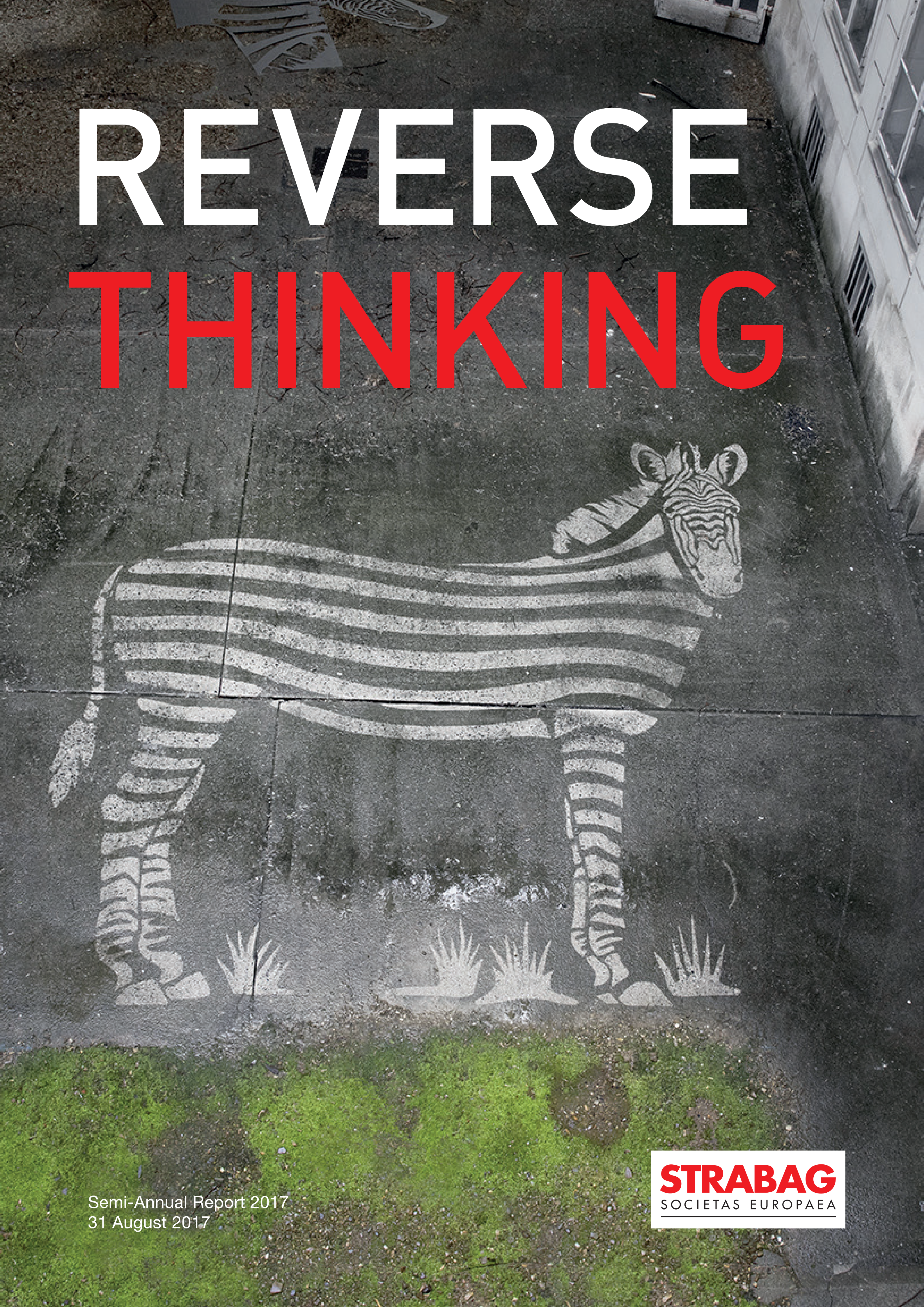
REVERSE THINKING



Semi-Annual Report 2017
31 August 2017

STRABAG
SOCIETAS EUROPAEA

Content

KEY FIGURES

KEY FINANCIAL FIGURES

	Q2/2017	Q2/2016	Δ %	6M/2017	6M/2016	Δ %	2016
Output volume (€ mln.)	3,827.60	3,420.39	12	6,254.39	5,677.32	10	13,491.03
Revenue (€ mln.)	3,440.20	3,188.14	8	5,651.69	5,312.15	6	12,400.46
Order backlog (€ mln.)				16,472.88	15,413.25	7	14,815.79
Employees				71,662	70,221	2	71,839

KEY EARNINGS FIGURES

	Q2/2017	Q2/2016	Δ %	6M/2017	6M/2016	Δ %	2016
EBITDA (€ mln.)	201.94	214.47	-6	151.23	156.76	-4	855.18
EBITDA margin (% of revenue)	5.9	6.7		2.7	3.0		6.9
EBIT (€ mln.)	110.50	124.62	-11	-32.59	-20.78	-57	424.91
EBIT adjusted (€ mln.)	110.50	96.81[1]	14	-32.59	-48.59[1]	33	397.10[1]
EBIT margin (% of revenue)	3.2	3.9		-0.6	-0.4		3.4
EBIT margin adjusted (% of revenue)	3.2	3.0[1]		-0.6	-0.9[1]		3.2[1]
EBT (€ mln.)	92.69	127.80	-27	-69.11	-26.49	-161	421.13
Net income (€ mln.)	63.47	97.16	-35	-61.72	-32.97	-87	282.00
Net income after minorities (€ mln.)	61.30	91.99	-33	-60.40	-25.00	-142	277.65
Net income after minorities margin (% of revenue)	1.8	2.9		-1.1	-0.5		2.2
Earnings per share (€)	0.60	0.90	-33	-0.59	-0.24	-142	2.71
Cash flow from operating activities (€ mln.)	-54.66	-113.78	52	-200.51	-623.29	68	264.17
ROCE (%)	1.5	2.2		-0.6	0.0		6.4
Investment in fixed assets (€ mln.)	130.91	119.94	9	219.16	191.53	14	412.46

KEY BALANCE SHEET FIGURES

	30.6.2017	31.12.2016	Δ %
Equity (€ mln.)	3,130.02	3,264.59	-4
Equity ratio (%)	29.9	31.5	
Net debt (€ mln.)	-95.27	-449.06	79
Gearing ratio (%)	-3.0	-13.8	
Capital employed (€ mln.)	5,095.40	5,258.17	-3
Balance sheet total (€ mln.)	10,453.66	10,378.41	1

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 + 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) EBIT adjusted for a non-operating profit in the amount of € 27.81 million.

CEO'S REVIEW

Dear shareholders, associates and friends of STRABAG SE,

The positive trend for STRABAG that set in at the beginning of the year continues to this day. The order backlog is at a record high, the output volume growth was in the double digits in the first half of the year and the operating earnings have increased. This positive development, however, is not immediately clear at first glance due to a one-off effect in the previous year – which we had disclosed at that time. The figures for the second quarter of 2016 had included a non-operating, non-recurring profit from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of € 27.81 million. We have been reporting both figures – adjusted and unadjusted – ever since. This makes it possible to clearly show that, following an adjustment for this distortion effect on the comparison figures, the result is a considerable earnings improvement.

I am therefore very pleased to again be able to confirm our expectations for the 2017 full year. The output volume should rise to at least € 14.0 billion with an EBIT margin of at least 3 %. On behalf of my fellow management board members and all group employees, I thank you for your trust in us!

