WHAT HAS BEEN.

Semi-Annual Report 2016
31 August 2016

STRABAG
SOCIETAS EUROPAEA

Content

KEY FIGURES

KEY FINANCIAL FIGURES

	Q2/2016	Q2/2015	Δ %	6M/2016	6M/2015	Δ %	2015
Output volume (€ mln.)	3,420.39	3,736.33	-8	5,677.32	6,204.67	-8	14,289.76
Revenue (€ mln.)	3,188.14	3,461.51	-8	5,312.15	5,745.47	-8	13,123.48
Order backlog (€ mln.)				15,413.25	14,841.43	4	13,134.58
Employees				70,221	72,837	-4	73,315
Cash flow from operating activities (€ mln.)	-113.78	-105.40	-8	-623.29	-290.07	-115	1,240.35
Investments in fixed assets (€ mln.)	119.94	94.08	27	191.53	160.49	19	395.75

KEY EARNINGS FIGURES

	Q2/2016	Q2/2015	Δ %	6M/2016	6M/2015	Δ %	2015
EBITDA (€ mln.)	214.47	189.92	13	156.76	123.83	27	816.10
EBITDA margin (% of revenue)	6.7	5.5		3.00	2.2		6.2
EBIT (€ mln.)	124.62	90.90	37	-20.78	-68.42	70	341.04
EBIT adjusted (€ mln.)[1]	96.81	90.90	7	-48.59	-68.42	29	341.04
EBIT margin (% of revenue)[1]	3.0	2.6		-0.9	-1.2		2.6
EBT (€ mln.)	127.80	83.89	52	-26.49	-67.73	61	316.62
Net income (€ mln.)	97.16	65.98	47	-32.97	-61.47	46	182.49
Net income after minorities (€ mln.)	91.99	60.96	51	-25.00	-55.51	55	156.29
Net income after minorities margin (% of revenue)	2.9	1.8		-0.5	-1.0		1.2
Earnings per share (€)	0.90	0.59	51	-0.24	-0.54	55	1.52
ROCE (%)	2.2	1.5		0.0	-0.5		4.1

KEY BALANCE SHEET FIGURES

	30.6.2016	31.12.2015	Δ %
Equity (€ mln.)	2,943.01	3,320.63	-11
Equity ratio (%)	29.6	31.0	
Net debt (€ mln.)	12.65	-1,094.48	n. a.
Gearing ratio (%)	0.4	-33.0	
Capital employed (€ mln.)	5,015.96	5,448.01	-8
Balance sheet total (€ mln.)	9,934.98	10,728.87	-7

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) in 2016 adjusted for a non-operating profit in the amount of € 27.81 million

CEO'S REVIEW

- Output volume of € 5.7 billion after six months, 8 % below the very high figure of the previous year
- Order backlog up 4 % to € 15.4 billion
- EBIT – even when adjusted for a non-operating profit – up 29 %; seasonally negative as usual for the first half of the year
- Outlook 2016: slightly lower output volume, confirmed 3 % target for EBIT margin

Dear shareholders, associates and friends of STRABAG SE,

A non-operating profit led to a steep increase of our earnings in the second quarter. But even adjusted for this effect, the earnings improvement would still have been quite positive. We therefore confirm our aim of achieving an EBIT margin of 3 % for the full year 2016 – even when not taking into account the unplanned profit. So we are confident of being able to hold this level for the long term.

As reported, two factors should contribute to increasing our margin: a more rigorous risk management and efficiency gains. Our internal "STRABAG 2013ff" task force had the task of reviewing the company's position and to locate opportunities for realising these efficiency gains. After four years of visiting the locations of all of our organisational entities, viewing construction sites and engaging in one-on-ones with the local management, the task force has now completed its work. Based on the task force analysis, the Management Board has been able to make constructive choices about where to streamline management structures or strategically and organisationally reorganise business fields and company entities. The result is a simplified organigram, a more appropriate market positioning and lower fixed costs.

I want to take this opportunity to thank not only the task force team for their good work, but also to thank you, our shareholders, for staying with us these past few years. The development of our share price shows that your choice was the right one. The share price reflects the fact that we have kept our promises. I hope that you will continue to put your trust in us and that you remain convinced of our company's success.

Yours,

Thomas Birtel
CEO of STRABAG SE

IMPORTANT EVENTS

APRIL

Share purchase agreement concluded with minority shareholders of Ed. Züblin AG

STRABAG via group company holds 94.90 % of its subsidiary Ed. Züblin AG. Until now the share was at 57.26 %. The agreement includes a basic purchase price as well as a provision for a variable purchase price portion, to be determined depending on Ed. Züblin AG's respective net income after minorities for each of the years 2015 to 2019. Shares of STRABAG SE were not being used as acquisition currency.

Züblin building Offshore Terminal Bremerhaven

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

MAY

STRABAG awarded road and tunnel construction contract in Norway

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

JUNE

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

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

Züblin awarded € 400 million contract in Chile

Züblin International has been awarded a € 400 million contract by Codelco, the world's largest copper producer. The Chuquicamata Mine, located in northern Chile, will be transformed from the world's largest open pit to an underground operation. The contract includes 63 km of tunnel excavation, 7 km of shafts and the transportation of 3.6 million tons of materials. Construction works will be finished in 2021. Züblin is also working on Codelco's El Teniente Mine as well as on the Andina Mine.

