832.29 million in the first half of 2019. This corresponds to an increase of 11 %. The execution of large-scale projects in tunnelling led to growth primarily in the United Kingdom, Germany and Chile.

The **revenue** increased by 16 % due to sales of real estate project developments, thus growing significantly more than the output volume. The **EBIT** jumped from € 51.96 million to € 123.36 million, attributable, among other things, to the continued favourable environment in real estate development, the positive development of construction projects in the international area and a gain from the sale of a facility management investment in Hungary.

The **order backlog** fell slightly compared to 30 June 2018, slipping by 3 % to € 4,413.20 million. The numerous new large-scale projects were unable to fully compensate for the reduction in order backlog in the home markets of Germany and Austria. In Chile, for example, the contracts for the Candelaria open-pit and underground mine were extended and the group received two new long-term contracts for the Nuevo Nivel Mina project at the El Teniente mine in Rancagua. In Qatar, a wastewater pumping station plant is being designed and built by a group subsidiary. And the tolling specialist EFKON is expanding its presence on the Norwegian and Indian markets with further projects.

In view of the relatively large size of the individual projects in the International + Special Divisions segment, the number of **employees** in the various countries is subject to very strong fluctuations. In general, we can see a shift of capacities from European core markets to international markets and the United Kingdom. In total, staff levels were raised by 2 % to 26,452 people.

Regarding the **outlook** of the segment, a slightly lower output volume than in the previous year is expected for the full year 2019.

Both the booming real estate markets and the existing project pipeline make us optimistic that the **real estate development** business will continue to contribute positively to our earnings. Several properties were sold in Germany in the first half of 2019, such as the hotel in MesseCity Cologne, two sites in Freiburg and the Haus der

Höfe in Bonn, in addition to project handovers in Hanover and Böblingen. Numerous rental successes were also registered. The continuing low interest rate level and the further high demand for both commercial and residential real estate are fostering a generally friendly environment for this business segment. Against the backdrop of rising land prices, however, it is becoming increasingly challenging to initiate new project developments with a long-term profit. STRABAG's acquisition focus in Germany is therefore also on "B cities" as well as on geographic markets such as Poland, Romania and individual projects in other Central and Eastern European countries. Alone in Warsaw, Poland, the group acquired for redevelopment the centrally located ATRIUM property, signed the sales precontract for the STRABAG-developed ASTORIA Premium Offices, and handed over to the operator the first Motel One Hotel in Poland – all in the first half of 2019. In Austria, the group continues to offer the entire range of residential construction from subsidised to affordable to privately financed housing in the large cities, supplemented by real estate with residential use – e.g. student housing – and commercial project developments.

A number of milestones were also achieved in the field of **property & facility services**. The transfer of the Deutsche Telekom account to a competitor on 30 June 2019 proceeded according to plan, and the further diversification of the customer portfolio was successful with new accounts including HANSAINVEST Real Assets. In addition, STRABAG is focusing on acquisitions that round off the existing business. In April 2019, for example, the group took over the property management business and employees of CORPUS SIREO Real Estate GmbH. This was followed in June by the purchase of PORREAL Polska sp. z o.o. of Warsaw, and PORREAL Česko s.r.o. of Prague, which provide services in technical and infrastructural facility management.

Compared to real estate development and the property & facility services business, the current market conditions in **infrastructure development** are much more challenging. This applies especially to public-private partnerships (PPP) in the core European markets, which is why projects must be chosen very selectively. Nevertheless, some successes were recorded in the first half of 2019, such as the conclusion of the long-term financing for the Autopista al Mar 1 concession project in Colombia and the sale of investments in the two highway project companies DirectRoute (Fermoy) Holdings Ltd. and DirectRoute (Limerick) Holdings Ltd. in Ireland.

The environment in **tunnelling** also remains a difficult one. Although there are numerous projects on the market, there is no end in sight to the extremely strong competition for the time being. The group therefore remains selective in this market, pursuing projects in the UK and in the international mining sector.

The **international business**, i.e. the business that STRABAG conducts in countries outside of Europe, is showing inconsistent performance. For many years now, the focus has been on parts of Africa, the Middle East and successful specialities such as test track construction. The competition – in part from Chinese providers – is increasing in the international area as well.

The development of the **construction materials business** is essentially linked to that of the construction sector. Here we should point out that the bitumen price has risen sharply in the first half of 2019.