Yours,

Thomas Birtel

Thomas Birtel
CEO of STRABAG SE

- Output volume up by 10 % in the first half of 2017
- Order backlog again at record level of € 16.5 billion (+7 %)
- Non-operating, non-recurring item had positive effect on the comparison figures: EBIT up significantly versus adjusted prior-year figures, without adjustment lower
- Outlook 2017 confirmed: higher output volume, EBIT margin targeted at ≥ 3 %

IMPORTANT EVENTS

JANUARY

Raiffeisen evolution renamed STRABAG Real Estate GmbH

Raiffeisen evolution project development GmbH had been renamed STRABAG Real Estate GmbH (SRE). The seat of the new SRE in Austria is Vienna. The name change followed the STRABAG Group's increase of its stake in Raiffeisen evolution from 20 % to 100 % in December 2016. SRE Austria will focus primarily on the development of high-quality sustainable residential real estate throughout the country.

FEBRUARY

STRABAG PFS enters system and development partnership with Microsoft

STRABAG PFS and Microsoft will work together over the next few years to develop industry solutions under the name "Real Estate Services 4.0" for the control, management and operational provision of facility management services. Core of the partnership is the development and implementation of a new IT platform that will allow, among other things, the fully integrated and largely automated processing of all orders of STRABAG PFS as well as the automated assignment of service technicians.

Preparation works at industrial park Nitra in Slovakia

A subsidiary of STRABAG SE has been awarded another construction contract at the Nitra Industrial Park in western Slovakia from the Slovak business settlement company MH Invest s.r.o. The € 96 million order foresees the levelling and conditioning of a 1,795,000 m² section of the industrial park in preparation for the construction of a Jaguar Land Rover automotive plant. STRABAG is already preparing over 745,000 m² of the industrial park. In addition to this € 135 million order, STRABAG has also been awarded two further contracts. For the price of € 47 million, STRABAG will build the Lužianky intermodal transport terminal on behalf of Slovak railway company ŽSR. And as joint venture partner, the group will also participate in a € 186 million project to upgrade the necessary road infrastructure.

STRABAG assumes construction of GKI power plant along the river Inn

STRABAG AG, working in a consortium with two other Austrian construction companies assumed the tunnel driving works for the Maria Stein pressure flow tunnel of the Gemeinschaftskraftwerk Inn (GKI) power plant. When completed, the facility along the Swiss-Austrian border region will generate more than 400 GWh of electricity and so make a significant contribution to Tyrol's energy autonomy. The contract value for STRABAG is about € 28 million.

MARCH

Budapest: art storage facility for over 350,000 works of art

STRABAG has been awarded the contract to build an art storage facility as part of the Liget Budapest Project. The complex of five buildings forms part of the National Museum Restoration and Storage Centre (OMRRK). The contract has a value of approximately € 39 million. Construction is scheduled for completion by mid-2018.

STRABAG building luxury apartments in Moscow

The company has been hired by AO Don-Stroy Invest – one of Moscow's leading real estate developers for luxury apartments – to build the project "Living on Plushikha". Until completion in mid-2019, STRABAG will build 202 residential units distributed over eight individual buildings. The construction volume amounts to a double-digit million Euro amount. The contract also comprises an entrance hall, administration rooms, a fitness studio, an underground car park, a café and a cafeteria.

APRIL

ZÜBLIN to build Congreshotel & Residential Tower Overhoeks in Amsterdam

Amsterdam is getting an addition to its skyline. In the future, two new high-rise towers will grace the northern waterfront of the river IJ in the Overhoeks neighbourhood of the Dutch capital. The Congreshotel & Residential Tower Overhoeks project comprises a 110 m hotel tower with 579 rooms as well as a 101 m residential tower with more than 230 apartments. The turnkey construction of the building ensemble has been entrusted to STRABAG subsidiary ZÜBLIN by the client, Oviesa Realisatie V.O.F. The contract has a value of more than € 100 million. A group of Viennese investors consisting of INVESTER United Benefits GmbH and IES Immobilien-Projektentwicklung GmbH are behind the project development.

STRABAG modernises Polish railway

STRABAG, acting as consortium leader, modernises the 20 km long section of rail between Cracow and Rudzice and expands the suburban railway in Cracow. The PLN 958 million rail construction project, the largest of its kind in Poland, is scheduled for completion in April 2021. The project is being carried out in consortium with Krakowskie Zakłady Automatyki S.A. STRABAG's share of the contract amounts to 80 % or about € 180 million net.

MAY

Investigation on suspicion of illegal price fixing in Austria

In early May, searches were conducted at the Austrian offices of the STRABAG Group as part of an ongoing investigation into the suspicion of illegal price fixing for construction projects in Austria. STRABAG SE is committed to quickly clearing up the allegations made by the authorities. Internally, the situation is being systematically analysed by a specially established task force. The company is fully cooperating with the authorities in the investigation. Due to the long period covered and the large volume of evidence to be analysed, the work will take some time. STRABAG SE has a comprehensive business compliance system in place that applies to its employees at all group companies and appropriate consequences will be taken in the event that fault is proven.

JULY

Syndicate of core shareholders extended by five years

On 3 July 2017 the core shareholder syndicate of STRABAG SE, consisting of the Haselsteiner family, the Raiffeisen and UNIQA Group, and Rasperia Trading Ltd., informed the Management Board of STRABAG SE as follows: None of the core shareholders has exercised their option to terminate the syndicate with effect on 31 December 2017 under adherence of a six-month period of notice. The syndicate of core shareholders is thus extended by a further five years unless the syndicate members mutually decide otherwise.

Renovation of a historic building from the year 1886 in Hungary

STRABAG has been chosen to renovate Budapest's historic Eiffel Hall on behalf of the Hungarian State Opera. The building from the year 1886, which measures 220 m in length and 110 m in width, will be used as an art centre for classical music. The contract value is divided into a fixed portion of HUF 8.6 billion (€ 28 million) and an option portion of HUF 3.1 billion. (approx. € 10 million).

Billion-euro infrastructure project in the United Kingdom

STRABAG has been awarded the Main Work Civil Contract packages for lots S1 and S2 of the United Kingdom's new HS2 high-speed railway that will initially link London to Birmingham and later to Leeds and Manchester. The project is being carried out by the consortium SCS, a joint venture together with Skanska and Costain. STRABAG's share is 32 %. The execution of the contract lots is divided into two stages: Stage 1, the Early Contractor Involvement (ECI) phase, requires the contractor to design, plan and estimate the works within a period of 16 months.

This will serve as the basis for determining the target price for stage 2, the actual construction phase. Stage 1 has a contract value of about GBP 79 million; the construction volume of stage 2 will be about GBP 2 billion. The design phase is to be completed in 2018. Construction is scheduled to last until 2023 with the first trains running in 2026.

AUGUST

STRABAG to build Thiba Dam in Kenya

STRABAG has been commissioned to build the Thiba Dam in Kenya, which will help secure the year-round water supply for the country's agriculture. The contract value translates to the equivalent of approximately € 72 million and also includes the connection to the existing road network as well as facilities for water draw-off and safe floodwater drainage. The construction for the project, being carried out largely through international financing, is scheduled to last around 45 months. The contractual start of construction is expected to take place in early October 2017 latest.

STRABAG to build Cracow's tallest high-rise tower

STRABAG has been hired to build a five-building business centre in the Polish city of Cracow. Currently an unfinished high-rise building stands at the prominent location in the centre of the city. Another unique feature of the tallest high-rise tower in Cracow (102,5 m) will be the viewing platform, the so-called Unity Eye. The project, which was commissioned by investor TREIMORFA Project Sp. z o.o., has a volume of about € 89 million.

