Half Yearly Report 2016

NEW BUILDING

powered by PORR

CONTENTS

KEY DATA

in EUR m	1–6/2016	1–6/2015	Change
Operating data			
Production output	1,663	1,497	11.1%
Foreign share	46.8%	47.0%	-0.2 PP
Revenue	1,509	1,321	14.2%
Order backlog	5,481	4,830	13.5%
Order bookings	2,564	2,269	13.0%
Average staffing levels	14,473	12,950	11.8%

Earnings indicators			
EBITDA	67.9	55.6	22.2%
EBIT	28.2	21.5	31.0%
EBT	21.4	17.1	25.1%
Interim profit	16.3	10.8	50.2%
Earnings per share in EUR	0.53	0.33	60.6%

Cash flow and investments			
Operating cash flow	49	65	-24.9%
Cash flow from operating activities	-186	-251	25.7%
Cash flow from investing activities	-50	-81	37.7%
Cash flow from financing activities	-72	-58	-24.9%
Investments	-63	-35	-79.7%
Depreciation/amortisation/impairment	-40	-34	-16.6%

Statement of financial position	30.6.2016	31.12.2015	Change
Total assets	2,172	2,304	-5.7%
Equity (incl. non-controlling interests)	382.5	412.1	-7.2%
Equity ratio	17.6%	17.9%	-0.3 PP
Cash and cash equivalents	336	647	-48.1%
Net debt	124	305[1]	-59.3%
Gearing ratio	0.32	-0.46	-
Capital employed	496	172	188.5%

[1] basis for comparison: as of 30 June 2015

The figures have been rounded off. Absolute changes are calculated using the rounded values, while relative changes (in percent) are calculated using the precise values.

FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders and respected business associates,

PORR stayed true to its successful course in the first six months of 2016 and once again enjoyed a positive first half-year. Production output of EUR 1,663m was up by 11.1% on the comparable value of the previous year – an achievement that was due in particular to the good performance on the home markets. Austria achieved especially sharp growth. Output increased significantly in almost every federal province, driven by numerous building construction projects in Vienna, Tyrol and Styria. The strong focus on Germany – our second most important market – also paid off. An output increase of around 19% underlines the importance of the German market for PORR. Switzerland is another country where PORR has become one of the leading construction companies with building construction projects such as the Europaallee office campus at Zurich Central Station.

But it is not only the output generated that gives us confidence, the cushion of orders also continued to rise. The order backlog and order bookings achieved significant increases once again. With strong growth rates of 13.5% and 13.0% respectively, we are well-equipped for the years ahead. The closing of the largest project acquired by PORR in the reporting period came at the end of June – the Bratislava Bypass, one of the largest PPP infrastructure projects in Central Europe, which we will be realising in a significant role together with a Spanish partner. This tender impressively underlines the fact that PORR is highly regarded as an international partner for its infrastructure expertise and exceptional team and we acquire complex construction projects with impressive regularity. In line with our strategy of intelligent growth, we are expanding in selected markets with strong local partners and our top products. Here the strict strategic motto “earnings over output” is accorded the highest priority.

In addition to the consolidation on our home markets, we also succeeded in entering the British market in the period under review. With the “Humber Crossing” tender to build the Humber Pipeline, we are realising the first order on this attractive market as part of a joint venture for the National Grid. As PORR views construction as a local business, the latest developments regarding the country’s exit from the European Union will not have any impact on our ongoing business activities.

Our shareholders are also profiting from our positive business performance: on the basis of the successful spin-off of the real estate business, for 2015 PORR offered its shareholders a special one-off dividend of EUR 0.50 in addition to the regular dividend of EUR 1.00. This could be taken either in cash or in the form of a scrip dividend. More than 71.8% used the offer to increase their stake in the company, thereby impressively showcasing their trust in PORR.

Internally we are making progress with our process of reducing bureaucracy. With the “Roadmap 2020”, we have achieved a further milestone in digitalising construction sites in addition to process optimisation throughout the entire Group. In the course of four work streams – e-business, integrated construction site management, e-support and Group management information – the paperless construction site should become a reality by 2020. At the same time our diversity initiative Work&Life@PORR is already in full swing – here we want to sustainably consolidate and increase the appeal of our jobs long-term, thereby establishing PORR as a “best place to work”.

These powerful factors mean that the outlook for the full year is positive. PORR still has a lot planned and we appreciate everyone who joins us on this journey.

The Executive Board
August 2016, Vienna

Karl Heinz Strauss
Chief Executive Officer

Christian B. Maier
Executive Board Member

J. Johannes Wenkenbach
Executive Board Member

HIGHLIGHTS

Going forward with a new corporate structure

PORR implemented a new corporate structure in the first quarter in order to do justice to the dynamic changes on its markets. The structure reflects the reduced activity in CEE/SEE countries, as well as the stronger focus on the home market of Germany. The focus remains on the home and project markets, as well as the differing needs of permanent versus project business.

Al Wakrah Stadium – major new tender from Qatar

As part of a joint venture with MIDMAC, PORR will build the Al Wakrah Stadium in Doha by 2018. Its architecture is inspired by dhow boats, the traditional boats of fishermen and pearl divers from Qatar. The stadium will host the 2022 FIFA World Cup™ from the quarter-final stages.

Green light for Bratislava Bypass

The financial closing for the realisation of a stretch of road of almost 60km came at the end of June. This is one of Central Europe's largest PPP infrastructure projects with an investment volume of around EUR 1bn. A consortium consisting of Cintra, Macquarie Capital and PORR will handle the planning, the complete construction and financing, as well as the operation and maintenance of the project.

Demand for dividend shares exceeds expectations

On the basis of the successful spin-off of the real estate business, PORR offered its shareholders a special dividend of EUR 0.50, which could be taken either in cash or in the form of a scrip dividend. More than 71.8% used the offer to increase their stake in the company.

PORR enters Great Britain

PORR is realising its first project in Great Britain with the tender to build the Humber Pipeline. As part of a joint venture for the National Grid, PORR has been charged with the planning and construction of a high-pressure gas pipeline in a tunnel under the River Humber. PORR is once again employing its tried-and-tested concept of cooperating with strong local partners, thereby opening up opportunities on a new, attractive market.

PORR ON THE STOCK EXCHANGE

High price fluctuations in the first half-year

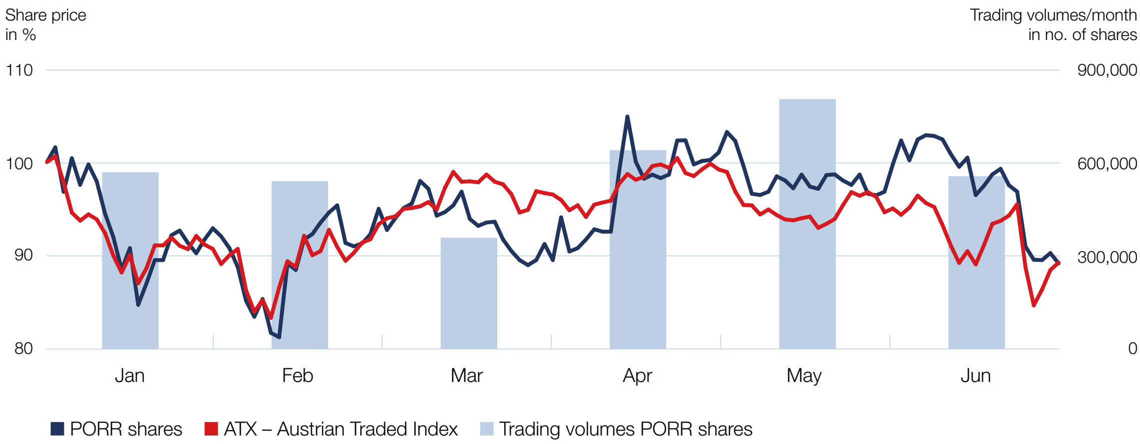
The first half of 2016 was an extremely volatile time for the international stock markets. Right from the very first trading days of the year worldwide stock exchanges had to accept bitter price corrections. Concerns about China's economy coupled with the national currency depreciation led to a proper rout on the stock markets. This development was exacerbated by the marked weakness of commodities prices, with the oil price slumping to a twelve-year low. Before the end of the first quarter, a turnaround began to take hold on the stock markets. This was supported by the US Federal Reserve, which confirmed that it only intended a marginal rise in base rates, along with the ECB, which expanded its monetary policy package. Furthermore, the stabilisation of the oil price and some economic data above expectations led to an upswing in the US as well as in Europe.

However, at the end of the second quarter the global stock exchanges were hit hard by the result of the referendum on Great Britain leaving the European Union. The stock exchanges had to overcome some massive price slumps. Nevertheless, the stock markets later succeeded in overcoming the state of shock and at least partially recovered some terrain. Once again, the world's most important central banks provided key support.

Against this backdrop, the performance of the international market indices was also mixed. The ranking of the global stock markets showed that the best performers were Wall Street with 2.90% (Dow Jones), 2.69% (S&P 500) and -3.29% (Nasdaq). This was followed by European shares, where even the leaders lagged behind significantly with -9.82% (STOXX Europe 600) and -9.89% (DAX), as well as the Japanese shares, which were behind by a pronounced margin -18.17% (NIKKEI), following the rally of the Yen.[1]

The start of the year on the Austrian stock market was also volatile. Following significant price losses in the first weeks of trading, a slight recovery emerged in mid-February, although this cooled off sharply once again in the second quarter. Overall the ATX was down by 10.75% in the first half of 2016 and thereby mirrored the performance of the European stock markets.