Others

€ mln.	6M/2019	6M/2018	Δ %	Δ absolute
Output volume	54.89	47.21	16	7.69
Revenue	7.88	9.80	-20	-1.92
Order backlog	4.00	2.96	35	1.04
EBIT	-0.07	0.59	n. a.	-0.66
EBIT margin (% of revenue)	-0.9	6.0		
EBT	-19.57	-6.85	-186	-12.72
Employees (FTE)	6,422	6,157	4	265

Consolidated semi-annual financial statements STRABAG SE, Villach as at 30 June 2019

CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS STRABAG SE, VILLACH, AS AT 30 JUNE 2019

Consolidated income statement for 1.1.–30.6.2019

T€	1.1.–30.6.2019	1.1.–30.6.2018
Revenue	6,979,073	6,307,354
Changes in inventories	-46,908	-14,159
Own work capitalised	6,074	15,064
Other operating income	127,510	75,474
Construction materials, consumables and services used	-4,607,460	-4,179,499
Employee benefits expenses	-1,834,421	-1,699,651
Other operating expenses	-381,505	-320,637
Share of profit or loss of equity-accounted investments	29,932	5,159
Net income from investments	22,443	11,273
EBITDA	**294,738**	**200,378**
Depreciation and amortisation expense	-233,738	-180,348
EBIT	**61,000**	**20,030**
Interest and similar income	15,403	25,111
Interest expense and similar charges	-34,898	-32,552
Net interest income	**-19,495**	**-7,441**
EBT	**41,505**	**12,589**
Income tax expense	-27,563	-9,716
Net income	**13,942**	**2,873**
attributable to: non-controlling interests	3,276	3,435
attributable to: equity holders of the parent company	10,666	-562
Earnings per share (€)	**0.10**	**-0.01**

Statement of total comprehensive income for 1.1.–30.6.2019

T€	1.1.–30.6.2019	1.1.–30.6.2018
Net income	**13,942**	**2,873**
Differences arising from currency translation	8,587	-10,114
Recycling of differences arising from currency translation	47	0
Change of interest rate swaps	-26,282	-2,158
Recycling of interest rate swaps	9,868	9,314
Change in cost-of-hedging reserves	19	0
Change in fair value of currency hedging instruments	2,580	0
Recycling of fair value of currency hedging instruments	4,741	0
Deferred taxes on neutral change in equity	3,969	-658
Other income from equity-accounted investments	-1,362	-3,287
Total of items which are later recognised ("recycled") in the income statement	*2,167*	*-6,903*
Other income	**2,167**	**-6,903**
Total comprehensive income	**16,109**	**-4,030**
attributable to: non-controlling interests	3,308	3,414
attributable to: equity holders of the parent company	12,801	-7,444

Consolidated balance sheet as at 30 June 2019

T€	30.6.2019	31.12.2018
Intangible assets	494,170	493,407
Rights from concession arrangements	591,595	601,080
Property, plant and equipment	2,552,602	2,144,015
Equity-accounted investments	430,831	378,617
Other investments	177,578	185,297
Receivables from concession arrangements	612,118	630,262
Other financial assets	258,423	250,137
Deferred taxes	160,167	146,940
Non-current assets	**5,277,484**	**4,829,755**
Inventories	938,670	890,157
Receivables from concession arrangements	37,718	36,268
Contract assets	1,901,842	1,282,907
Trade receivables	1,591,789	1,735,944
Non-financial assets	117,251	127,008
Income tax receivables	65,158	40,200
Other financial assets	283,996	293,381
Cash and cash equivalents	1,590,099	2,385,828
Current assets	**6,526,523**	**6,791,693**
Assets	**11,804,007**	**11,621,448**
Share capital	110,000	110,000
Capital reserves	2,315,384	2,315,384
Retained earnings and other reserves	1,074,722	1,195,301
Non-controlling interests	32,460	33,088
Total equity	**3,532,566**	**3,653,773**
Provisions	1,146,236	1,116,592
Financial liabilities[1]	1,115,886	1,087,621
Other financial liabilities	93,122	78,755
Deferred taxes	109,536	97,059
Non-current liabilities	**2,464,780**	**2,380,027**
Provisions	750,339	734,481
Financial liabilities[2]	408,176	275,709
Contract liablities	830,866	974,566
Trade payables	2,810,072	2,615,255
Non-financial liabilities	419,949	520,227
Income tax liabilities	70,855	74,609
Other financial liabilities	516,404	392,801
Current liabilities	**5,806,661**	**5,587,648**
Equity and liabilities	**11,804,007**	**11,621,448**