Incident at the construction site of Rastatt rail tunnel

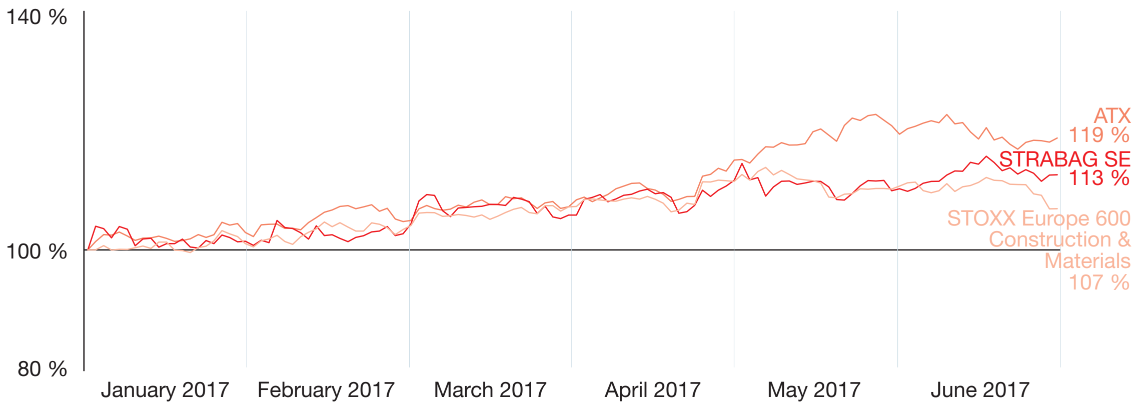
A 50-50 joint venture of STRABAG subsidiary Ed. Züblin AG (responsible for the technical side) and Hochtief Infrastructure AG (commercial responsibility), is currently building the Rastatt Tunnel, a twin-tube rail tunnel along the Karlsruhe–Basel high-speed line, on behalf of DB Netz AG. The 4.3 km tunnel runs beneath the city of Rastatt in Germany. For as-yet unknown causes, a displacement of tunnel elements occurred along a length of about 40 m and the track of the existing Rheintal Railway above the tunnel subsided on 12 August 2017 during tunnel boring works in the eastern tube, resulting in the closure of the line. Work is ongoing to secure the tunnel and repair the Rheintal line and an investigation is continuing into the cause of the collapse. From today's standpoint, there is no reason to believe that the situation at the Rastatt Tunnel project will affect the forecasts for the STRABAG SE financial figures.

Alto Maipo hydroelectric project in Chile

STRABAG had been awarded parts of the tunnelling and civil engineering works for the Alto Maipo hydropower plant in Chile. The contract is worth € 726.22 million, of which € 385.07 million have already been performed. The client is the special purpose company Alto Maipo S.p.A., a subsidiary of Chile's AES Gener S.A., which is majority-owned by the US-based AES Corporation. The construction contract was assessed on the basis of IAS 11 with effective date of 30 June 2017. The evaluation of the contract, however, could now be overshadowed by financial difficulties of the client company. Alto Maipo S.p.A. is making restructuring efforts to secure further financing for the project. Whether this situation will have a financial impact on STRABAG, and to what degree if any, cannot be said at this time.

SHARE

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



The STRABAG SE share experienced only little movement during the first months of the year before starting on a strong growth path in March. The highest value of the year to date was reached with € 38.90 on 19 June 2017. The share price closed the first half of the year with a plus of 13 % at € 37.86. The STRABAG SE share thus outperformed the construction industry index STOXX Europe 600 Construction & Materials, which was up 7 % versus 31 December 2016, but remained behind the performance of the ATX. The Austrian blue chip index soared at the end of April, passing the barrier of 3,000 points on 28 April 2017 and ending the first half of the year up 19 %.

STRABAG SE's shares are under observation by eight international banks again – HSBC ended its coverage during the first half of the year due to staff changes. With Berenberg Bank, however, another internationally renowned institution began covering the STRABAG SE share in its research reports this August. These eight institutes calculated an average share price target of € 39.70. Detailed analyses and recommendations are available on the STRABAG SE website: www.strabag.com > Investor Relations > Share > Equity Research

STRABAG SE SHARE

	6M/2017
Market capitalisation on 30 June 2017 (€ million)	3,884.44
Closing price on 30 June 2017 (€)	37.86
Year's maximum on 19 June 2017 (€)	38.90
Year's minimum on 20 January 2017 (€)	33.75
Performance six months 2017 (%)	13
Outstanding bearer shares on 30 June 2017 (absolute) (shares)	102,599,997
Outstanding bearer shares six months 2017 (weighted) (shares)	102,599,997
Weight in WBI on 30 June 2017 (%)	3.65
Volume traded six months 2017 (€ million)[1]	97.46
Average trade volume per day (shares)[1]	24,708
Share of total volume traded on Vienna Stock Exchange (%)	0.27

1) double count

MANAGEMENT REPORT JANUARY–JUNE 2017

Output volume and revenue

STRABAG SE generated an output volume of € 6.3 billion in the first half of the 2017 financial year – an increase of 10 %. This upwards trend was driven especially by the German transportation infrastructures business and by a number of mid-sized building construction and civil engineering projects in Austria. The consolidated group revenue grew slightly less strongly than the output, gaining 6 % to € 5,651.69 million. The ratio of revenue to output volume amounted to just 90 %, compared to 94 % in the first six months of the previous year.

Order backlog

The order backlog reached another record high of € 16.5 billion (+7 % versus 30 June 2016). Contributing to this development once again were numerous new large orders from the public sector and the industry in the group's largest markets, namely in Germany, Austria, Poland, Slovakia and Hungary. In the 2016 financial year, the group generated about 75 % of its output volume in these countries.

Financial performance

The limited capacity for construction in winter results in significant seasonal effects on the development of earnings and other financial figures of STRABAG SE. The first half of the year typically has a negative effect on results, which is then overcompensated by results in the second half of the year. As a result of the seasonal effects, a quarterly comparison makes little sense.

In the second quarter of the previous year, the results had included earnings in the amount of € 27.81 million from the sale of a minority shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG that cannot be assigned to the operating business. Adjusted for this effect, the earnings before interest, taxes, depreciation and amortisation (EBITDA) in the six-month period increased by 17 % from € 128.95 million to € 151.23 million due to a number of effects from numerous different projects. Without adjusting the previous year's earnings, the EBITDA fell slightly by 4 %.

The depreciation and amortisation was up by 4 % due to regular depreciation amounts for large equipment in the international business, so that the earnings before interest and taxes (EBIT) – still negative as usual in the first six months – came to rest at € -32.59 million. This represents an improvement of 33 % when adjusted for the positive one-off effect in the previous year and a decline of 57 % if unadjusted. In the second quarter, the adjusted EBIT grew by 14 % to € 110.50 million while unadjusted it fell by 11 %.

The net interest income fell from € -5.71 million to € -36.52 million. This is due to negative internal exchange rate differences of € -28.10 million after positive exchange rate differences of € 9.20 million in the comparison period of the previous year. The earnings before taxes (EBT), at € -69.11 million, were significantly more negative as result (2016: € -26.49 million). Accordingly, the income tax was in positive territory with € 7.39 million and thus provided relief. This left a net income of € -61.72 million (-87 %). The third-party shareholders bore a loss of € -1.32 million; in the previous year's comparison period – until April, there had still been minority shareholdings in Stuttgart-based subsidiary Ed. Züblin AG – this figure amounted to € -7.97 million. These effects resulted in a net income after minorities of € -60.40 million. With 102,600,000 outstanding shares, this corresponds to earnings per share of € -0.59 after € -0.24 in the first half of the previous year.

Financial position and cash flows

At € 10.5 billion, the balance sheet total was nearly unchanged versus 31 December 2016. This figure was heavily influenced by the seasonally usual growth of trade receivables with a corresponding decline of the cash and cash equivalents. At the same time, an increase was registered in the trade payables. The equity ratio remained high at 29.9 % compared to 31.5 % at the end of 2016 (30 June 2016: 29.6 %). The net cash position stood at € 95.27 million, decreasing – as is seasonally usual – versus the year-end figure, but turning from the net debt position that had existed at the end of the comparison period last year.