Share price and trading volumes of PORR shares in the first half of 2016 (index)



[1] http://www.bankaustria.at/boersen-und-research-analysen-und-research-aktien-und-anleihen-marktmeinung.jsp

High volatility on the financial markets

The performance of the PORR share was highly volatile in the first half of 2016 as a result of the problematic capital market environment. It started the business year 2016 at a price of EUR 27.37 before reaching its year-low of EUR 22.24 on 12 February. The share hit its year-high of EUR 28.70 on 14 April. Following a renewed downturn, the share closed at EUR 24.40 on 30 June. The trading volumes in the first half-year averaged 28,419 shares per day.

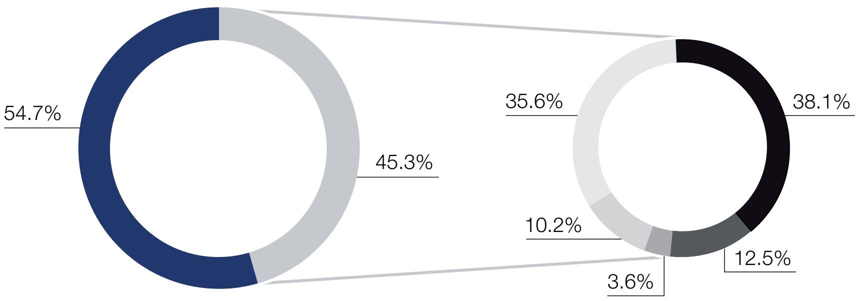
Broad international shareholder structure

The largest percentage of shares in issue (54.7%) is held by the syndicate consisting of the Strauss Group and the IGO-Ortner Group. According to the analysis carried out at the start of 2016, the other shares have a broad international dispersion. The majority of shares is held by institutional investors.

Investor relations

The goal of investor relations is transparent, timely information, which should allow every stakeholder to make a true and faithful evaluation of the company. In the period under review the management and investor relations team held numerous one-on-one talks with investors and analysts in Europe's largest financial centres and took part in international investment conferences. In addition to these activities and in the interests of transparency, PORR issued regular and comprehensive reports on its business performance as part of the quarterly teleconferences for analysts, institutional investors and banks, as well as at the press conferences for journalists. PORR AG is currently covered by nine brokers: HSBC, Erste Group, Berenberg Bank, Hauck & Aufhäuser, HELVEA Baader Bank, Raiffeisen Centrobank, Kepler Chevreux, SRC Research and Steubing.

PORR AG shareholder structure and regional shareholder allocation
June 2016



■ Syndicate (Strauss Group, IGO-Ortner Group)
■ Free float[1]

[1] of which 6.7% PORR-Management, 0.7% PORR AG (treasury shares) and 5.9% Renaissance Group

■ Austria (incl. retail totalling 0.18% of total number of shares)
■ United Kingdom
■ Germany
■ Central and Northern Europe (excl. DE)
■ Rest of the world

Financial Calendar 2016	
28.10.2016	Interest payment on PORR Corporate Bond 2014/1 (senior bond)
28.10.2016	Interest payment on PORR Corporate Bond 2014/2 (hybrid bond)
28.11.2016	Interest payment on PORR Corporate Bond 2013
29.11.2016	Publication of the interim report on the third quarter 2016
5.12.2016	Interest payment/redemption on PORR Corporate Bond 2012

NEW BUILDING

The Icon Vienna

Office and commercial building
Vienna | Austria
Gross floor area: 134,500m²
Construction period: 2015–2018


Nibelungengasse, „Am Kaiserforum“

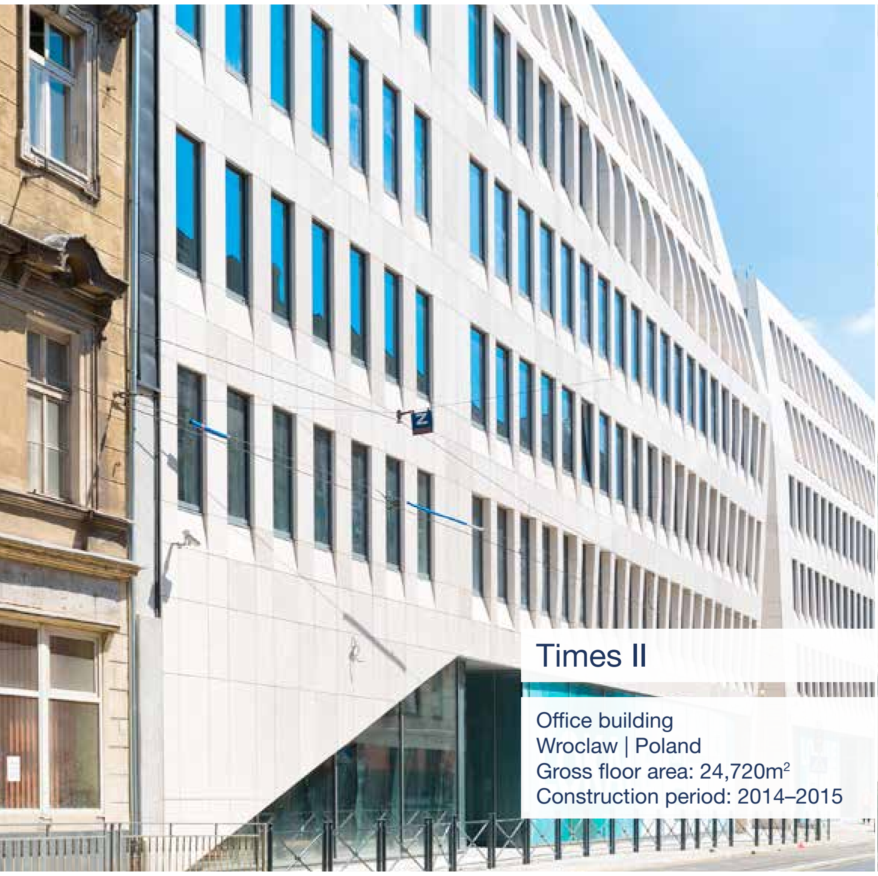
General refurbishment
with loft conversion
Vienna | Austria
Gross floor area: 6,914m²
Construction period: 2014–2016


Stiftingtalstraße student halls

Residential construction
Graz | Austria
Gross floor area: 2,389m²
Construction period: 2015–2016

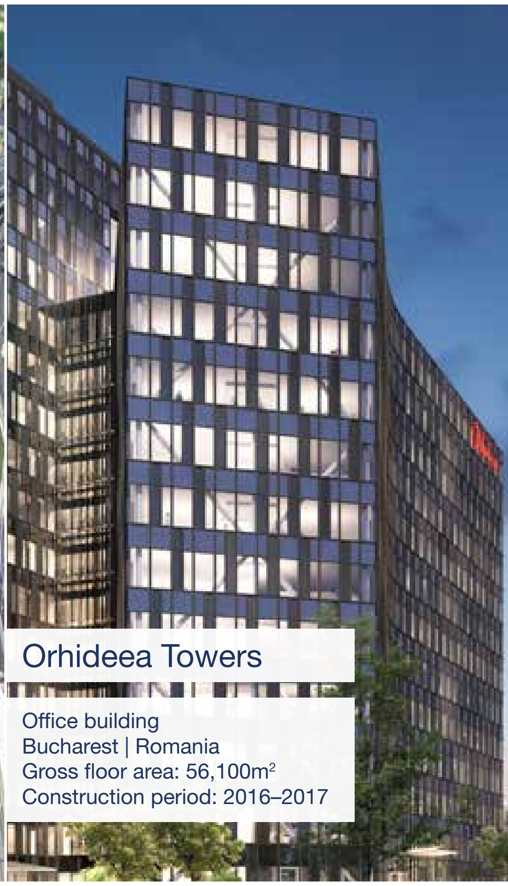
La Tête

Office building
Düsseldorf | Germany
Gross floor area: 37,000m²
Construction period: 2016–2017



Times II

Office building
Wroclaw | Poland
Gross floor area: 24,720m²
Construction period: 2014–2015



Orhideea Towers

Office building
Bucharest | Romania
Gross floor area: 56,100m²
Construction period: 2016–2017

DOB Centrum

Residential complex
Dobřichovice | Czech Republic
Gross floor area: 5,021m²
Construction period: 2015–2016

Lindlar-Haus Bergisch Gladbach

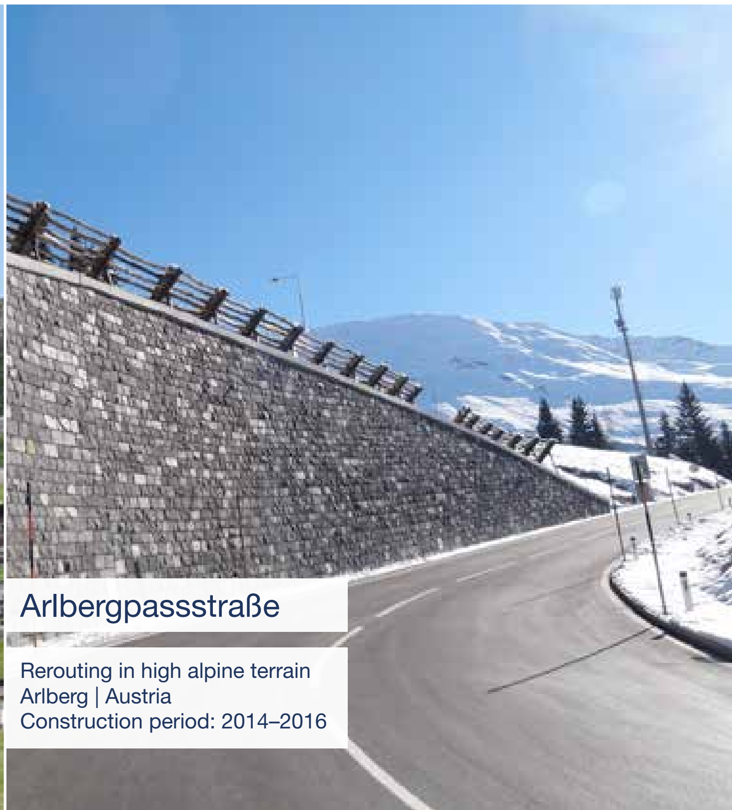
Office and commercial building
Gladbach | Germany
Gross floor area: 4,700m^2
Construction period: 2014–2015