1 Thereof T€ 631,184 concerning non-recourse liabilities from concession arrangements (31 December 2018: T€ 665,861)
2 Thereof T€ 66,538 concerning non-recourse liabilities from concession arrangements (31 December 2018: T€ 64,912)

Consolidated cash flow statement for 1.1.–30.6.2019

T€	1.1.–30.6.2019	1.1.–30.6.2018
Net income	13,942	2,873
Deferred taxes	4,585	-6,571
Results from consolidation	-14,603	2,581
Non-cash effective results from equity-accounted investments	-322	-227
Other non-cash effective results	-8,836	-4,000
Depreciations/write-ups	238,722	183,686
Change in non-current provisions	28,595	-7,737
Gains/losses on disposal of non-current assets	-32,802	-22,407
Cash flow from earnings	**229,281**	**148,198**
Change in inventories	-41,433	-92,861
Change in receivables from concession arrangements, trade receivables, contract assets and consortia	-472,868	-358,688
Change in receivables from subsidiaries and receivables from participation companies	27,117	26,529
Change in other assets	-27,526	-2,317
Change in trade payables, contract liabilities and consortia	46,350	233,486
Change in liabilities from subsidiaries and liabilities from participation companies	-4,420	5,358
Change in other liabilities	-93,943	-70,586
Change in current provisions	16,784	-36,419
Cash flow from operating activities	**-320,658**	**-147,300**
Purchase of financial assets	-16,300	-12,732
Purchase of property, plant, equipment and intangible assets	-313,104	-289,098
Inflows from asset disposals	54,941	35,290
Change in other financing receivables	-14,789	-9,633
Change in scope of consolidation	-9,334	-774
Cash flow from investing activities	**-298,586**	**-276,947**
Issue of bank borrowings	19,209	14,508
Repayment of bank borrowings	-50,091	-48,254
Repayment of bonded loan	-18,500	0
Repayment of bonds	-100,000	-175,000
Change in lease liabilities	-25,977	3,367
Change in other financing liabilities	-2,992	257
Change in non-controlling interests due to acquisition	-3,623	-77,100
Distribution of dividends	-1,298	-80,630
Cash flow from financing activities	**-183,272**	**-362,852**
Net change in cash and cash equivalents	**-802,516**	**-787,099**
Cash and cash equivalents at the beginning of the period	2,384,343	2,789,687
Change in cash and cash equivalents due to currency translation	6,787	-25,929
Change in restricted cash and cash equivalents	-15	-3,567
Cash and cash equivalents at the end of the period	**1,588,599**	**1,973,092**

Statement of changes in equity for 1.1.–30.6.2019

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves[1]	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2019	**110,000**	**2,315,384**	**1,326,795**	**-76,076**	**-55,418**	**3,620,685**	**33,088**	**3,653,773**
Net income	0	0	10,666	0	0	10,666	3,276	13,942
Differences arising from currency translation	0	0	0	0	8,602	8,602	32	8,634
Change in hedging reserves	0	0	0	7,340	0	7,340	0	7,340
Change in equity-accounted investments	0	0	0	-1,019	-343	-1,362	0	-1,362
Change of interest rate swaps	0	0	0	-16,414	0	-16,414	0	-16,414
Deferred taxes on neutral change in equity	0	0	0	3,969	0	3,969	0	3,969
Total comprehensive income	**0**	**0**	**10,666**	**-6,124**	**8,259**	**12,801**	**3,308**	**16,109**
Transactions due to changes in scope of consolidation	0	0	0	0	0	0	-3,060	-3,060
Distribution of dividends[2]	0	0	-133,380	0	0	-133,380	-876	-134,256
Balance as at 30.6.2019	**110,000**	**2,315,384**	**1,204,081**	**-82,200**	**-47,159**	**3,500,106**	**32,460**	**3,532,566**