The cash flow from operating activities, at € -200.51 million, was significantly less deep in negative territory than in the first half of the previous year, when it had still amounted to € -623.29 million. This was due above all to the increase in trade payables, which in the first half of 2016 had been reduced due to an unusually high level of advance payments on 1 January 2016. The cash flow from investing activities, with a slightly higher level of investments in property, plant and equipment but an inflow of funds from changes to the scope of consolidation following the sale of a project development, was also less negative than in the first half of the previous year. The cash flow from financing activities stood at € -18.83 million after € -345.09 million in the previous year, when the figure had been strongly influenced by the acquisition of the shares of Ed. Züblin AG. Additionally, STRABAG SE last year paid out the shareholder dividends in the second quarter; this year, it will do so in the third quarter.

Capital expenditures

A large portion of the necessary maintenance expenditures, of course, is invested in the core markets of Germany and Austria. A higher need for additional investments can also be seen in these high-performing markets. In Austria, for example, work is underway at modernising some of the locations. And in Croatia and Poland, among others, the construction materials network is being expanded. The capital expenditures included € 219.16 million (2016: € 191.53 million) for the purchase of property, plant and equipment and intangible assets, and € 35.84 million (2016: € 23.51 million) for the purchase of financial assets. The changes to the scope of consolidation this year registered an inflow of € 17.94 million (2016: outflow of € 72.80 million).

Employees

The number of employees grew by 2 % to 71,662, with growth especially among white-collar staff and in Germany, Austria and the Central and Eastern Europe region due to a higher output volume and order backlog in these countries.

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 2016 and which significantly influenced the financial situation or business result of the first six months of the current financial year.

In the first half of 2017, there were no significant changes to the group strategy as detailed in the 2016 Annual Report.

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, legal and political risks.

The risks are explained in more detail in the 2016 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.

Outlook

The current record order backlog leads us to expect a positive development of the output volume for the 2017 financial year. The Management Board of STRABAG SE continues to expect an increase to at least € 14.0 billion (≥ +4 %). Growth should be seen in all three operating segments – North + West, South + East and International + Special Divisions. STRABAG is working towards again achieving an EBIT margin of at least 3 %.

The output and earnings forecasts are based on the assumption of continued solid demand in the German building construction & civil engineering and transportation infrastructures businesses. The property & facility management entities and real estate development are again expected to make positive contributions to the earnings. Negative contributions, on the other hand, are again expected from the regional business in Switzerland. Even without considering the capital expenditures following the planned acquisition of the minority interest of the German listed subsidiary STRABAG AG, Cologne – represented in the cash flow from financing –, the net capital expenditures should increase in 2017. The cash flow from investing should therefore come to rest at about € 450 million.

SEGMENT REPORT

North + West

€ mln.	Q2/2017	Q2/2016	Δ %	Δ absolute	6M/2017	6M/2016	Δ %	Δ absolute
Output volume	1,695.51	1,566.16	8	129.35	2,782.83	2,558.09	9	224.74
Revenue	1,585.81	1,452.17	9	133.64	2,607.53	2,416.75	8	190.78
Order backlog					8,241.62	7,253.06	14	988.56
EBIT	17.68	6.83	159	10.85	-62.68	-72.84	14	10.16
EBIT margin (% of revenue)	1.1	0.5			-2.4	-3.0		
EBT	17.68	6.83	159	10.85	-62.68	-72.84	14	10.16
Employees					22,772	21,604	5	1,168

The **output volume** of the North + West segment stood at € 2,782.83 million after the first six months of 2017, which corresponds to a plus of 9 % year on year. This development reflects the growth in transportation infrastructures in Germany, the largest market in the segment, which can be explained by the high order backlog at the end of 2016 and by the relatively favourable weather during the period under report.

The **revenue** increased by 8 % to € 2,607.53 million. Thanks in part to improved project earnings in Germany and Denmark, it was possible to contain the seasonally usual negative **earnings before interest and taxes** (EBIT) at € -62.68 million after € -72.84 million in the previous year.

The **order backlog** was also influenced by the development in Germany, as well as in Poland, growing by 14 % year on year to € 8,241.62 million. The most important new projects acquired in the first half of 2017 include the construction of a production facility for an automobile manufacturer as well as a new factory for a provider of electronic components, both in Germany. In Poland, STRABAG was hired to modernise a 20 km section of railway between Cracow and Rudzice and to expand the metropolitan rail line serving Cracow's suburbs. The situation in Northern Europe was mixed: In Denmark, the order backlog fell back due to the completion of a building construction project in Copenhagen that the group had been working on for the past few years. In Benelux, on the other hand, this figure grew thanks to a contract to build two high-rise towers in Amsterdam.

The average number of **employees** in the segment increased by 5 % year on year to 22,772. This increase of the total employee numbers is mainly due to the growth among both blue-collar and white-collar personnel in Germany and of white-collar staff in Poland. In Denmark, the completion of the aforementioned large project brought with it a noticeable reduction of employee numbers.

A word on the segment **outlook**: The output volume in the North + West segment in the 2017 financial year is expected to grow in a year-on-year comparison – an assumption that to a large degree is already covered by existing contracts.

The **German building construction and civil engineering** business is continuing to contribute positively to both output volume and earnings in the segment. By binding subcontractors and suppliers at an early stage, attempts are being made to counter the capacity bottleneck in the face of the good employment situation and the upwards price trend.

An overall positive outlook is also expected in the **German transportation infrastructures** business for the years to come. Due to the high volume of public-sector tenders, this segment registered a historic high in the order backlog on 30 June 2017. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. The plan foresees a total of around € 265 billion for more efficient transport networks until 2030. Due to the higher number of tenders in the region-wide business, the number of tender participants is on the decline so that prices overall are moderately on the rise. Meanwhile, the large projects business is not benefiting from the good tender situation. Despite the growing project volume, however, the competitive pressure remains very high. In the **German railway construction** business, the volume of tenders is experiencing continuous growth and large projects here are also hotly contested – albeit from a smaller group of bidders. The better demand in transportation infrastructures has led to an increased scarcity of **construction materials**, but thanks to the group's own asphalt production activities this has expressed itself in a significant growth of the production volumes and a corresponding development in the construction materials business.

The tender volumes in the **Polish construction sector** grew slightly in the first half of 2017. At the same time, the Polish government added new routes to its transportation infrastructures programme and so adjusted the volume upwards. The competition is now being aggressive in its pricing, however. A better situation can be seen in railway construction, where STRABAG has already been able to land several new contracts this year. Activity from public-sector clients in the Polish building construction and civil engineering business remains strong. STRABAG also continues to closely watch the development in the energy sector. Overall, output growth in the low double-digit percent can be expected in Poland in 2017.

In **Benelux** and **Scandinavia**, the upwards trend of the markets remains unbroken. In the years to come, the Danish construction industry will be especially interesting for German construction companies. Investments totalling more than € 60 billion are planned in Denmark by the year 2023, including projects such as bridges, roads, railways and the revitalisation of urban industrial areas.

South + East

€ mln.	Q2/2017	Q2/2016	Δ %	Δ absolute	6M/2017	6M/2016	Δ %	Δ absolute
Output volume	1,168.49	1,088.66	7	79.83	1,810.36	1,699.36	7	111.00
Revenue	1,099.45	1,069.71	3	29.74	1,729.58	1,644.43	5	85.15
Order backlog					4,148.37	3,630.07	14	518.30
EBIT	62.05	51.27	21	10.78	37.73	7.33	415	30.40
EBIT margin (% of revenue)	5.6	4.8			2.2	0.4		
EBT	62.05	51.27	21	10.78	37.73	7.33	415	30.40
Employees					17,056	17,119	0	-63

The South + East segment generated an **output volume** of € 1,810.36 million in the first six months of the 2017 financial year, 7 % more than in the same period of the preceding year. Driving this growth were markets like Austria and Hungary. In other markets, for example in Romania, the output volume was down in a year-on-year comparison.

The **revenue** increased by 5 % to € 1,729.58 million. The positive **earnings before interest and taxes** (EBIT) registered in this segment last year continued to improve from € 7.33 million to € 37.73 million thanks to the development in several countries, including Hungary and Russia.