Schlossquartier Kiel

Residential and commercial building
Kiel | Germany
Plot size: 7,560m^2
Gross floor area: 27,740m^2
Construction period: 2016–2017

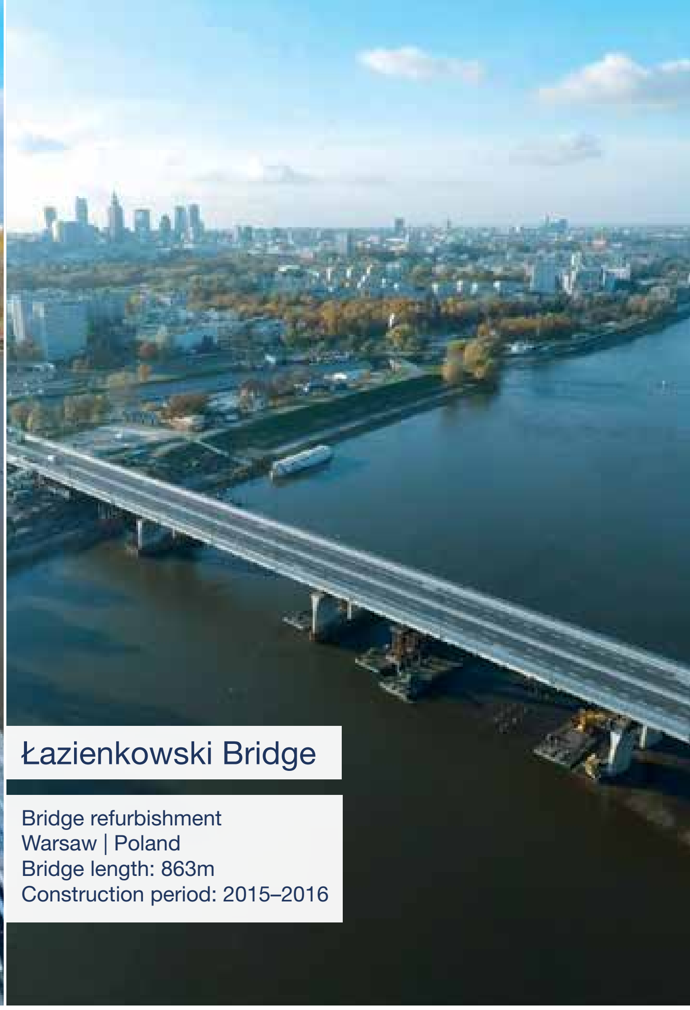
Doha – Green Line Elevated

Metro construction/civil engineering/
track construction
Doha | Qatar
Length: 3.6km
1 metro station
Construction period: 2014–2018



Arlbergpassstraße

Rerouting in high alpine terrain
Arlberg | Austria
Construction period: 2014–2016



Łazienkowski Bridge

Bridge refurbishment
Warsaw | Poland
Bridge length: 863m
Construction period: 2015–2016

A10-Tauernautobahn Reitdamm refurbishment

Building a 300m-long bridge and comprehensive slope reinforcement
Salzburg | Austria
10,000m^3 reinforced concrete
8,000m bored piles DN120
25,500m armature
Construction period: 2015–2017

Harmanli-Svilengrad railway line

Design & build
Bulgaria
Planning and construction of a 32km-long railway line, ready for operation
Construction period: 2012–2016

U1 extension Oberlaa railway line

Metro construction
Vienna | Austria
Shell construction, master builder and track works on the lots U1/13, U1/14 and U1/15
Construction period: 2014–2017

MANAGEMENT REPORT

Economic environment

The international economy did manage to expand in the first quarter of 2016, but the growth trends were similarly reticent to those in the previous year. This meant that growth fell short of expectations once again. At the same time, the regional shift in growth factors became apparent. While economic growth in several important industrial countries remained subdued – affecting Japan and the USA in particular – the economy in many emerging countries appeared to have stabilised following the downturn in 2015. Here China reaped the first signs of success from its economic policy efforts to revive the economy, while the recession deepened significantly in Russia and Brazil. In the emerging countries the economy was set to gather pace through the expected stabilisation of commodities prices and policy measures to boost the economy. However, this development continues to be tied to severe downward risks, with commodities being the key factor. Last but not least, the political tension in the Middle East is negatively affecting economic forecasts. Against this backdrop, growth of 3.0% has been forecast for the global economy.[2]

The economic recovery in the eurozone was once again more subdued than predicted at the start of the year. The rate of expansion remained reticent in Germany and France, with Spain being the only country to achieve a significant increase in economic output. The economic test of the European Commission found that confidence fell in every industry sector in February 2016 with the exception of the construction industry – hardest hit were consumer spending and industry. The low energy and commodities prices, the decline in unemployment rates and the loosening of fiscal policy are set to result in moderate growth of 1.6% in 2016.[3] However, considerable uncertainty abounds with regard to the consequences of Great Britain‘s referendum on leaving the EU.[4]

The economy remains robust in the CEE/SEE region, even though there is variation between the individual countries. Growth in this region continues to be driven mainly by the rise in consumer spending. At the same time, allocations from the EU Structural Funds are set to favour growth throughout the course of the year.[5] Against this backdrop real GDP growth may average out at just over 3.0% in 2016. Consumer spending will continue to play a key role and will be supported by the favourable developments on the job market and increased purchasing power. The strongest growth is likely to be in Poland (3.8%), Slovakia (3.5%) and Romania (4.0%).[6]

The Austrian economy grew by 0.3% in the second quarter of 2016 against the previous period according to WIFO, the Austrian Institute of Economic Research, and was thereby stronger than expected in light of the ongoing weak economic pace. Once again the strongest growth drivers came from domestic demand; both consumer spending and investments underwent a significant increase, while the industrial economy experienced a slight downturn and exports barely made an impact. Factors driving consumption included the one-off impact from refugee funding as well as the tax reform. The mild weather also buoyed the economy in the first quarter of the year. In light of these developments, the Austrian economy is expected to grow by 1.7% in 2016.[7]

According to Euroconstruct, the European construction industry will reach a volume of EUR 1,442bn in 2016, thereby rising by 2.6% against the previous year. By construction sector, the strongest growth is expected in residential construction of around 3.1% – whereby here the growth in CEE countries is set to be well above the European average. With growth of 1.5%, the civil engineering sector is likely to lag behind – growth here is expected to be driven primarily by the Polish market. However, this sector should undergo a significant recovery in 2017, with

[2] WIFO Monthly Report, 7/2016, 89 (7), page 457
[3] WIFO Monthly Report, 6/2016, 89 (6), page 190
[4] WIFO Monthly Report, 7/2016, 89 (7), page 490
[5] WIFO press release; Domestic economy buoying economic growth in Austria, 9.8.2016
[6] Raiffeisen Resarch: http://www.boerse-on.at/boerse-on/NA-1149182252852745768-NA-30-NA.html
[7] WIFO press release; Domestic economy buoying economic growth in Q2 2016

growth of 3.0% forecast. There is a mixed picture on the PORR home markets: while Austria (0.8%), Switzerland (1.2%) and the Czech Republic (1.9%) will only achieve moderate growth, the increases in Germany and Poland should be as much as 2.2% and 5.8% respectively in 2016.

After the weak performance of recent years, there were positive impacts on the construction industry in Austria, with value creation rising by 0.5% in the second quarter.[8] Forecasts suggest that construction investments will increase this year following a decrease in 2015. Population growth and migration mean that residential construction in particular is set to increase significantly. In 2016 the construction industry should grow by 1.0% in real terms. The effects of a construction offensive by the federal government and the planned founding of a new investment bank for residential construction will act as stronger drivers in 2017, with the first increases already achieved in the first quarter of 2016.[9] The estimates of revenue plans by construction companies surveyed showed a 4% increase in the construction industry in 2016, which is also in line with WIFO's economic forecast for the Austrian construction sector. Consequently, building construction will remain a growth driver once again in 2016 with 7%, while civil engineering is broadly expected to stagnate (-1%). Despite this, the additional investment announced by ÖBB (the Austrian Federal Railways) and ASFINAG (the Austrian motorways agency) could have a stabilising impact in the coming years.

Development of output

Despite the difficult backdrop, PORR's production output exceeded the level of the previous year in the first half of 2016. At 30 June 2016 it totalled EUR 1,663m and was thereby EUR 166m or 11.1% higher than the comparable value of the previous year. The largest contributor to earnings in the period under review came from Business Unit 1 – Austria, Switzerland, Czech Republic. Here the clear strategic focus on the home markets with a strong credit standing once again paid off.

With the exception of Business Unit 3 – International, which remained at the level of the previous year due to postponements in output, every other business unit achieved output above the level of the previous year. The strongest growth of 25.0% was recorded by Business Unit 4 – Environmental Engineering, Healthcare & Services, followed by Business Unit 1 – Austria, Switzerland, Czech Republic, with 13.4% and Business Unit 2 – Germany with 11.2%.

Broken down by country, Austria remained the strongest market by some margin, accounting for 53.2% – the main drivers here were the Greater Vienna area, followed by Styria and Lower Austria. Furthermore, almost all of the federal provinces in Austria managed to increase their output. This performance also led the share of total production output accounted for by the home markets to climb to around 88% in the period under review. With a share of 20.9% and production output of EUR 347m, PORR succeeded in continuously expanding the role of Germany as the second most important market.