Statement of changes in equity for 1.1.–30.6.2018

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 31.12.2017	**110,000**	**2,315,384**	**1,073,907**	**-78,797**	**-50,021**	**3,370,473**	**27,246**	**3,397,719**
Initial application of IFRS 9	0	0	2,742	0	0	2,742	-180	2,562
Initial application of IFRS 15	0	0	27,502	0	0	27,502	1,528	29,030
Balance as at 1.1.2018	**110,000**	**2,315,384**	**1,104,151**	**-78,797**	**-50,021**	**3,400,717**	**28,594**	**3,429,311**
Net income	0	0	-562	0	0	-562	3,435	2,873
Differences arising from currency translation	0	0	0	0	-10,093	-10,093	-21	-10,114
Changes in equity-accounted investments	0	0	0	381	-3,668	-3,287	0	-3,287
Change of interest rate swaps	0	0	0	7,156	0	7,156	0	7,156
Deferred taxes on neutral change in equity	0	0	0	-658	0	-658	0	-658
Total comprehensive income	**0**	**0**	**-562**	**6,879**	**-13,761**	**-7,444**	**3,414**	**-4,030**
Distribution of dividends[2]	0	0	-133,380	0	0	-133,380	-1,434	-134,814
Balance as at 30.6.2018	**110,000**	**2,315,384**	**970,209**	**-71,918**	**-63,782**	**3,259,893**	**30,574**	**3,290,467**

1 The hedging reserve includes also the cost of hedging.
2 The total dividend payment of T€ 133,380 corresponds to a dividend per share of T€ 1.30 based on 102,600,000 shares.

NOTES TO THE CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS

Basic principles

The consolidated semi-annual financial statements of STRABAG SE, based in Villach, Austria, at the reporting date 30 June 2019, were drawn up under application of IAS 34 in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in London and recognised by the European Union including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid on the reporting date. Applied were exclusively those IASB standards and interpretations adopted by the European Commission before the reporting deadline and published in the Official Journal of the European Union.

In accordance with IAS 34, the consolidated semi-annual financial statements do not contain all the information and details required of annual financial statements. The semi-annual statements should therefore be read in conjunction with the annual financial statements of STRABAG SE, Villach, with reporting date 31 December 2018.

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 are available at www.strabag.com.

Changes in accounting policies

First-time adoption of IFRS 16 – Leases

STRABAG SE began applying IFRS 16 Leases effective 1 January 2019.

The group leases mainly real estate (offices, storage places, etc). This involves a large number of standalone contracts with comparatively low annual rental expenses, of both limited and indefinite duration and with ordinary termination rights. Equipment, vehicles and IT hardware are generally purchased within the group and are therefore not affected by the new standard.

Leases are to be presented as a right-of-use asset and corresponding lease liability. The lease payments are split into a financing and a principal component. The finance costs are recognised in profit or loss over the term of the lease, resulting in a constant periodic interest rate on the remaining amount of the liability for each period. The right-of-use asset is amortised on a straight-line basis over the shorter of the two periods of useful life or term of lease.

Lease payments are made at the group's incremental borrowing rate, i.e. the rate of interest that the group would have to pay to borrow the funds necessary to obtain an asset of a similar value and at similar terms in a similar economic environment.

Payments for short-term leases and leases for which the underlying asset is of low value are recognised as an expense in profit or loss on a straight-line basis. Short-term leases are leases with a term of up to 12 months.

IFRS 16 was applied using the modified retrospective approach in accordance with the transitional provisions of IFRS 16. Here the right-of-use asset was measured at the amount of the lease liability. The previous year's figures were not adjusted.

With the first-time adoption of IFRS 16, the group recognised lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate of the lessee applied to the lease liabilities as at 1 January 2019 is 1.76 %.

As part of the initial adoption of IFRS 16 the following figures were presented.

T€	31.12.2018	Adjustments IFRS 16	1.1.2019
Assets			
Property, plant and equipment	2,144,015	326,937	2,470,952
Equity and liabilities			
Non-current financial liabilities	1,087,621	274,487	1,362,108
Current financial liabilities	275,709	52,450	328,159

The effects of adopting IFRS 16 as of 1 January 2019 are presented in detail in the following table.

T€	
Obligations under operating leases as at 31 December 2018	**236,721**
Short-term leases recognised as an expense	-9,348
Leases of low-value assets	-6,268
Adjustments due to differences in the treatment of termination and extension options	161,126
Effect of discounting during adoption of IFRS 16	-55,294
Lease liability as at 1 January 2019	**326,937**

There were no onerous leases at the date of first-time adoption of IFRS 16, so no impairment of the right-of-use assets was required.

The group applied the following practical expedients to facilitate the adoption of IFRS 16:

- The accounting of leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases.
- The non-inclusion of initial direct costs in the measurement of right-of-use assets at the time of adoption.
- The retroactive determination of the lease term for contracts with extension or termination options ("use of hindsight").
- For leases concluded before the transition date, the group opted not to re-examine whether a contract was or contained a lease at adoption, but to maintain the previous treatment under IAS 17 and IFRIC 4.
- For short-term leases and leases for which the underlying asset is of low value, the group makes use of the option of not recognising an asset and a corresponding liability in accordance with IFRS 16.5.