The **order backlog** is also showing very positive development. The figure of € 4,148.37 million at the end of the second quarter represents a plus of 14 % versus 30 June 2016. This growth was driven mainly by large orders in the group's core markets. In Austria, numerous building construction contracts in Vienna, among other projects, are helping to fill the order books. In Hungary, STRABAG is working on new road and rail orders, an art storage facility and a section of the R67 expressway. In Slovakia, the group was awarded a contract for the site development of the Nitra Industrial Park. In Russia, STRABAG has landed its first substantial order in a long time, specifically a luxury apartment complex in Moscow with a contract value in the mid-double-digit million euros.

At first glance, the number of **employees** remained more or less unchanged at 17,056. Viewed in detail, however, there were significant movements at the country level: staff was up in Croatia and Austria, but fell in Switzerland and in the Czech Republic.

A word on the segment **outlook**: In the 2017 financial year, STRABAG expects to be able to grow its output in the South + East segment and to keep the margins at an attractive level. In its home market of **Austria**, the building construction market in the greater Vienna area continues to exhibit dynamic growth. In contrast, transportation infrastructures and civil engineering is characterised by fierce competition.

The situation in **Slovakia** had been characterised by large, EU-financed infrastructure projects, with a focus on the automobile industry and sports infrastructure. The relatively high volume of tenders led to higher prices for subcontractor services and to a scarcity of qualified staff. In the **Czech Republic**, projects mostly had involved private clients in building construction and civil engineering. Now the trend is reversed:

tendering activity is increasing significantly in the Czech Republic and falling back in Slovakia.

In view of several public tenders in **Hungary**, STRABAG registers a promising economic framework in this country. However, the prices for subcontractor services are rising here too. The medium-term planning is therefore more conservative.

The market volume in **Switzerland** is stagnating at a high level, yet the price situation remains tense. Still, business is developing according to plan. With the Tamina Bridge in the canton of St. Gallen, STRABAG recently completed a technically challenging and very successful project.

The market in **South East Europe** also remains a hotly contested one. Many international competitors are vying for few projects, with the result that high price pressure dominates the situation. This is true in both building construction and civil engineering as well as in transportation infrastructures. In building construction, the occasional opportunity arises for tourism structures. In transportation infrastructures, several tenders are expected at least in Romania in the coming months.

In **Russia**, loans to industry are still only hesitatingly being granted and the interest rates remain high. However, several private programmes in the residential construction segment came on the market. With its many years of experience in the construction of residential property, mainly in the luxury segment in large Russian cities, STRABAG should be able to benefit from this development.

International + Special Divisions

€ mln.	Q2/2017	Q2/2016	Δ %	Δ absolute	6M/2017	6M/2016	Δ %	Δ absolute
Output volume	927.72	735.36	26	192.36	1,589.26	1,359.00	17	230.26
Revenue	747.27	658.94	13	88.33	1,301.70	1,237.85	5	63.85
Order backlog					4,079.00	4,525.67	-10	-446.67
EBIT	31.82	32.08	-1	-0.26	-6.50	7.13	n. a.	-13.63
EBIT margin (% of revenue)	4.3	4.9			-0.5	0.6		
EBT	31.82	32.08	-1	-0.26	-6.50	7.13	n. a.	-13.63
Employees					25,887	25,710	1	177

In the first six months of the 2017 financial year, the **output volume** in the segment International + Special Divisions increased by 17 % to € 1,589.26 million. This development was driven especially by large projects in the core markets of Germany, Austria and the Americas.

The **revenue** grew less strongly compared to the output volume, gaining 5 % to € 1,301.70 million. In the first half of the previous year, the sale of real estate project developments had resulted in unusually high revenue and positive **earnings before interest and taxes** (EBIT) of € 7.13 million. This year, as is usual for the season, the figure remains in negative terrain with € -6.50 million.

In contrast, the **order backlog** fell back by 10 % versus 30 June 2016 to € 4,079.00 million. In Austria, orders grew from a contract related to the Brenner Base Tunnel and from the tunnelling works for the GKI power plant being carried out in a consortium. A negative effect on the orders came in the first quarter of 2017 from an Italian transportation infrastructures project.

The number of **employees** increased slightly by 1 % to 25,887. Large changes were limited to the human-resource-intensive international segment, where the decline by more than 900 persons in the Middle East was compensated by increases in the Americas, in Africa and in Asia. Staff was also increased in Austria.

A word on the segment **outlook**: In the 2017 financial year, it should be possible to generate a slightly higher output volume in the segment International + Special Divisions.

The **real estate development** business continues to show unchanged positive development, and the economic framework as well as the project pipeline give reason for further optimism in 2017. Close observation of interest rates and property prices is necessary, however. While the demand for commercial and residential properties remains undiminished, the property prices in Germany's cities show a considerable upward momentum that will make it increasingly challenging to initiate new project developments profitably in the long term. Overheating in large German cities is possible at least locally.

STRABAG has therefore been expanding its activities in real estate development to include other countries and other market segments. Besides Germany, the company is also active in project developments in Austria, Poland and Romania. In Austria, Vienna-based STRABAG Real Estate GmbH (formerly: Raiffeisen evolution project development GmbH) is a specialist in the development of high-quality sustainable residential real estate in all parts of the country. The portfolio includes subsidised, affordable and privately financed residential construction as well as related uses such as student housing and commercial project developments.

The **property and facility services** business is also expected to make another quite positive contribution to the earnings. In the second quarter of 2017, Telefónica Germany entrusted STRABAG with the technical and infrastructure facility management of all its administration buildings and shops in several German states. The STRABAG Group is continuously expanding its activities with innovative new services in this business field. In the first quarter of 2017, for example, STRABAG Property & Facility Services GmbH acquired 75 % of an industrial cleaning start-up, based in Salzburg, Austria. The company is a specialist in the environmentally friendly cleaning of machinery and industrial facilities with compressed air.

Demand is currently high for the group's **intelligent infrastructure solutions**. STRABAG Infrastructure & Safety Solutions GmbH is playing an important role in the modernisation of Austria's tunnels. As in the construction business, however, there also is a lack of qualified personnel and an intense competition in this field.

The increasingly scarce human resources, as well as the extremely low price level, are making it more difficult to do business profitably in **tunnelling**, especially in Austria. On the other hand, the tunnelling business is expected to show renewed growth from large infrastructure programmes in Canada, to a certain degree in the US, and especially in the UK, where a consortium including STRABAG in July 2017 was awarded the billion-euro contract for Britain's new HS2 high-speed railway line. In Asia, the higher standards for the water supply in the continent's big cities should also open up new business opportunities for the micro tunnelling business.

The public-private partnership business, at STRABAG organised within the **infrastructure development** unit, has a project pipeline in Germany and in the Netherlands but stagnating markets especially in South East Europe. For this reason, the company is focusing increasingly on Northern Europe as well as on selected markets in Latin America – even if this involves considerable bid-related costs.

In the **non-European markets**, STRABAG is focused on offering those services that require a high degree of technological expertise. This includes not only specialities such as toll technology, test track construction or pipe jacking, but also know-how-based projects in tunnelling, dam construction or transportation infrastructures. Internationally, the company is active especially in the Middle East, in selected markets in Africa, and in South America. Because of the oil price, however, there currently are only few projects in the Middle East.

The development of the **construction materials** business is strongly tied to the construction economy of the individual countries. Thanks to the high tendering activity in transportation infrastructures, the situation with regard to concrete and stone/gravel is especially positive in Eastern Europe. High demand has led to a higher level of production, but competitive pressure has been keeping prices stable.