The main factors behind output growth were the large-scale infrastructure projects in Austria, Germany and Qatar. The largest contributions to output came from construction work on the Doha metro, the Albaufstieg Tunnel consortium in the course of the Stuttgart-Ulm project, the Emscher Sewer consortium in the Ruhr area as well as the Koralm Tunnel KAT 3 in Austria. Particularly notable projects generating output in building construction were the large-scale project Smart Campus in Vienna, along with numerous medium-volume building construction projects, especially those in Germany and Switzerland.

[8] WIFO press release; Domestic economy buoying economic growth in Q2 2016
[9] ebenda, page 194

Order balance

Both the order backlog and the order bookings reached record levels once again in the reporting period. The order backlog at 30 June 2016 stood at EUR 5,481m, a renewed increase against the previous year of EUR 651m or 13.5%. Order bookings also rose by EUR 295m or 13.0% to EUR 2,564m. In addition, order bookings in the period under review were significantly higher than the output worked off in the same period.

The largest new orders since the start of the year included the Bratislava Bypass and the Al Wakrah Stadium for the FIFA World Cup in Doha. Other major tenders included the office building Europaallee/lot F in Zurich for the Swiss Federal Railways, the S6 Koszalin–Sianow in Poland, and another impressive building construction project in Berlin with the Zalando Campus. The S8 extension Poręba-Ostrów in Poland, the "Business Garden Bucharest" project, the new construction of the Muçon Hotel and the Triester Straße 40 residential complex in Vienna also made a significant contribution to the increase in order bookings. PORR continues to employ a strict risk management policy for every acquisition in CEE/SEE and internationally: new projects are only processed if secure EU co-financing is in place, preferably in the Group's core competency of infrastructure.

Financial performance

The construction industry traditionally generates lower revenue and consequently lower earnings in the first half-year. This seasonal fluctuation is due to the fact that construction output is weaker in the winter months and this also has an impact on the financial performance.

In the first half of 2016 revenue also underwent a significant increase of 14.2% against the comparable period of 2015 and totalled EUR 1,509m. While the overall percentage accounted for by materials and other related production expenses broadly held steady (-0.2%), the revenue share accounted for by material expenses declined slightly (-2.7%), while the share of purchased services rose at practically the same pace (+2.5%). At the same time, it was possible to reduce the share of revenue accounted for by staff expense (-0.6%). Together with the disproportionately low increase in costs for other operating expenses, this led to a EUR 12.3m improvement in EBITDA to EUR 67.9m. Despite the increase in depreciation, amortisation and impairment in the first half of 2016 (EUR +5.7m to EUR 39.7m), EBIT improved to EUR 28.2m as at 30 June 2016 and was thereby EUR 6.7m (31.0%) higher than the level of the previous year.

The Group once again succeeded in reducing financing expenses, which were EUR 1.8m (-13.8%) below the comparable value of the previous year. Reductions in financial investments at the end of the 2015 business year led to lower interest income in the first half of 2016 and to a decrease in income from non-current and current financial assets of EUR -4.2m to EUR 4.7m. Overall, this led to EBT that was EUR 4.3m higher and totalled EUR 21.4m. The earnings for the period stood at EUR 16.3m for the first half-year and thereby increased by EUR 5.4m against the comparable period of the previous year.

Financial position and cash flows

At 30 June 2016 the Group's total assets amounted to EUR 2,172.4m and were thereby EUR 131.6m lower than on the comparable closing date, 31 December 2015.

Non-current assets rose as the result of investments in property, plant and equipment, as well as acquisitions in associates, by EUR 27.4m to EUR 743.3m. Current assets declined by a total of EUR 159.0m to EUR 1,429.1m due to the seasonal decrease in the high liquidity against 31 December 2015, despite the contrasting increase in trade receivables.

Equity decreased slightly due to the payout of dividends in the first half of the year. In contrast, the significant improvement in earnings for the period had a positive impact on equity. The equity ratio at 30 June 2016 stood at 17.6% compared to 17.9% as at 31 December 2015.

In terms of liabilities, there was a particular reduction in current liabilities of EUR -92.7m, which, on the one hand involved the settlement of current financial liabilities from the high liquidity level as at 31 December 2015, on the other hand from the fact that prepayments received through the progress of construction projects declined significantly. Non-current liabilities only saw a slight decrease of EUR -9.2m.

Net debt rose due to the reduction in cash and cash equivalents as the same time as the seasonal decrease in financial liabilities by EUR 310.4m to EUR 123.9m at 30 June 2016 (net cash position at 31 December 2015: EUR 186.5m).

Cash flow from operating activities of EUR -186.3m was significantly better than the comparable period of 2015 by EUR 64.4m, as lower cash outflow in working capital was achieved in the first half of 2016. Despite higher investments in property, plant and equipment and investment property, cash flow from investing activities was EUR 30.4m higher than the comparable period of the previous year – due to the lower cash outflows for current financial assets.

Cash flow from financing activities showed the cash inflow from taking out a loan (EUR +5.7m) at the same time as settling loans and borrowings (EUR -38.7m). The cash outflow for the payout of dividends (EUR -45.9m) was reduced by the share of dividends in kind in the form of treasury shares (EUR +10.2m).

Overall cash flow improved in the first half of 2016 by EUR 80.5m against the comparable period of the previous year.

At 30 June 2016 cash and cash equivalents totalled EUR 336.1m.

Investments

As in recent years, the usual high investments to replace machinery and construction site equipment and buy new equipment were also made in the first half of 2016. Apart from this, no significant investments in additional material costs were undertaken.

Opportunity and risk management

Risk management focuses on the areas of project management, lending and borrowing management, procurement, currency and interest exchange management, as well as monitoring risks related to markets and the general economy. The main priority of the PORR Group's opportunity and risk management is to implement processes in order to identify opportunities and risks early on so that the requisite countermeasures can be taken swiftly. In the past year the PORR opportunity and risk management system has been strengthened in terms of the organisation and personnel and the early warning system has been expanded.

Staff

In the first half of 2016 PORR employed 14,473 people on average. With an increase of 1,523 people or 11.8%, the growth in staffing levels mirrored that of production output in the period under review. The increase was caused on the one hand by corporate acquisitions such as PORR Polska Infrastructure in Poland and Norway, as well as the significant increase in output in places like Qatar and to a lesser degree in Switzerland, the Czech Republic and in German building construction.

Forecast

The business performance in the first half of 2016 confirmed the positive outlook for the full year that had been forecast in the first quarter. Production output once again exceeded that of the comparable period and the cushion of orders has been expanded further despite already being at a record high. Every home market achieved a strong increase in output. This was complemented by the satisfactory development in Qatar, the highly promising expansion into the new markets of Norway and the UK, as well as the planned reduction of activities in the CEE/SEE region. With a few profitable focal points, such as building construction in Romania for international customers or the construction of the Bratislava Bypass, PORR has successfully implemented its risk reduction strategy in the region.

The strategy of focusing on the home markets and the profitable export products in the infrastructure sector is being supported internally by the new “Roadmap 2020”. This has also provided the decisive impetus towards the digitalisation of construction sites. PORR is proactively shaping this area in its role as a trailblazer. Based on the current order situation, the Executive Board expects a further increase in output and earnings for the current business year 2016.

SEGMENT REPORT

Segment Business Unit 1 – A/CH/CZ

Key data in EUR m	1–6/2016	1–6/2015	Change
Production output	887	783	13.4%
EBT	16.3	5.8	181.0%
Order backlog	1,982	1,681	17.9%
Order bookings	1,304	1,242	5.0%
Average staffing levels	7,179	7,036	2.0%

The **Segment Business Unit 1 – A/CH/CZ (BU 1)** is responsible for the activities on the permanent markets of Austria, Switzerland and the Czech Republic. These include building construction and civil engineering, structural engineering, foundation engineering, the raw materials business on these markets and various shareholdings (incl. IAT, BOMA and ÖBA). The focus is on the fields of residential construction, office building, industrial construction and road construction. This business unit additionally covers large-scale building construction projects – also those on international markets. In Austria BU 1 has complete coverage across every federal province and has established itself as a market leader in recent years. PORR views Switzerland and the Czech Republic as growth markets.

In the first half of 2016 BU 1 remained the foundation of PORR's success and once again generated more than 50% of Group output. Total production output rose to EUR 887m, an increase of EUR 105m or 13.4%. All of the Austrian federal provinces managed to significantly increase their output against the comparable period of 2015, with the exception of Vienna that remained around the level of the previous year. This was complemented by strong growth in output in Switzerland and the Czech Republic. The large-scale building construction unit, which supports the other business units with its knowhow, also experienced sharp growth.

The rise in production output was even more pleasing as the cushion of orders increased still further. The order backlog reached EUR 1,982m, an increase of EUR 301m or 17.9%. Order bookings also rose to EUR 1,304m and were thereby EUR 62m or 5.0% higher than the same period in the previous year. The most important order bookings were the Al Wakrah Stadium in Qatar, together with BU 3, the Swiss project Europaallee Zurich, lot F, and the Muçon Hotel in Munich, together with BU 2. The residential complexes Triester Straße 40, Am Rosenhügel and Erdberger Lände in Vienna meant that large-scale projects were once again acquired on the important Vienna housing construction market. In industrial construction the tender to build the administrative headquarters for Haribo was acquired.

The situation on the three markets of BU 1 remains challenging. However, thanks to its decades of experience, dense regional networks and its exceptional reputation, PORR has managed to confirm its leading role and is optimistic about the current business year. The impact of the tight public budgets has been felt in civil engineering in particular – a situation that is expected to continue in the coming years. PORR will continue to grow in profitable niches in Austria, but a significant expansion of activities is no longer possible here. In the coming years Switzerland will offer lucrative opportunities, particularly in building construction. The Czech Republic will represent a positive environment for an expansion of the business in the coming years due to the planned comprehensive investments in infrastructure as well as private investment in building construction.