Future changes of financial reporting standards

The application of new standards and interpretations is expected to have only minor impact in the future on the consolidated financial statements as at 31 December 2019.

Scope of consolidation

The consolidated semi-annual financial statements as at 30 June 2019 include STRABAG SE as well as all major domestic and foreign subsidiaries over which STRABAG SE either directly or indirectly has control. Associates and joint ventures are reported in the balance sheet using the equity method (equity-accounted investments).

The number of consolidated companies changed in the first six months of 2019 as follows:

	Consolidation	Equity method
Situation as at 31.12.2018	**290**	**24**
First-time inclusions in year under report	4	2
First-time inclusions in year under report due to merger	2	0
Merger in year under report	-2	0
Exclusions in year under report	-1	-1
Situation as at 30.6.2019	**293**	**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
DISTRICT DEVELOPMENT SRL, Bucharest	100.00	1.1.2019[1]
STR Holding Generál Kft., Budapest	100.00	31.3.2019
STR Holding MML Kft., Budapest	100.00	15.5.2019
STRABAG PFS Polska Sp. z o.o., Warsaw	100.00	28.2.2019
Merger		
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o., Zagreb	100.00	19.6.2019[2]
PRID-CIECHANOW Sp. z o.o., Ciechanow	100.00	31.1.2019[2]
at-equity		
NWM Nordwestdeutsche Mischwerke GmbH & Co. KG, Großenkneten	50.00	22.2.2019
Silenos Energy Geothermie Garching a.d. Alz GmbH & Co. KG, Augsburg	50.00	1.1.2019[1]

STRABAG and JOHANN BUNTE Bauunternehmung GmbH & Co. KG established a joint venture, **NWM Nordwestdeutsche Mischwerke GmbH & Co. KG**, with registered seat in Großenkneten effective 1 January 2019.

Asphalt mixing plants in Lower Saxony, Westphalia, Hamburg and Schleswig-Holstein were transferred to this venture from both partners, with a compensatory payment made by STRABAG in the amount of T€ 25,850. STRABAG holds 50 % of the shares via its wholly owned subsidiary Deutsche Asphalt GmbH, Cologne.

The preliminary allocation of the purchase price to the assets and liabilities of the joint venture results in goodwill of T€ 20,789, which is reported as part of the equity-accounted investments.

The transfer of property, plant and equipment against company shares resulted in earnings of T€ 5.082, which is reported under other operating income. Due to the transfer of business operations as defined by IFRS 3, income recognition was made in full by the transferring subsidiary under IFRS 10.

1 Due to their increased business volumes, the companies were included in the scope of consolidation of the group for the first time effective 1 January 2019. The foundation/acquisition of the companies occured before 1 January 2019.
2 The companies listed under Merger were merged with already consolidated companies and as such are at once represented as additions to and disposals from the scope of consolidation.

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 30 June 2019, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
STRABAG Property and Facility Services Zrt., Budapest	Sale
Merger[1]	
INDUSTRIJA GRADEVNOG MATERIJALA OSTRA d.o.o., Zagreb	Merger
PRID-CIECHANOW Sp. z o.o., Ciechanow	Merger
at-equity	
DIRECTROUTE (LIMERICK) HOLDINGS LIMITED, Fermoy	Sale

The result from deconsolidation of **STRABAG Property and Facility Services Zrt., Budapest,** are comprised as follows:

T€	
Disposals of assets and liabilities	
Other non-current assets	432
Current assets	25,058
Current liabilities	-19,194
Non-controlling interest	-3,060
Disposal profit	16,161
Purchase price	**19,397**
Disposals of cash and cash equivalents	-2,504
Net cash inflow from sale	**16,893**

The result from deconsolidation is presented under other operating expenses.

Methods of consolidation and currency translation

The same methods of consolidation and principles of currency translation were applied in drawing up the consolidated semi-annual financial statements with reporting date 30 June 2019 as were used for the consolidated annual financial statements with reporting date 31 December 2018. Details regarding the methods of consolidation and principles of currency translation are available in the 2018 annual report.