Consolidated semi-annual financial statements STRABAG SE, Villach, as at 30 June 2017

CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS STRABAG SE, VILLACH,AS AT 30 JUNE 2017

Consolidated income statement for 1.1.–30.6.2017

T€	1.4.–30.6.2017	1.4.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016
Revenue	3,440,200	3,188,134	5,651,685	5,312,149
Changes in inventories	68,510	-8,564	73,864	14,594
Own work capitalised	173	1,293	662	2,881
Other operating income	58,130	49,308	108,907	100,605
Construction materials, consumables and services used	-2,355,531	-2,014,940	-3,806,283	-3,452,122
Employee benefits expenses	-865,146	-844,909	-1,618,070	-1,540,637
Other operating expenses	-181,711	-189,594	-313,381	-330,030
Share of profit or loss of equity-accounted investments	23,064	19,285	36,583	32,137
Net income from investments	14,249	14,456	17,264	17,183
EBITDA	**201,938**	**214,469**	**151,231**	**156,760**
Depreciation and amortisation expense	-91,444	-89,850	-183,824	-177,536
EBIT	**110,494**	**124,619**	**-32,593**	**-20,776**
Interest and similar income	7,674	19,714	24,297	33,657
Interest expense and similar charges	-25,473	-16,535	-60,814	-39,372
Net interest income	**-17,799**	**3,179**	**-36,517**	**-5,715**
EBT	**92,695**	**127,798**	**-69,110**	**-26,491**
Income tax expense	-29,231	-30,637	7,387	-6,479
Net income	**63,464**	**97,161**	**-61,723**	**-32,970**
Attributable to: non-controlling interests	2,162	5,172	-1,326	-7,966
Attributable to: equity holders of the parent company	61,302	91,989	-60,397	-25,004
Earnings per share (€)	**0.60**	**0.90**	**-0.59**	**-0.24**

Statement of total comprehensive income for 1.1.–30.6.2017

T€	1.4.–30.6.2017	1.4.–30.6.2016	1.1.–30.6.2017	1.1.–30.6.2016
Net income	**63,464**	**97,161**	**-61,723**	**-32,970**
Differences arising from currency translation	2,310	-10,068	15,413	-7,791
Recycling of differences arising from currency translation	44	0	44	0
Change in hedging reserves including interest rate swaps	3,974	-1,080	2,252	-14,375
Recycling of hedging reserves including interest rate swaps	5,101	5,601	10,164	11,187
Deferred taxes on neutral change in equity	-883	-825	-1,331	727
Other income from equity-accounted investments	795	-251	891	-1,284
Total of items which are later recognised (“recycled”) in the income statement	*11,341*	*-6,623*	*27,433*	*-11,536*
Change in actuarial gains or losses	0	-50,172	0	-50,172
Deferred taxes on neutral change in equity	0	14,418	0	14,418
Other income from equity-accounted investments	0	4	143	129
Total of items which are not later recognised (“recycled”) in the income statement	*0*	*-35,750*	*143*	*-35,625*
Other income	**11,341**	**-42,373**	**27,576**	**-47,161**
Total comprehensive income	**74,805**	**54,788**	**-34,147**	**-80,131**
Attributable to: non-controlling interests	2,534	3,677	-94	-9,786
Attributable to: equity holders of the parent company	72,271	51,111	-34,053	-70,345

Consolidated balance sheet as at 30 June 2017

T€	30.6.2017	31.12.2016
Intangible assets	499,084	496,402
Property, plant and equipment	1,937,882	1,927,739
Investment property	6,980	7,916
Equity-accounted investments	353,348	347,605
Other investments	177,117	166,731
Receivables from concession arrangements	674,750	683,486
Other financial assets	255,017	254,220
Deferred taxes	277,735	245,827
Non-current assets	**4,181,913**	**4,129,926**
Inventories	1,311,264	1,182,805
Receivables from concession arrangements	32,427	31,180
Trade receivables	2,761,957	2,444,400
Non-financial assets	90,380	87,654
Income tax receivables	98,267	112,804
Other financial assets	331,035	386,376
Cash and cash equivalents	1,646,417	2,003,261
Current assets	**6,271,747**	**6,248,480**
Assets	**10,453,660**	**10,378,406**
Share capital	110,000	110,000
Capital reserves	2,315,384	2,315,384
Retained earnings and other reserves	629,094	760,654
Non-controlling interests	75,544	78,551
Total equity	**3,130,022**	**3,264,589**
Provisions	1,097,472	1,111,727
Financial liabilities[1]	1,022,012	1,223,527
Other financial liabilities	65,027	63,750
Deferred taxes	21,290	21,390
Non-current liabilities	**2,205,801**	**2,420,394**
Provisions	792,695	810,362
Financial liabilities[2]	387,364	202,549
Trade payables	3,027,098	2,818,000
Non-financial liabilities	364,928	367,977
Income tax liabilities	91,738	103,501
Other financial liabilities	454,014	391,034
Current liabilities	**5,117,837**	**4,693,423**
Equity and liabilities	**10,453,660**	**10,378,406**

1) Thereof T€ 363,805 concerning non-recourse liabilities from concession arrangements (31 December 2016: T€ 389,781)
2) Thereof T€ 50,414 concerning non-recourse liabilities from concession arrangements (31 December 2016: T€ 49,596)

Consolidated cash flow statement for 1.1.–30.6.2017

T€	1.1.–30.6.2017	1.1.–30.6.2016
Net income	-61,723	-32,970
Deferred taxes	-32,159	-24,021
Non-cash effective results from consolidation	-1,035	-4
Non-cash effective results from equity-accounted investments	17,295	44,616
Depreciations/write ups	184,624	179,578
Change in long-term provisions	-19,104	-13,785
Gains/losses on disposal of non-current assets	-18,560	-28,507
Cash flow from earnings	*69,338*	*124,907*
Change in inventories	-148,740	-25,809
Change in trade receivables, construction contracts and consortia	-296,203	-244,579
Change in receivables from subsidiaries and receivables from participation companies	23,522	-30,946
Change in other assets	30,711	-45,117
Change in trade payables, construction contracts and consortia	180,334	-239,212
Change in liabilities from subsidiaries and liabilities from participation companies	15,666	-6,245
Change in other liabilities	-54,649	-169,291
Change in current provisions	-20,494	12,998
Cash flow from operating activities	**-200,515**	**-623,294**
Purchase of financial assets	-35,853	-23,509
Purchase of property, plant, equipment and intangible assets	-219,156	-191,531
Inflows from asset disposals	45,776	114,824
Change in other financing receivables	46,648	11,975
Change in scope of consolidation	17,937	-72,799
Cash flow from investing activities	**-144,648**	**-161,040**
Issue of bank borrowings	49,024	53,700
Repayment of bank borrowings	-65,430	-147,969
Repayment of payables relating to finance lease	-182	-359
Change in financing liabilities	712	-2,101
Change in non-controlling interests due to acquisition	-401	-180,374
Distribution of dividends	-2,549	-67,988
Cash flow from financing activities	**-18,826**	**-345,091**
Net change in cash and cash equivalents	**-363,989**	**-1,129,425**
Cash and cash equivalents at the beginning of the period	1,997,574	2,726,646
Change in cash and cash equivalents due to currency translation	7,146	-6,532
Change in restricted cash and cash equivalents	485	1,174
Cash and cash equivalents at the end of the period	**1,641,216**	**1,591,863**

Statement of changes in equity for 1.1.–30.6.2017

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2017	**110,000**	**2,315,384**	**920,899**	**-97,737**	**-62,508**	**3,186,038**	**78,551**	**3,264,589**
Net income	0	0	-60,397	0	0	-60,397	-1,326	-61,723
Differences arising from currency translation	0	0	0	0	14,473	14,473	984	15,457
Changes in equity-accounted investments	0	0	140	-224	1,095	1,011	23	1,034
Neutral change of interest rate swaps	0	0	0	12,169	0	12,169	247	12,416
Deferred taxes on neutral change in equity	0	0	0	-1,309	0	-1,309	-22	-1,331
Total comprehensive income	**0**	**0**	**-60,257**	**10,636**	**15,568**	**-34,053**	**-94**	**-34,147**
Transactions concerning non-controlling interests	0	0	89	0	-126	-37	-364	-401
Distribution of dividends[1)]	0	0	-97,470	0	0	-97,470	-2,549	-100,019
Balance as at 30.6.2017	**110,000**	**2,315,384**	**763,261**	**-87,101**	**-47,066**	**3,054,478**	**75,544**	**3,130,022**