Business Unit 2 – Germany

Key data in EUR m	1–6/2016	1–6/2015	Change
Production output	193	174	11.5%
EBT	0.4	-0.3	-
Order backlog	795	665	19.6%
Order bookings	299	223	34.2%
Average staffing levels	1,013	905	11.9%

The segment **Business Unit 2 – Germany (BU 2)** encompasses all of PORR's activities on the home market of Germany – from building construction and civil engineering to foundation and structural engineering and does justice to the importance of PORR's second largest market. Particular focal points include private building construction, where PORR has established itself as a reliable partner to German industry. The market position has been consistently consolidated in recent years, also beyond the established presence in major cities such as Munich, Berlin, Düsseldorf and Frankfurt. Further areas will be added in the coming years.

The expansion strategy of BU 2 is progressing well. There are good opportunities in building construction in the sectors of residential, office, hotel and industrial construction as a result of the withdrawal of numerous competitors. PORR is playing to its strengths, such as direct contact with customers, trustworthiness and a focus on solutions. In the first half of 2016 production output rose to EUR 193m, an increase of EUR 19m or 11.5%. Foundation engineering is once again profiting from growth in building construction and it is set to increase further in the coming years.

The most important factor in the future expansion of business activities in Germany is the order situation and this was excellent for BU 2 in the first six months of the year. The order backlog grew to EUR 795m, a rise of EUR 130m or 19.6%. Growth in order bookings was even more pronounced. They reached EUR 299m, an increase of EUR 76m or 34.2%. The largest new orders in the first half included the Zalando Campus in Berlin, the Muçon Hotel in Munich, together with BU 1, the La Tête office project in Düsseldorf and the Schlossquartier Kiel.

PORR defines Germany as its most important foreign market. Here the company offers its entire construction service portfolio and intends to expand its activities accordingly. The expansion will be based on exploiting competitive advantages and the withdrawal of competitors. Here PORR is focusing on areas in which the Group has a clear competitive advantage. In Germany PORR has already established a strong presence in complex infrastructure and civil engineering projects. In building construction the Group should expand its activities in the medium-volume segment. PORR is strengthening its positioning as a reliable partner to German industry with its trustworthiness and adherence to deadlines and costs. In the coming years PORR will continue its growth course in Germany and continuously expand its own position.

Business Unit 3 – International

Key data in EUR m	1–6/2016	1–6/2015	Change
Production output	462	463	-0.1%
EBT	3.7	9.8	-62.2%
Order backlog	2,467	2,384	3.5%
Order bookings	732	704	4.0%
Average staffing levels	3,932	2,962	32.8%

The segment **Business Unit 3 – International (BU 3)** is home to the project-based business activities in Poland, Scandinavia, Qatar, Slovakia, Romania, Bulgaria, UK and other future target countries. This business unit also includes the competencies in tunnelling, railway construction (including the Slab Track system) and bridge construction. In Poland and Romania BU 3 is also responsible for building construction and civil engineering, while PORR is additionally active in foundation engineering in Poland.

PORR is one of Europe's leading companies in many areas such as underground construction, conventional tunnelling with shotcrete right through to high-tech mechanical boring. In railway construction PORR developed the Slab Track system in cooperation with ÖBB, the Austrian Federal Railways. More and more clients rely on this system and it has led to numerous acquisitions in Austria, Germany and Qatar in recent years.

In the first half of 2016 BU 3 generated production output of EUR 462m and was thereby at the same level of the previous year, with a minimal decrease of EUR 0.6m or 0.1%. The reason for this lies in the delay in output on individual infrastructure projects, a common fluctuation in the business of BU 3 that is driven by large-scale projects.

BU 3 has managed to achieve new growth in orders. The order backlog climbed to EUR 2,467m in June 2016, an increase of EUR 83m or 3.5%. The rise in order bookings was somewhat sharper and they totalled EUR 732m, which was 4.0% higher than the comparable period of 2015. The most important new orders were the PPP project Bratislava Bypass, PORR's largest acquisition in the first half, the Al Wakrah stadium in Qatar, together with BU 1, the S6 Koszalin-Sianów and the expansion of the S8 Poręba-Ostrów, both in Poland. In building construction the Business Garden Bucharest project was acquired in Romania along with the Orhideea Tower project. The acquisition of the first PORR project in Great Britain, the Humber Pipeline north of London, was also pleasing.

PORR has strong technological expertise in sectors such as tunnelling and railway construction, as well as large-scale bridge construction through the Polish unit, which should also open up excellent market opportunities in the future and strengthen PORR's position on the markets. With the entry into Great Britain, PORR has taken the first step onto a highly promising market, which must and will invest billions in infrastructure in the coming years regardless of the possible exit from the European Union. As PORR understands the construction industry to be a local business, this "Brexit" will not lead to any reassessment of the market.

Business Unit 4 – Environmental Engineering, Healthcare & Services

Key data in EUR m	1–6/2016	1–6/2015	Change
Production output	94	75	25.0%
EBT	0.9	-1.0	-
Order backlog	147	100	47.1%
Order bookings	159	102	55.1%
Average staffing levels	1,304	1,174	11.1%

Business Unit 4 – Environmental Engineering, Healthcare & Services (BU 4) is home to PORR Umwelttechnik GmbH, the equity interests Prajo, TKDZ and PWW, hospitals, PORREAL and Strauss-Property-Management, Thorn, ALU-SOMMER, as well as activities related to PPP.

PORR Umwelttechnik develops, builds and operates landfills, waste treatment and sorting facilities in Austria, Germany and Serbia. The centre of these activities is in Austria. In addition, PORR Umwelttechnik is responsible for the activities of Prajo & Co. GmbH, a Vienna-based firm specialised in recycling demolition and construction waste.

In the second half of 2016 the production output of BU 4 rose to EUR 94m, an increase of EUR 19m or 25.0%. In addition to environmental engineering, the main output drivers were hospitals with various projects in the healthcare sector as well as the services of PORR Beteiligungs- und Management GmbH, which included the successfully acquired PPP project Bratislava Bypass. PORREAL also managed to increase its output.

The situation with orders climbed sharply against the first quarter. The order backlog reached EUR 147m, a rise of EUR 47m or 47.1%. Order bookings totalled EUR 159m, an increase of EUR 57m or 55.1%. The greatest contributor to this growth was the healthcare unit, hospitals, which started with new tenders in 2016 and ALU-SOMMER, PORR's facade builder, which managed to succeed with numerous tenders.

Thanks to the high cushion of orders and its renowned competency in niche areas, BU 4 is optimistic about the year 2016. Expanding PORR's internal value chain in niches such as environmental engineering, project development or additional services such as facades or sewage technology strengthens PORR beyond its core competencies. The business of the hospitals subsidiary is also going very well.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2016

Consolidated Income Statement

in EUR thousand	1–6/2016	1–6/2015	4–6/2016	4–6/2015
Revenue	1,509,243	1,321,355	910,985	792,555
Own work capitalised in non-current assets	332	254	201	153
Share of profit/loss of companies accounted for under the equity method	19,141	24,825	13,839	18,917
Other operating income	58,964	56,413	30,886	25,981
Cost of materials and other related production services	-966,570	-849,248	-588,072	-504,853
Staff expense	-417,673	-373,383	-242,246	-217,383
Other operating expenses	-135,548	-124,651	-70,614	-67,151
EBITDA	67,889	55,565	54,979	48,219
Depreciation, amortisation and impairment expense	-39,701	-34,047	-20,947	-16,627
EBIT	28,188	21,518	34,032	31,592
Income from financial investments and other current financial assets	4,734	8,944	2,046	2,667
Finance costs	-11,499	-13,340	-4,658	-5,103
EBT	21,423	17,122	31,420	29,156
Income tax expense	-5,157	-6,290	-6,963	-6,745
Total profit/loss for the period	16,266	10,832	24,457	22,411
of which attributable to non-controlling interests	15,061	9,343	23,812	21,544
of which attributable to holders of profit-participation rights	1,332	1,600	666	800
of which attributable to non-controlling interests	-127	-111	-21	67
Basic (diluted) earnings per share (in EUR)	0.53	0.33	0.84	0.76

Statement of Comprehensive Income

in EUR thousand	1–6/2016	1–6/2015	4–6/2016	4–6/2015
Profit (loss) for the period	16,266	10,832	24,457	22,411
Other comprehensive income				
Gains/losses from revaluation of property, plant and equipment	-	86	-	-
Remeasurement from benefit obligations	-11,103	-	-11,103	4,809
Income tax expense (income) on other comprehensive income	2,863	-	2,863	-1,246
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	-8,240	86	-8,240	3,563
Exchange differences	-1,436	-96	-1,126	-1,741
Gains (losses) from fair value measurement of securities	-125	-481	-153	-200
Gains (losses) from cash flow hedges				
net total for the business year	-813	-	-129	-
transferred to profit or loss	-	-	-	-
Income tax expense (income) on other comprehensive income	234	120	70	50
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	-2,140	-457	-1,338	-1,891
Other comprehensive income	-10,380	-371	-9,578	1,672
Total comprehensive income	5,886	10,461	14,879	24,083
of which: attributable to non-controlling interests	-130	-100	-36	47
Share attributable to shareholders of the parent and holders of profit-participation rights	6,016	10,561	14,915	24,036
of which: attributable to holders of profit-participation rights	1,332	1,600	666	800
Share attributable to shareholders of the parent	4,684	8,961	14,249	23,236