Accounting and valuation methods

With exception of the first-time adoption of IFRS 16 Leases no new accounting and valuation methods were amended in the reporting period. Therefore, the accounting and valuation are fundamentally based on the same accounting principles and valuation methods underlying the consolidated annual financial statements with reporting date 31 December 2018.

Information regarding the accounting and valuation methods can be found in the annual financial statements with reporting date 31 December 2018.

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 statement according to IFRS. The actual results could deviate from these estimates.

1 The companies listed under Merger were merged on already consolidated companies and as such are at once represented as additions to and disposals from the scope of consolidation.

RIGHTS FROM LEASES AND LEASE LIABILITIES

A large number of the contracts are standalone contracts with comparatively low annual rental expenses, of both limited and indefinite duration and with ordinary termination rights. The lease liability is determined by estimating the most likely term in consideration of extension options and termination rights. All economic aspects for exercising or not exercising the options are taken into account. Deviations between the actual lease terms and these assumptions have an impact on the respective carrying amounts. The risk is reduced by the large number of standalone contracts, however.

OTHER PROVISIONS

The provisions that had been set up in response to the investigation launched over two years ago by the Public Prosecutor's Office for Combating Economic Crimes and Corruption into suspicions of illegal price fixing were adjusted during the reporting period. The focus is on projects from the years 2006 to 2015 in multiple regions of Austria, mostly in the field of transportation infrastructures. Due to the long period covered and because of the large number of construction projects involved, of which only some were executed by STRABAG, the facts of the case are extremely complex. If and to what extent STRABAG will be affected negatively cannot be determined until after the conclusion of the investigation. The exact financial impact may therefore differ from the estimated amount.

Notes on the items of the consolidated income statement

SEASONALITY

Due to snow, ice and other adverse weather conditions, revenue is usually lower in the winter months than in the summer. As the largest part of the costs involves fixed costs, noteworthy losses are posted in the first months every year. These losses are compensated for by rising contribution margins. The break-even point is usually reached around the middle of the year. The largest portion of the earnings is expected in the second half. Seasonal fluctuations in the transportation infrastructures business are greater than they are in building construction & civil engineering.

The above-described, annually repeating business trend allows a year-on-year comparison of output volume, revenue and results of the half years.

REVENUE

In the item Revenue exclusively revenues from contracts with customers are recognised. These are as follows:

Revenue for 1.1.–30.6.2019

T€	North + West	South + East	International + Special Divisions	Other	Group
Business					
Construction	**3,174,695**	**1,856,847**	**692,310**		**5,723,852**
Germany	*2,483,463*	*39,359*	*60,367*		*2,583,189*
Austria	*8,611*	*791,354*	*74,976*		*874,941*
Poland	*388,588*	*0*	*3,118*		*391,706*
Other countries, each below € 350 mln.	*294,033*	*1,026,134*	*553,849*		*1,874,016*
Construction materials	**51,699**	**47,866**	**206,938**		**306,503**
Facility Management	**0**	**0**	**530,632**		**530,632**
Project development	**0**	**0**	**239,851**		**239,851**
Other	**38,883**	**52,152**	**79,324**	**7,876**	**178,235**
Total	**3,265,277**	**1,956,865**	**1,749,055**	**7,876**	**6,979,073**

Revenue for 1.1.–30.6.2018

T€	North + West	South + East	International + Special Divisions	Other	Group
Business					
Construction	**2,873,450**	**1,733,731**	**537,962**		**5,145,143**
Germany	*2,280,695*	*39,055*	*35,667*		*2,355,417*
Austria	*9,315*	*741,056*	*59,300*		*809,671*
Poland	*296,949*	*108*	*2,718*		*299,775*
Chile	*0*	*0*	*261,976*		*261,976*
Other countries, each below € 250 mln.	*286,491*	*953,512*	*178,301*		*1,418,304*
Construction materials	**54,235**	**41,499**	**159,570**		**255,304**
Facility Management	**0**	**0**	**520,156**		**520,156**
Project development	**0**	**0**	**211,932**		**211,932**
Other	**42,660**	**48,610**	**73,746**	**9,803**	**174,819**
Total	**2,970,345**	**1,823,840**	**1,503,366**	**9,803**	**6,307,354**

Interest income from concession contracts which is included in revenue amounting to T€ 24,657 (1-6/2018: T€ 24,444).