Statement of changes in equity for 1.1.–30.6.2016

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2016	**114,000**	**2,311,384**	**777,329**	**-97,465**	**-66,217**	**3,039,031**	**281,604**	**3,320,635**
Net income	0	0	-25,004	0	0	-25,004	-7,966	-32,970
Differences arising from currency translation	0	0	0	0	-7,387	-7,387	-404	-7,791
Change in hedging reserves	0	0	0	-70	0	-70	0	-70
Changes in equity-accounted investments	0	0	126	-469	-786	-1,129	-26	-1,155
Change of actuarial gains and losses	0	0	-48,241	0	0	-48,241	-1,931	-50,172
Neutral change of interest rate swaps	0	0	0	-3,091	0	-3,091	-27	-3,118
Deferred taxes on neutral change in equity	0	0	13,855	722	0	14,577	568	15,145
Total comprehensive income	**0**	**0**	**-59,264**	**-2,908**	**-8,173**	**-70,345**	**-9,786**	**-80,131**
Transactions concerning non-controlling interests[2)]	0	0	-49,216	0	0	-49,216	-179,272	-228,488
Changes in equity-accounted investments	0	0	-995	0	0	-995	-23	-1,018
Distribution of dividends[3)]	0	0	-66,690	0	0	-66,690	-1,298	-67,988
Balance as at 30.6.2016	**114,000**	**2,311,384**	**601,164**	**-100,373**	**-74,390**	**2,851,785**	**91,225**	**2,943,010**

1) The total dividend payment of T€ 97,470 corresponds per share of € 0.95 based on 102,600,000 shares.
2) The transactions largely concerned the acquisition of shares of Ed. Züblin AG, Stuttgart.
3) The total dividend payment of T€ 66,690 corresponds per share of € 0.65 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, with reporting date 30 June 2017, 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 2016.

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available at www.strabag.com.

Changes in accounting policies

In the financial year 2017 no new standards or interpretations of IASB and IFRIC entered into force, therefore, no application became mandatory.

Accounting and valuation methods

No new accounting and valuation methods were amended in the financial year of 2017. 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 2016.

Information regarding the accounting and valuation methods can be found in the annual financial statements with reporting date 31 December 2016.

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.

Scope of consolidation

The consolidated semi-annual financial statements as at 30 June 2017 include STRABAG SE as well as all major domestic and foreign subsidiaries where STRABAG SE either directly or indirectly has control. Associated companies and joint ventures are reported in the balance sheet using the equity method (equity-accounted investments).

The number of consolidated companies changed in the first six months of 2017 as follows:

	Consolidation	Equity method
Situation as at 31.12.2016	**297**	**25**
First-time inclusions in reporting period	1	0
First-time inclusions in reporting period due to merger	2	0
Merger in reporting period	-2	0
Exclusions in reporting period	-2	0
Situation as at 30.6.2017	**296**	**25**

ADDITIONS TO SCOPE OF CONSOLIDATION

	Direct stake %	Date of acquisition or foundation
Consolidation		
ARGE STRABAG, Cologne	100.00	9.1.2017
Merger[1)]		
KAMENOLOM MALI CARDAK d.o.o., Zagreb	100.00	1.1.2017
STRABAG Development s.r.o., Bratislava	100.00	1.1.2017

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 30 June 2017, the following companies were no longer included in the scope of consolidation:

Disposals from scope of consolidation	
CONFINARIO LTD, Limassol	Fell below significant level
ZAO "PARK CENTER", St. Petersburg	Sale
Merger[1)]	
KAMENOLOM MALI CARDAK d.o.o., Zagreb	Merger
STRABAG Development s.r.o., Bratislava	Merger

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 2017 as were used for the consolidated annual financial statements with reporting date 31 December 2016. Details regarding the methods of consolidation and principles of currency translation are available in the 2016 annual report.

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 quarter every year. Starting with the second quarter, these losses are compensated for by rising contribution margins. The break-even point is usually not yet reached before the end of the second quarter. The largest portion of the earnings is expected in the third and fourth quarters. 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 respective quarters.

1) The companies listed under “Merger” were merged with already consolidated companies and are therefore represented as addition to and removal from the scope of consolidation.

OTHER OPERATING INCOME

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

T€	1.1.–30.6.2017	1.1.–30.6.2016
Interest income	30,784	31,249
Interest expense	-12,506	-13,521
Net interest income	**18,278**	**17,728**

SHARE OF PROFIT OR LOSS OF EQUITY-ACCOUNTED INVESTMENTS

T€	1.1.–30.6.2017	1.1.–30.6.2016
Income from equity-accounted investments	8,015	30,574
Expenses arising from equity-accounted investments	-4,707	-33,805
Profit from construction consortia	47,453	58,825
Losses from construction consortia	-14,178	-23,457
Share of profit or loss equity-accounted investments	**36,583**	**32,137**

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 1–6/2017, no goodwill from capital consolidation was capitalised and no impairments were made.

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

In 1–6/2017, tangible and intangible assets in the amount of T€ 219,156 (1-6/2016: T€ 191,531) were acquired.

In the same period, tangible and intangible assets with a book value of T€ 25,670 (1–6/2016: T€ 80,388) were sold.

PURCHASE OBLIGATIONS

On the reporting date, there were T€ 130,464 (30 June 2016: T€ 66,686) in contractual commitments for the acquisition of property, plant and equipment which were not considered in the semi-annual financial statement.

RECEIVABLES FROM CONCESSION ARRANGEMENTS

STRABAG has a 100 % interest in the Hungarian M5 Motorway Concession Company, AKA Alföld Koncesszios Autopalya Zrt., Budapest (AKA).

In the concession agreement with the Hungarian state, AKA committed to develop, plan, finance and to build and operate the M5 motorway. The motorway itself is the property of the state; all vehicles and equipment necessary for motorway operation are to be transferred to the state free of charge following the end of the concession period.

In exchange, AKA will regularly receive an availability fee, independent of transit volume, from the Hungarian state for making the motorway available to the public. AKA bears the operator's risk of motorway closure and non-compliance of contractually agreed roadway criteria.

The route totals 156.5 km and was built in three phases. The concession period runs until 2031. A one-time extension for up to 17.5 years is possible.

All services provided under this concession arrangement are accounted for under the separate balance sheet item receivables from concession arrangements. The receivables are carried at the present value of the payment to be made by the state. The annual accumulation amount is recognised in other operating income.

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

The market value of the interest rate swap in the amount of T€ -41,177 (31 December 2016: T€ -48,973) is also recognised as long-term receivables from concession arrangements.

Recognisable receivables from concession arrangements are offset by non-recourse financing in the amount of T€ 414,219 (31 December 2016: T€ 439,377), classified either as a current or non-current liability depending on the term. The resulting interest expense is recognised in “Other operating income”.

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 of 31 December 2016 STRABAG SE holds 7,400,000 registered nomial shares which stands for 6.7% of the capital stock and is expressed by the value of € 7,400,000.

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

CONTINGENT LIABILITIES

Cologne Stadtbahn North-South Tunnel Construction

At the beginning of March 2009, an accident occurred during underground construction at the South Lot for the North-South urban metro line in Cologne, resulting in the collapse of the Historical Archive of the City of Cologne and significant portions of two neighbouring buildings. Debris collapsed into a hole which opened next to the North-South construction site at the Waidmarkt crossover junction. Two people were trapped under the rubble, and rescuers were only able to recover their bodies. Construction on the underground is being carried out by a joint venture (JV) of Bilfinger SE (formerly Bilfinger Berger AG), Wayss & Freytag Ingenieurbau AG and the STRABAG Group subsidiary Ed. Züblin AG. The JV is led by Bilfinger SE on the technical side and by Wayss & Freytag Ingenieurbau AG on the commercial side. Ed. Züblin AG holds a 33.3 % interest in the JV.