Consolidated Statement of Financial Position

in EUR thousand	30.6.2016	31.12.2015
Assets		
Non-current assets		
Intangible assets	65,807	63,535
Property, plant and equipment	476,254	467,452
Investment property	33,657	33,574
Shareholdings in companies accounted for under the equity method	51,723	38,365
Loans	1,552	1,061
Other financial assets	89,412	89,617
Other non-current financial assets	13,728	13,308
Deferred tax assets	11,149	8,959
	743,282	715,871
Current assets		
Inventories	78,464	71,505
Trade receivables	918,277	751,855
Other financial assets	84,423	105,614
Other receivables and current assets	7,895	7,992
Cash and cash equivalents	336,149	647,243
Assets held for sale	3,915	3,917
	1,429,123	1,588,126
Total assets	**2,172,405**	**2,303,997**

Equity and liabilities		
Equity		
Share capital	29,095	29,095
Capital reserves	249,014	249,014
Hybrid capital	26,147	25,303
Other reserves	37,614	65,696
Equity attributable to shareholders of parent	341,870	369,108
Equity from profit-participation rights	41,292	43,160
Non-controlling interests	-673	-150
	382,489	412,118
Non-current liabilities		
Bonds and Schuldscheindarlehen	286,281	290,848
Provisions	136,156	124,685
Non-current financial liabilities	90,378	101,923
Other non-current financial liabilities	2,339	1,890
Deferred tax liabilities	27,254	32,309
	542,408	551,655
Current liabilities		
Bonds	47,672	45,852
Provisions	128,051	121,646
Current financial liabilities	35,776	49,047
Trade payables	666,484	631,713
Other current financial liabilities	25,014	34,970
Other current liabilities	321,163	441,017
Tax payables	23,348	15,979
	1,247,508	1,340,224
Total equity and liabilities	**2,172,405**	**2,303,997**

Consolidated Cash Flow Statement

in EUR thousand	1–6/2016	1–6/2015
Profit/loss for the period	16,266	10,832
Depreciation, impairment and reversals of impairment on fixed assets & financial assets	39,714	35,791
Interest income/expense	6,335	9,685
Income from companies accounted for under the equity method	-2,757	10,176
Dividends from companies accounted for under the equity method	1,741	-
Losses/gains from the disposal of fixed assets	-6,946	-5,618
Decrease/increase in long-term provisions	-975	520
Deferred income tax	-4,465	3,781
Operating cash flow	48,913	65,167
Increase/decrease in short-term provisions	6,382	-13,320
Increase in tax provisions	7,765	1,469
Increase in inventories	-6,629	-7,698
Increase in receivables	-145,938	-112,107
Decrease in payables (excluding banks)	-101,447	-178,248
Interest received	7,549	3,655
Interest paid	-5,634	-6,482
Other non-cash transactions	2,718	-3,172
Cash flow from operating activities	-186,321	-250,736
Proceeds from the sale of intangible assets	6	8
Proceeds from sale of property, plant and equipment and investment property	13,870	9,449
Proceeds from sale of financial investments	-	140
Proceeds from sale of financial assets	387	-
Proceeds from redeeming loans	71	-
Proceeds from the disposal of assets held for sale	-	1,401
Investments in intangible assets	-1,162	-1,344
Investments in property, plant and equipment and investment property	-48,113	-31,736
Investments in financial assets	-12,636	-1,674
Investments in loans	-557	-
Payouts for financial investments	-	-56,916
Proceeds from the sale of consolidated companies	468	-
Payouts for the purchase of subsidiaries less cash and cash equivalents	-2,566	-
Cash flow from investing activities	-50,232	-80,672
Dividends	-45,949	-21,375
Dividends paid out to non-controlling interests	-330	-1,156
Proceeds from non-cash dividends treasury shares	10,230	-
Repayment of bonds	-3,081	-
Payout from purchasing treasury shares	-	-12,030
Obtaining loans and other financing	5,766	1,756
Redeeming loans and other financing	-38,717	-33,198
Hybrid capital	-	8,300
Cash flow from financing activities	-72,081	-57,703
Cash flow from operating activities	-186,321	-250,736
Cash flow from investing activities	-50,232	-80,672
Cash flow from financing activities	-72,081	-57,703
Change to cash and cash equivalents	-308,634	-389,111
Cash and cash equivalents at 1 Jan	647,243	465,617
Currency differences	-2,460	1,491
Changes to cash and cash equivalents resulting from changes to the consolidated group	-	-
Cash and cash equivalents at 30 June	336,149	77,997
Tax paid	1,709	2,193

Segment Report[1]

1–6/2016 in EUR thousand	BU 1 – A/CH/CZ	BU 2 – Germany	BU 3 – International	BU 4 – Environmental Engineering, Healthcare & Services	Holding	Group
Production output (Group)	887,358	193,377	462,211	93,472	26,371	1,662,789
Segment revenue (revenue, own work capitalised in non-current assets and other operating income)	839,962	209,914	439,611	54,964	24,088	1,568,539
Intersegmental revenue	9,194	5,807	5,745	6,531	124,290	
EBT (EBT (Segment Earnings Before Tax))	16,322	440	3,653	851	157	21,423

[1] Part of the notes
The Segment Report has been amended in line with the new, internal reporting structure. The comparative figures have been retrospectively adjusted to the new reporting structure.

Statement of Changes in Group Equity

in EUR thousand	Share capital	Capital reserves	Revaluation reserve	Remeasurement from benefit obligations	Foreign currency translation reserves
Balance at 1 Jan 2015	29,095	249,014	14,425	-24,477	3,517
Total profit/loss for the period	-	-	-	-	-
Other comprehensive income	-	-	86	-	-421
Total comprehensive income for the period	-	-	86	-	-421
Dividend payments	-	-	-	-	-
Hybrid capital	-	-	-	-	-
Income tax on interest for holders of hybrid capital/profit-participation rights	-	-	-	-	-
Purchasing treasury shares	-	-	-	-	-
Changes to the consolidated group/acquisition of non-controlling interests	-	-	-	-	-
Balance at 30 June 2015	29,095	249,014	14,511	-24,477	3,096
Balance at 1 Jan 2016	29,095	249,014	13,417	-25,540	3,190
Total profit/loss for the period	-	-	-	-	-
Other comprehensive income	-	-	-545	-8,240	-1,635
Total comprehensive income for the period	-	-	-545	-8,240	-1,635
Dividend payments	-	-	-	-	-
Proceeds from non-cash dividends treasury shares	-	-	-	-	-
Income tax on interest for holders of hybrid capital/profit-participation rights	-	-	-	-	-
Changes to the consolidated group/acquisition of non-controlling interests	-	-	-	-	-
Balance at 30 June 2016	29,095	249,014	12,872	-33,780	1,555

1–6/2015 in EUR thousand	BU 1 – A/CH/CZ	BU 2 – Germany	BU 3 – International	BU 4 – Environmental Engineering, Healthcare & Services	Holding	Group
Production output (Group)	782,536	173,889	462,851	74,759	3,009	1,497,044
Segment revenue (revenue, own work capitalised in non-current assets and other operating income)	741,715	171,639	401,469	51,444	11,755	1,378,022
Intersegmental revenue	8,346	10,913	4,320	6,815	108,027	
EBT (EBT (Segment Earnings Before Tax))	5,787	-323	9,788	-1,008	2,878	17,122

Total debt securities available for sale – fair value reserve	Reserve for cash flow hedges	Hybrid capital	Retained earnings and non-retained profit	Equity attributable to equity holders of the parent	Profit-participation rights	Non-controlling interests	Total
324	-	17,150	51,092	340,140	44,160	871	385,171
-	-	939	8,404	9,343	1,600	-111	10,832
-361	-	-	314	-382	-	11	-371
-361	-	939	8,718	8,961	1,600	-100	10,461
-	-	-	-21,375	-21,375	-	-1,156	-22,531
-	-	8,300	-	8,300	-	-	8,300
-	-	-	575	575	-	-	575
-	-	-	-12,010	-12,010	-	-	-12,010
-	-	-	8	8	-	-8	-
-37	-	26,389	27,008	324,599	45,760	-393	369,966
-645	-806	25,303	76,080	369,108	43,160	-150	412,118
-	-	844	14,217	15,061	1,332	-127	16,266
-94	-610	-	747	-10,377	-	-3	-10,380
-94	-610	844	14,964	4,684	1,332	-130	5,886
-	-	-	-42,749	-42,749	-3,200	-330	-46,279
-	-	-	10,230	10,230	-	-	10,230
-	-	-	544	544	-	-	544
-	-	-	53	53	-	-63	-10
-739	-1,416	26,147	59,122	341,870	41,292	-673	382,489

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

1. General information

The PORR Group consists of PORR AG and its subsidiaries. PORR AG is a public limited company according to Austrian law and has its registered head office at Absberggasse 47, 1100 Vienna. The company is registered with the commercial court of Vienna under reference number FN 34853f. The Group deals mainly with the planning and execution of all kinds of building and construction work, as well as the management and operations of buildings constructed for the Group's own account.

These interim consolidated financial statements were published according to IAS 34 Interim Financial Reporting, using the standards of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs) adopted by the European Union, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

In accordance with IAS 34, the interim consolidated financial statements do not contain every comprehensive entry which is obligatory in the annual financial statements and therefore this interim report should be read in conjunction with the annual report of the PORR Group as at 31 December 2015. As per IAS 34, the consolidated results of the interim consolidated financial statements are not necessarily indicative of the annual results.

The reporting currency is the Euro, which is also the functional currency of PORR AG and of the majority of the subsidiaries included in these interim consolidated financial statements.