SHARE OF PROFIT OR LOSS OF EQUITY-ACCOUNTED INVESTMENTS

T€	1.1.–30.6.2019	1.1.–30.6.2018
Income from equity-accounted investments	11,677	8,234
Expenses arising from equity-accounted investments	-4,278	-4,396
Profit from construction consortia	59,855	40,084
Losses from construction consortia	-37,322	-38,763
Share of profit or loss equity-accounted investments	**29,932**	**5,159**

DEPRECIATION AND AMORTISATION EXPENSE

Depreciation on property, plant and equipment and amortisation on intangible assets includes depreciation and amortisation from right-of-use assets for leases in the amount of T€ 27,423 (1–6/2018: T€ 0).

Notes on the items in the consolidated balance sheet

GOODWILL

Goodwill assets are subjected to an annual impairment test in accordance with IAS 36. The impairment test is carried out in the last two months of the financial year.

In 1–6/2019, T€ 2,558 in goodwill arising from capital consolidation were recognised as assets. No depreciation was taken.

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

In 1–6/2019, tangible and intangible assets in the amount of T€ 313,104 (1–6/2018: T€ 289,098) were acquired.

In the same period, tangible and intangible assets with a book value of T€ 21,734 (1–6/2018: T€ 11,885) were sold.

Property, plant and equipment include right-of-use assets for real estate leases in the amount of T € 313,010 (31 December 2018: T € 0).

PURCHASE OBLIGATIONS

On the reporting date, there were T€ 162,287 (30 June 2018: T€ 177,071) in contractual commitments for the acquisition of property, plant and equipment which were not considered in the semi-annual financial statement.

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 2018, STRABAG SE had acquired 7,400,000 no-par bearer shares equalling 6.7 % of the share capital. The corresponding value of the share capital amounts to € 7,400,000.

The 15th Annual General Meeting on 28 June 2019 approved a dividend of € 1.30 per share to be paid out after the end of the reporting period. The liability from the dividend is shown under current other financial liabilities.

The changes in equity are shown in the statement of changes in equity.

CONTINGENT LIABILITIES

The company has accepted the **following guarantees**:

T€	30.6.2019	31.12.2018
Guarantees without financial guarantees	174	182

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 20,604 (31 December 2018: T€ 62,145).

Other notes

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€	30.6.2019	30.6.2018
Securities	3,098	3,079
Cash on hand	1,479	1,519
Bank deposits	1,585,522	1,972,821
Restricted cash abroad	0	0
Pledge of cash and cash equivalents	-1,500	-4,327
Cash and cash equivalents	**1,588,599**	**1,973,092**

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€	1.1.–30.6.2019	1.1.–30.6.2018
Interest paid	31,203	29,262
Interest received	10,871	10,738
Taxes paid	52,085	52,136

SEGMENT REPORTING

The rules of IRFS 8 Operating Segments, apply to the segment reporting. IFRS 8 prescribes defining the segments and reporting the earnings on the basis of the internal reporting (management approach). Segment assets are not disclosed as these do not form part of the regular internal reporting.

The internal reporting in the STRABAG Group is based on Management Board areas, which also represent the segments. The settlement between the single segments is made at arm's length prices.

The segment North + West bundles the construction activities in Germany, Poland, Benelux and Scandinavia as well as the ground engineering activities.

The segment South + East comprises the construction activities in Austria, Switzerland, Hungary, Czech Republic, Slovakia, Adriatic, Rest of Europe and Russia and the environmental engineering business.

The segment International + Special Divisions includes the international construction activities, tunnelling services, real estate development and infrastructure 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 1.1.–30.6.2019

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**3,551,905**	**2,067,899**	**1,832,293**	**54,895**		**7,506,992**
Revenue	**3,265,277**	**1,956,865**	**1,749,055**	**7,876**	**0**	**6,979,073**
Inter-segment revenue	65,166	56,243	123,963	446,159		
EBIT	**-29,039**	**-20,867**	**123,360**	**-76**	**-12,378**	**61,000**
Interest and similar income	0	0	0	15,403	0	15,403
Interest expense and similar charges	0	0	0	-34,898	0	-34,898
EBT	**-29,039**	**-20,867**	**123,360**	**-19,571**	**-12,378**	**41,505**

Segment reporting for 1.1.–30.6.2018

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**3,258,763**	**1,916,406**	**1,653,007**	**47,217**		**6,875,393**
Revenue	**2,970,345**	**1,823,840**	**1,503,366**	**9,803**	**0**	**6,307,354**
Inter-segment revenue	43,451	61,480	114,271	406,651		
EBIT	**-22,589**	**-4,146**	**51,958**	**585**	**-5,778**	**20,030**
Interest and similar income	0	0	0	25,111	0	25,111
Interest expense and similar charges	0	0	0	-32,552	0	-32,552
EBT	**-22,589**	**-4,146**	**51,958**	**-6,856**	**-5,778**	**12,589**

Reconciliation of the sum of the segment earnings to EBT according to IFRS financial statements

Income and expense in the internal reporting are shown essentially 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 respectively EBT in the consolidated financial statements in terms of the investment result.