In May 2017, the Cologne public prosecutor’s office filed charges including negligent homicide against employees of the JV and of the local transport company Kölner Verkehrs-Betriebe (KVB). The charges are based on an expert report commissioned by the public prosecutor’s office which assumes that the collapse was caused by a defect in the diaphragm wall for the shaft at the Waidmarkt crossover junction. The District Court in Cologne will rule in the second half of 2017 if it will allow the charges and open criminal proceedings.

At the same time, upon the insistence of KVB and the City of Cologne, two independent civil proceedings are being conducted at the District Court in Cologne: one to collect evidence as to the cause of the accident and another to establish the damage to the buildings and archives. For purposes of the investigation into the cause of the accident, a viewing structure was built. The viewing structure is to help clarify whether there were any mistakes or errors associated with the diaphragm wall set up by the JV. In June 2017, the expert in the civil proceedings into the cause of the accident declared that an end to the evidence-taking is not expected until the middle of 2020. As large portions of the expert report commissioned by the public prosecutor’s office are based on the raw investigation data from the civil evidence-taking proceedings into the cause of the accident, the exact impact of the further investigations on the report commissioned by the public prosecutor’s office also remains to be seen.

A final report on the results of the investigation of the accident site, as well as the expert opinion, thus remains outstanding. As both the cause of the accident as well as the damage amount remain uncertain, it is not possible at this time to estimate the potential financial impact on the consolidated financial statements.

Investigation by the Public Prosecutor's Office for Combating Economic Crimes and Corruption

On 3 May 2017, searches were conducted at the offices of more than 50 Austrian construction companies including three STRABAG locations in Austria. The Public Prosecutor's Office for Combating Economic Crimes and Corruption is conducting an investigation into the suspicion of illegal price fixing at several smaller construction projects in the period from 2006 to 2016.

STRABAG immediately set up a task force for an internal investigation into the cases and is cooperating with the authorities. The theoretically possible consequences include monetary fines imposed by the Federal Competition Authority for violations of the prohibition of cartels, related damage compensation claims by the clients as well as a monetary fine under the Corporate Criminal Liability Act.

The facts of the case are extremely complex 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 full investigation is therefore expected to take several years to complete. At this time, it is not possible to make any statements as to the question of guilt or any possible damages resulting for the company from the matter.

Alto Maipo hydroelectric project in Chile

STRABAG had been awarded parts of the tunnelling and civil engineering works for the Alto Maipo hydropower plant in Chile. The contract is worth € 726.22 million, of which € 385.07 million have already been performed. The client is the special purpose company Alto Maipo S.p.A., a subsidiary of Chile's AES Gener S.A., which is majority-owned by the US-based AES Corporation.

The construction contract was assessed on the basis of IAS 11 with effective date of 30 June 2017. The evaluation of the contract, however, could now be overshadowed by financial difficulties of the client company. Alto Maipo S.p.A. is making restructuring efforts to secure further financing for the project. Whether this situation will have a financial impact on STRABAG, and to what degree if any, cannot be said at this time.

The company has accepted the following guarantees:

T€	30.6.2017	31.12.2016
Guarantees without financial guarantees	174	174

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 86,280 (31 December 2016: T€ 54,853).

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€	30.6.2017	30.6.2016
Securities	3,081	2,970
Cash on hand	1,523	1,727
Bank deposits	1,641,813	1,591,677
Restricted cash abroad	-4,546	-4,505
Pledge of cash and cash equivalents	-655	-6
Cash and cash equivalents	**1,641,216**	**1,591,863**

The **cash flow from operating activities** in the reporting year contains the following items:

T€	1.1.–30.6.2017	1.1.–30.6.2016
Interest paid	32,935	36,865
Interest received	18,603	17,313
Taxes paid	21,995	164,913

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 Neighbouring Countries and 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.–30.6.2017

T€	Nordth + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**2,782,826**	**1,810,359**	**1,589,259**	**71,946**		**6,254,390**
Revenue	**2,607,532**	**1,729,583**	**1,301,703**	**12,867**	**0**	**5,651,685**
Inter-segment revenue	38,289	79,352	104,164	390,668		
EBIT	**-62,682**	**37,732**	**-6,503**	**-44**	**-1,096**	**-32,593**
Interest and similar income	0	0	0	24,297	0	24,297
Interest expense and similar charges	0	0	0	-60,814	0	-60,814
EBT	**-62,682**	**37,732**	**-6,503**	**-36,561**	**-1,096**	**-69,110**

Segment reporting for 1.1.–30.6.2016

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**2,558,091**	**1,699,360**	**1,359,001**	**60,873**		**5,677,325**
Revenue	**2,416,747**	**1,644,426**	**1,237,847**	**13,129**	**0**	**5,312,149**
Inter-segment revenue	50,692	12,102	72,606	346,357		
EBIT	**-72,843**	**7,328**	**7,128**	**173**	**37,438**	**-20,776**
Interest and similar income	0	0	0	33,657	0	33,657
Interest expense and similar charges	0	0	0	-39,372	0	-39,372
EBT	**-72,843**	**7,328**	**7,128**	**-5,542**	**37,438**	**-26,491**

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 in regards to 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.–30.6.2017	1.1.–30.6.2016
Net income from investments	-805	9,840
Non-operating profit from the disposal of an investment	0	27,811
Other consolidations	-291	-213
Total	**-1,096**	**37,438**

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€ -1,445,639 on 30 June 2017 (31 December 2016: T€ -1,471,785) compared to the recognised book value of T€ -1,409,376 (31 December 2016: T€ -1,426,076).

The **fair values as at 30 June 2017** for financial instruments were measured as follows:

T€	Level 1	Level 2	Total
ASSETS			
Securities	26,473		26,473
Cash and cash equivalents (securities)	3,081		3,081
Derivatives held for hedging purposes		-39,391	-39,391
Total	**29,554**	**-39,391**	**-9,837**
LIABILITIES			
Derivatives held for hedging purposes		-2,218	-2,218
Total		**-2,218**	**-2,218**

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

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

NOTES ON RELATED PARTIES

Notes on related parties may be found in the 2016 consolidated financial statements.

In the first half of 2017, the Basic Element Group paid back in full an account receivable related to the Olympic Games in Sochi amounting to T€ 11,032 on 31 December 2016 as well as an account receivable amounting to T€ 32.128 from the reverse transaction of an advance payment for the acquisition of a 26% stake in Russian roadway construction company Transstroy.

Since 31 December 2016, 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 2017 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, 31 August 2017

Management Board

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

Mag. Christian Harder
CFO
Responsibility Central Division BRVZ

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

Mag. Hannes Truntschnig
Responsibility Segment
International + Special Divisions

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

Financial calendar

Interim Report January–September 2017	**30 November 2017**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Annual Report 2017	**27 April 2018**
Disclosure	7:30 a.m.
Press conference	10:00 a.m.
Investor and analyst conference call	2:00 p.m.
Interim Report January–March 2018	**30 May 2018**
Disclosure	7:30 a.m.
Investor and analyst conference call	10:00 a.m.
Notice of Annual General Meeting	16 May 2018
Shareholding confirmation record date	5 June 2018
Annual General Meeting 2018	**15 June 2018**
Start	10:00 a.m.
Location: Tech Gate Vienna	
Ex-dividend date	22 June 2018
Record date	25 June 2018
Payment date for dividend	26 June 2018
Semi-Annual Report 2018	**31 August 2018**
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

Maturity	Coupon %	Volume € mln.	ISIN	Stock exchange
2011–2018	4.75	175	AT0000A0PHV9	Vienna
2012–2019	4.25	100	AT0000A0V7D8	Vienna
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.