2. Consolidated group and acquisitions

The following seven companies were consolidated for the first time in these interim financial statements:

Because of acquisitions	Date of initial consolidation
PORREAL Polska Spolka z ograniczona odpowiedzialnoscia	31.3.2016
FMB - Facility Management Bohemia, s.r.o.	31.3.2016
Zenit Bauplanungs- und Errichtungsgesellschaft m.b.H.	9.6.2016
BPP Beteiligungs GmbH	11.4.2016
bpp Bautechnik GmbH	11.4.2016
Because of new foundations	
PNC Sverige AG	4.4.2016
Loftesnesbrui PORR-AURSTAD ANS	1.1.2016

Two companies were sold. The purchase price of TEUR 500 was settled in cash.

The assets and liabilities where control was lost break down as follows:

in EUR thousand	2016
Non-current assets	
Property, plant and equipment	1,600
Other financial assets	162
Deferred tax assets	92
Current assets	
Trade receivables	421
Other current financial assets	2
Other current receivables and assets	49
Cash and cash equivalents	32
Non-current liabilities	
Other financial liabilities	-4
Deferred tax payables	-57
Current liabilities	
Trade payables	-293
Other current financial liabilities	-1,285
Other liabilities	-15

The net loss from the sale totalling TEUR -204 was recognised in income/expenses from financial assets.

TEUR 985 was used to purchase a 100% stake in PORREAL Polska Spolka z ograniczona odpowiedzialnoscia. The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2016
Non-current assets	
Intangible assets	41
Property, plant and equipment	23
Deferred tax assets	11
Current assets	
Inventories	2
Trade receivables	623
Other current financial assets	2
Cash and cash equivalents	627
Non-current liabilities	
Provisions	-5
Current liabilities	
Trade payables	-238
Other current financial liabilities	-66
Other current liabilities	-35
Purchase price	985

TEUR 356 was used to purchase a 100% stake in FMB – Facility Management Bohemia, s.r.o. The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2016
Non-current assets	
Intangible assets	191
Deferred tax assets	8
Current assets	
Trade receivables	135
Other current financial assets	5
Other receivables and current assets	46
Cash and cash equivalents	235
Current liabilities	
Provisions	-23
Trade payables	-143
Other current financial liabilities	-31
Other current liabilities	-49
Tax payables	-18
Purchase price	356

The purchase of PORREAL Polska Spolka z ograniczona odpowiedzialnoscia and FMB – Facility Management Bohemia s.r.o. represented transactions with related parties.

TEUR 50 was used to purchase a 100% stake in Zenit Bauplanungs- und Errichtungsgesellschaft m.b.H. The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2016
Non-current assets	
Intangible assets	22
Other financial assets	3,384
Current assets	
Other receivables and current assets	2
Cash and cash equivalents	13
Current liabilities	
Trade payables	-2
Other current financial	-3,369
Purchase price	50

A total of TEUR 3,805 was used to purchase a 100% stake in BPP Beteiligungs GmbH and bpp Bautechnik GmbH. The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2016
Non-current assets	
Intangible assets	2,012
Property, plant and equipment	1,342
Deferred tax assets	105
Current assets	
Inventories	328
Trade receivables	1,662
Other current financial assets	160
Cash and cash equivalents	155
Non-current liabilities	
Provisions	-159
Financial liabilities	-530
Deferred tax payables	-148
Current liabilities	
Financial liabilities	-92
Trade payables	-312
Other current financial liabilities	-352
Other current liabilities	-347
Tax payables	-19
Purchase price	3,805

The acquisition led to the recognition of goodwill as the purchase price includes the benefits from synergic effects. The initial consolidation of the company contributed TEUR 338 to earnings before taxes for the period and TEUR 3,113 to revenue.

For two further companies 62.9% of the shares and 74.0% of the shares were acquired from the UBM Group. However, in accordance with the partnership agreement there is no control; these companies are recognised under the equity method as joint ventures. This is a related party transaction. The purchase price of TEUR 12,268 was settled in cash.

A total of 44 (previous year: 41) domestic and 22 (previous year: 13) foreign associates and joint ventures were valued under the equity method.

3. Accounting and valuation methods

The accounting and valuation methods applied in the consolidated financial statements of 31 December 2015, which are presented in the notes to the consolidated annual financial statements, were used, unmodified, in the interim report, with the exception of the following standards and interpretations which have been adopted for the first time:

Amendments to standards and interpretations

Amendment to IAS 19 Employee Benefits

The amendment clarifies how contributions from employees or third parties which are linked to service should be attributed to periods of service and also permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendment applies to fiscal years beginning on or after 1 February 2015.

Annual Improvements to IFRSs (2010–2012 Cycle)

The Annual Improvements to IFRSs 2010–2012 Cycle contain a number of minor amendments to different standards. The amendments apply to fiscal years beginning on or after 1 February 2015. The standards affected by these amendments include: IFRS 2 Share-based Payment; IFRS 3 Business Combinations; IFRS 8 Operating Segments; IFRS 13 Fair Value Measurement; IAS 16 Property, Plant and Equipment; IAS 24 Related Party Disclosures; and IAS 38 Intangible Assets.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments relate to accounting for interests in joint ventures and joint operations. This amendment will involve the inclusion of new guidance in IFRS 11 on accounting for acquisitions on interests in joint operations which constitute a business. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because such methods reflect factors other than the pattern of consumption of an asset’s expected future economic benefits. The amendments also specify that a revenue-based amortisation method for determining the future economic benefits of intangible assets is generally inappropriate, whereby this presumption can be overcome under specific limited circumstances. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41: Bearer Plants

The amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” relate to the financial reporting for bearer plants. Bearer plants, which are used solely to grow produce, have been brought into the scope of IAS 16. This means that they can be accounted for in the same way as property, plant and equipment. The amendments apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The minor amendments to IAS 27 "Separate Financial Statements" allow entities to use the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments apply to fiscal years beginning on or after 1 January 2016.

Annual Improvements to IFRSs 2012–2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle involve a range of small amendments to various standards. Some of the amendments relate to:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" – adds specific guidance for cases in which an entity reclassifies an asset from "held for sale" to "held for distribution" or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 "Financial Instruments: Disclosures" – clarifies whether a servicing contract is continuing involvement in a transferred asset and clarifies offsetting disclosures to the condensed interim financial statements.
- IAS 19 "Employee Benefits" – the amendments clarify that the corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 "Interim Financial Reporting" – proposes the inclusion of a cross-reference to information disclosed in interim financial reports.

All of the amendments will apply to fiscal years beginning on or after 1 January 2016.

Amendments to IAS 1: Disclosure Initiative

In December 2014 the IASB issued amendments to IAS 1 "Presentation of Financial Statements". The amendments primarily relate to the following points:

- Clarifying that disclosures in the financial statements are only necessary if their content is not immaterial.
- Guidance on aggregating and disaggregating items in the statement of financial position and statement of loss comprehensive income.
- Clarifying how to account for an entity's share of other comprehensive income of companies accounted for under the equity method in the statement of comprehensive income.
- Eliminating the model structure of the financial statements in order to take account of relevance to the specific company.

The amendments apply to reporting periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The IASB issued amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates and Joint Ventures" with regard to applying the consolidation exception for investment entities. The amendments serve to clarify three issues related to the consolidation exception for investment entities whose subsidiaries are measured at fair value.

The amendments apply to reporting periods beginning on or after 1 January 2016.

The following standards and interpretations have been published in the period between 31 December 2015 and the preparation of these interim consolidated financial statements and do not yet need to be applied compulsorily nor have they been adopted into EU law:

	Effective date in acc. with IASB
Amendment to IFRS 2	1.1.2018
Amendment to IFRS 15	1.1.2018

The first-time application of the standards and interpretations, as well as the amendments to the standards, have not had a significant impact on the interim consolidated financial statements.

The interim consolidated financial statements at 30 June 2016 use the same consolidation methods and basis for currency exchange as were used in the annual financial statements at 31 December 2015.

4. Estimates and assumptions

Producing interim consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions which affect the amount and disclosure of assets and liabilities in the statement of financial position, income and expense, as well as entries regarding contingent liabilities in the interim report. Actual results may deviate from these estimates.

5. Seasonal influence

In comparison to other industry sectors, the construction industry experiences seasonal variations with regard to revenue and profit due to seasonal factors. Revenue and profit are, as a rule, lower in the winter months than in the summer months. As a result of the fixed costs which exist, earnings are lower in the first two quarters than in the final two quarters. These seasonal fluctuations are less pronounced in building construction than in civil engineering and road construction.

6. Earnings per share

in TEUR	1–6/2016	1–6/2015
Proportion of deficit/surplus for the period relating to shareholders of parent	15,061	9,343
Weighted average number of issued shares	28,518,326	28,566,052
Basic earnings per share = diluted earnings per share in EUR	0.53	0.33

7. Share capital

Share capital	No. in 2016	EUR 2016	No. in 2015	EUR 2015
Ordinary bearer shares	29,095,000	29,095,000	29,095,000	29,095,000
Total share capital	29,095,000	29,095,000	29,095,000	29,095,000

As proposed by the Executive Board and the Supervisory Board, the Annual General Meeting of PORR AG passed a resolution on 24 May 2016 to pay out a dividend of EUR 1.00 and an additional special dividend of EUR 0.50 per share entitled to dividends as a result of the earnings for the business year 2015. Furthermore, the AGM resolved to conduct the payout of the special dividend in the form of a scrip dividend, whereby shareholders were given the choice of whether to take the special dividend of EUR 0.50 per share entitled to dividends either in cash or in the form of dividend shares to be reinvested. In accordance with the resolution of the AGM, after the end of the subscription period on 15 June 2016, the Executive Board determined the subscription ratio of 54:1 and the reinvestment price of EUR 27.00, thereby with a discount against the weighted average price of the PORR share at 15 June 2016 of 1.2%.