Other minor differences result from entries in other consolidation.

Reconciliation of the internal reporting to IFRS financial statements is allocated as follows:

T€	1.1.–30.6.2019	1.1.–30.6.2018
Net income from investments	-11,480	-3,307
Other consolidations	-898	-2,471
Total	**-12,378**	**-5,778**

FINANCIAL INSTRUMENTS

With exception of the financial liabilities the book value of the financial instruments corresponds to the fair value. The fair value of the financial liabilities amounts to T€ 1,533,341 as at 30 June 2019 (31 December 2018: T€ 1,367,175) compared to the recognised book value of T€ 1,524,062 (31 December 2018: T€ 1,363,330).

The **fair values as at 30 June 2019** for financial instruments measured at fair value in the balance sheet were determined as follows:

T€	Level 1	Level 2	Level 3	Total
Assets				
Investments below 20 %			36,007	36,007
Securities	25,342			25,342
Cash and cash equivalents (securities)	3,098			3,098
Derivatives held for hedging purposes		-27,133		-27,133
Total	**28,440**	**-27,133**	**36,007**	**37,314**
Liabilities				
Derivatives held for hedging purposes		-23,133		-23,133
Total		**-23,133**		**-23,133**

The **fair values as at 31 December 2018** for financial instruments instruments measured at fair value in the balance sheet were determined as follows:

T€	Level 1	Level 2	Level 3	Total
Assets				
Investments below 20 %			40,660	40,660
Securities	25,324			25,324
Cash and cash equivalents (securities)	3,080			3,080
Derivatives held for hedging purposes		-23,160		-23,160
Total	**28,404**	**-23,160**	**40,660**	**45,904**
Liabilities				
Derivatives held for hedging purposes		-10,993		-10,993
Total		**-10,993**		**-10,993**

NOTES ON RELATED PARTIES

Notes on related parties may be found in the 2018 consolidated financial statements. Since 31 December 2018, there have been no significant changes in this area. Arm's-length business relations exist in transactions with related parties.

EVENTS AFTER THE BALANCE SHEET DATE

No relevant material occurred after the reporting for this semi-annual financial statements.

AUDIT WAIVER

The present semi-annual financial statements for STRABAG SE were neither audited nor subjected to an audit review.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed semi-annual financial statements as of 30 June 2019 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 of important events that have occurred during the first six months of the financial year and their impact on the condensed semi-annual financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Villach, 30 August 2019

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 South + East
(except Division 3L Russia)

Dipl.-Ing. Siegfried Wanker
Responsibility Segment
International + Special Divisions

Dipl.-Ing. (FH) Alfred Watzl
Responsibility Segment North + West

Financial calendar

Trading Statement January–September 2019	**13 November 2019**
Disclosure	8:00 a.m.
Annual Report 2019	**29 April 2020**
Disclosure	7:30 a.m.
Press conference	10:00 a.m.
Investor and analyst conference call	3:00 p.m.
Trading Statement January–March 2020	**28 May 2020**
Disclosure	7:30 a.m.
Notice of Annual General Meeting	22 May 2020
Shareholding confirmation record date	9 June 2020
Annual General Meeting 2020	**19 June 2020**
Start	10:00 a.m.
Location: Tech Gate Vienna	
Ex-dividend date	26 June 2020
Record date	29 June 2020
Payment date for dividend	30 June 2020
Semi-Annual Report 2020	**31 August 2020**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.

All times are CET/CEST. Please find the roadshow schedule on the website www.strabag.com > Investor Relations > Company Calendar.

Corporate bonds

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

Corporate credit rating

Standard & Poor's	BBB	Outlook stable

Codes

Bloomberg:	**STR AV**
Reuters:	**STR.VI**
Vienna stock exchange:	**STR**
ISIN:	**AT000000STR1**

For further questions, please contact our Investor Relations department:

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This Semi-Annual Report is also available in German. In case of discrepancy the German version prevails.