A total of 20,461,518 rights were exercised, corresponding to an acceptance rate of around 71.8% of eligible shares. The special dividend of EUR 0.50 per share entitled to dividends was thereby exercised in the amount of a total of 378,917 PORR shares. The settlement of the dividend shares took place on 21 June 2016.

At the end of the reporting period, there were 216,495 treasury shares; this corresponds to 0.74% of the share capital.

8. Financial instruments

The carrying amount of the financial instruments as per IAS 39 is a reasonable approximation of the fair value, with the exception of bonds subject to fixed interest rates (fair value hierarchy level 1), deposits from banks subject to fixed interest rates (fair value hierarchy level 3), and other financial liabilities subject to fixed interest rates (fair value hierarchy level 3).

in EUR thousand	Measurement category	Carrying amount at 30 June 2016	(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 30 June 2016
Assets							
Loans	LaR	1,641	1,641				
Other financial assets[1]	AfS (at cost)	4,617	4,617				
Other financial assets	AfS	10,717		10,717		Level 1	10,717
Other financial assets	AfS	74,078		74,078		Level 3	74,078
Trade receivables	LaR	918,277	918,277				
Other financial assets	LaR	97,945	97,945				
Derivatives (without hedges)	FAHfT	117			117	Level 2	117
Cash and cash equivalents		336,149	336,149				
Liabilities							
Bonds							
at fixed interest rates	FLAC	148,914	148,914			Level 1	160,575
Schuldscheindarlehen							
at fixed interest rates	FLAC	32,000	32,000			Level 3	32,878
at variable interest rates	FLAC	153,039	153,039				
Deposits from banks							
at fixed interest rates	FLAC	17,270	17,270			Level 3	17,557
at variable interest rates	FLAC	16,700	16,700				
Lease obligations[2]		89,670	89,670				
Trade payables	FLAC	666,484	666,484				
Other financial liabilities	FLAC	27,353	27,353				
Derivatives (without hedges)	FLHfT	626			626	Level 2	626
Derivatives (with hedges)		1,888		1,888		Level 2	1,888
by category							
Loans and receivables	LaR	1,017,863	1,017,863				
Cash and cash equivalents		336,149	336,149				
Available-for-sale financial assets[1]	AfS (at cost)	4,617	4,617				
Available-for-sale financial assets	AfS	84,795		84,795			
Financial assets held for trading	FAHfT	117			117		
Financial liabilities held for trading	FLHfT	626			626		
Derivative liabilities (with hedges)		1,888		1,888			
Financial liabilities measured at amortised cost	FLAC	1,061,760	1,061,760				

in EUR thousand	Measurement category	Carrying amount at 30 June 2015	(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 30 June 2015
Assets							
Loans	LaR	1,158	1,158				
Other financial assets[1]	AfS (at cost)	4,694	4,694				
Other financial assets	AfS	10,781		10,781		Level 1	10,781
Other financial assets	AfS	74,142		74,142		Level 3	74,142
Trade receivables	LaR	751,855	751,855				
Other financial assets	LaR	91,204	91,204				
Other financial assets	FAHfT	1,953			1,953	Level 1	1,953
Other financial assets	AfS	25,000		25,000		Level 1	25,000
Derivatives (without hedges)	FAHfT	668			668	Level 2	668
Cash and cash equivalents		647,243	647,243				
Liabilities							
Bonds							
at fixed interest rates	FLAC	151,743	151,743			Level 1	166,244
Schuldscheindarlehen							
at fixed interest rates	FLAC	32,000	32,000			Level 3	32,290
at variable interest rates	FLAC	152,957	152,957				
Deposits from banks							
at fixed interest rates	FLAC	19,787	19,787			Level 3	19,701
at variable interest rates	FLAC	34,802	34,802				
Lease obligations[2]		95,304	95,304				
Trade payables	FLAC	631,713	631,713				
Other financial liabilities	FLAC	36,860	36,860				
Derivatives (without hedges)	FLHfT	2			2	Level 2	2
Derivatives (with hedges)		1,075		1,075		Level 2	1,075
by category							
	LaR	844,217	844,217				
Loans and receivables		647,243	647,243				
Cash and cash equivalents	AfS (at cost)	4,694	4,694				
Available-for-sale financial assets[1]	AfS	109,923		109,923			
Available-for-sale financial assets	FAHfT	2,621			2,621		
Financial assets held for trading	FLHfT	2			2		
Financial liabilities held for trading		1,075		1,075			
Derivative liabilities (with hedges)	FLAC	1,059,862	1,059,862				
Financial liabilities measured at amortised cost							

[1] These are related to Group shareholdings, predominantly shares in GmbHs, whose fair value cannot be reliably measured and for which there is no active market so that they are measured at acquisition cost less possible impairment. There are currently no concrete plans to sell.

[2] Lease obligations fall under the application of IAS 17 and IFRS 7.

Details on fair value financial instruments Level 3:
For the valuation of the mezzanine capital of TEUR 50,000 and the hybrid capital of TEUR 25,330 for UBM Development AG, the following input factors (pricing criteria) were applied:

- Mid swap
- Credit spread UBM bond (Z-spread)
- Hybrid spread

The sum of these factors corresponds to the current pricing of the hybrid bond.

As a second step, the current pricing and contractually agreed coupon were compared, thereby determining the necessary surcharges/discounts.

- If the current market pricing is higher than the contractually agreed coupon, then a discount is applied to the nominal amount.
- If the current market pricing is lower than the contractually agreed coupon, then a surcharge is applied to the nominal amount.

This resulted in the following valuation as at 30 June 2016:

	Mid swap	Credit spread	Hybrid spread	Hybrid coupon in %
Balance at 30 June 2016	0.6	444.79	354	7.9939

in TEUR	Hybrid coupon in %	Nominal amount	Change in value	Fair value
Mezzanine capital	6.5	50,000	-747	49,253
Hybrid capital	6.0	25,330	-505	24,825

Sensitivities and interrelationships
The valuation methods applied are subject to fluctuation of the three input factors. Any change in a single factor results in a respective change in value (e.g. if the mid swap increases by 1 BP, the receivable decreases in value by 1 BP).

Possible interdependencies have not been considered, as it is not possible to assume either a significant negative or a significant positive correlation; therefore any individual change would increase the overall valuation in the respective amount.

9. Related party disclosures

There have been no significant changes in relationships between related companies, or any resultant obligations or guarantees, since 31 December 2015.

Transactions in the business year between companies included in the PORR Group's consolidated financial statements and the UBM Group companies primarily relate to construction services and a loan totalling TEUR 150,000, of which TEUR 3,200 had been drawn on as at the reporting date. The loan is for the purpose of advance and interim financing of property development projects. Furthermore, interest for the mezzanine capital and hybrid capital of TEUR 4,770 was paid to PORR AG in the business year 2016.

In addition to subsidiaries and associates, related parties include the companies of the IGO-Ortner Group as they or their controlling entity has a significant influence over PORR AG through the shares which they hold, as well as the Strauss Group, as a member of the Executive Board of PORR AG has significant influence over it, as well as the Kapsch Group, as a member of the Executive Board of PORR AG holds a key position at the same time as having significant influence over PORR AG. In addition to people who have a significant influence over PORR AG, related parties also include the members of the Executive and Supervisory Boards of PORR AG as well as their close family members.

10. Audit disclosure

These interim financial statements of the PORR Group have neither been audited nor subjected to an audit opinion.

11. Events after the end of the reporting period

The following event subject to disclosure occurred after the end of the reporting period:

On 12 August 2016 PORR AG increased the Schuldscheindarlehen (SSD) of EUR 185.5m issued in 2015, of which EUR 102.5m for three years and EUR 83m for five years, to EUR 200m, whereby any investors who had invested in instruments at variable interest rates were offered the chance to extend the periods at the current conditions.

This has resulted in a new repayment profile:

Maturity date	Amount in EUR m
13.8.2018	59
12.8.2019	31
12.8.2020	31
12.8.2021	64
14.8.2023	15
Total	200

EUR 75m was concluded on the basis of fixed interest rates, the remainder of EUR 125m was subject to variable interest rates. These were converted in full to instruments at fixed interest rates by means of interest rate swaps.

Vienna, 30 August 2016

The Executive Board

Karl-Heinz Strauss m. p.
Christian B. Maier m. p.
J. Johannes Wenkenbach m. p.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group over the first six months of the fiscal year, together with a description of the principal risks and uncertainties associated with the expected development of the Group for the remaining six months of the fiscal year and with regard to related party disclosures.

30 August 2016, Vienna

Karl Heinz Strauss Chief Executive Officer	Christian B. Maier Executive Board Member	J. Johannes Wenkenbach Executive Board Member

ACKNOWLEDGEMENTS

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The interim report can be obtained free of charge from the company at 1100 Vienna, Absberggasse 47, and may be downloaded from the website, www.porr-group.com/group-reports.

Disclaimer
This interim report also contains statements relating to the future which are based on estimates and assumptions which are made by managerial staff to the best of their current knowledge. Future-related statements may be identified as such by expressions such as “expected”, “target” or similar constructions.

The figures have been rounded off. Absolute changes are calculated using the rounded values, while relative changes (in percent) are calculated using the precise values.

Forecasts related to the future development of the Group take the form of estimates based on information available at the time of the interim report going to press. Actual results may differ from the forecast if they are shown to be based on inaccurate assumptions or are subject to unforeseen risks.

All dates expressed in digits conform to European conventions of dd.mm.yyyy.

Every care has been taken to ensure that all information contained in every part of this interim report is accurate and complete. We regret that we cannot rule out possible round-off, typesetting and printing errors. This report is a translation into English of the interim report issued in the German language and is provided solely for the convenience of English-speaking users. In the event of a discrepancy or translation error, the German-language version prevails.