BIM.5D® applied for Siemens in Switzerland

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

German A-Modell project (A8 motorway) refinanced

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

JULY

Rating of BBB confirmed by S&P

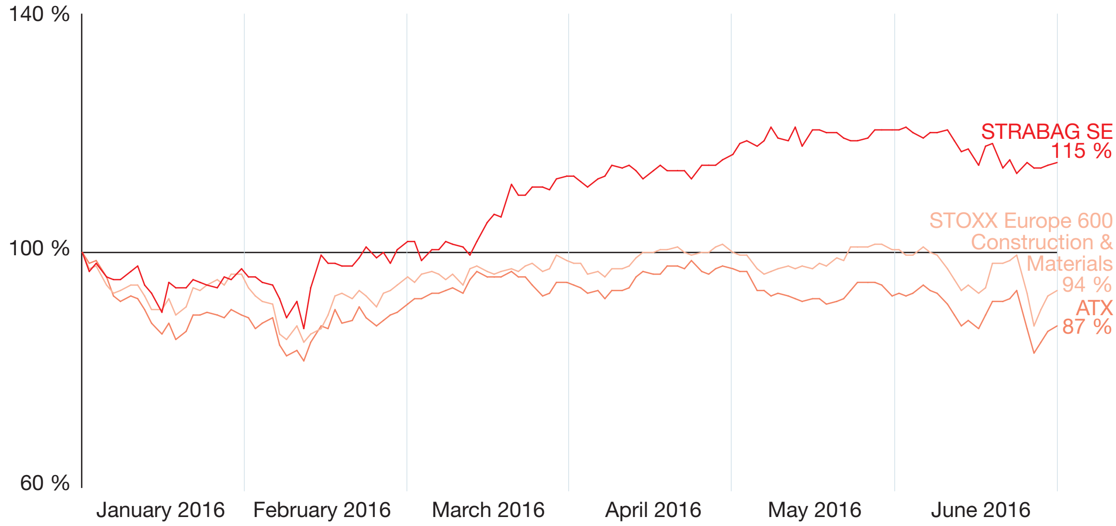
The international rating agency Standard & Poor's (S&P), in its July analysis, has confirmed the BBB credit rating of STRABAG SE. The outlook remains at "stable". The rating had been raised by one level last year. The key performance indicators that had contributed to last year's increase continue to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

Cancellation of 4,000,000 own shares executed

In accordance with a resolution passed at the 12th Annual General Meeting on 10 June 2016 the share capital has been reduced by the cancellation of 4,000,000 own shares. The share capital thus amounts to € 110,000,000.00, divided into 109,999,997 bearer shares with voting rights and three registered shares with voting rights each representing a proportion of the share capital amounting to € 1.00. A resolution was also taken at the 12th Annual General Meeting authorising the acquisition of own shares, subject to approval by the Supervisory Board of STRABAG SE. On 15 July 2016, the Supervisory Board agreed to this. The question of whether and to what extent the Management Board of STRABAG SE will make use of the authorisation remains open.

SHARE

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



The positive development of the STRABAG SE share in the first quarter continued in the second quarter. The year-to-date high was reached on 9 May 2016 with a share price of € 28.60. From the ex-dividend day on 17 June 2016, the share price hovered at around € 27.00. Overall, the share closed the first half of the year up with a considerable plus of 15 % – despite the Brexit vote in the UK on 23 June 2016, which had had a serious impact on the international stock markets.

Austria's benchmark index ATX, for example, had already recovered in the second quarter following a rather weak performance in Q1. After the Brexit vote, however, the price levels fell down enormously and the index closed the first half of the year with a minus of 13 %. A similar development was registered by the construction industry index STOXX Europe 600 Construction & Materials, which closed down with a minus of 6 %.

STRABAG's shares are currently under observation by eight international banks. The analysts calculated an average share price target of € 30.10. Detailed analyses and recommendations are available on the STRABAG SE website: www.strabag.com > Investor Relations > Share > Equity Research

STRABAG SE SHARE

	6M/2016
Market capitalisation on 30 June 2016 (€ million)	2,780.46
Closing price on 30 June 2016 (€)	27.10
Year's maximum on 9 May 2016 (€)	28.60
Year's minimum on 11 February 2016 (€)	20.52
Performance six months 2016 (%)	15
Outstanding bearer shares on 30 June 2016 (absolute) (shares)	102,599,997
Outstanding bearer shares six months 2016 (weighted) (shares)	102,599,997
Weight in WBI on 30 June 2016 (%)	3.97
Volume traded six months 2016 (€ million)[1]	76.91
Average trade volume per day (shares)[1]	24,708
% of total volume traded on Vienna Stock Exchange (%)	0.27

1) double count

MANAGEMENT REPORT JANUARY–JUNE 2016

Output volume and revenue

STRABAG SE generated an output volume of € 5,677.32 million in the first half of the 2016 financial year, corresponding to a decrease of 8 %. The output volume declined in Germany against very high levels reported in the comparison period of the previous year; the same can be said of Hungary and of Russia and Neighbouring Countries (RANC). Seen over the second quarter, meanwhile, the output volume also fell back by 8 %.

Like the output volume, the consolidated group revenue also lost 8 % to settle at € 5,312.15 million. The ratio of revenue to output volume amounted to 94 %, compared to 93 % in the first six months of the previous year.

Order backlog

The order backlog, on the other hand, increased by 4 % on 30 June 2016 versus the first half of the previous year to reach € 15,413.25 million. While several building construction projects in Germany contributed to a plus of about one quarter in this home market, declines were registered in Eastern Europe, e.g. in the RANC region, in Slovakia and in Romania.

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.

The earnings before interest, taxes, depreciation and amortisation (EBITDA) improved in the first half of 2016 by 27 % to € 156.76 million, in part because large-scale projects and southeast European markets were no longer a burden. However, this figure also includes earnings from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG that cannot be assigned to the operating business. The adjusted EBITDA would therefore come to € 128.95 million, 4 % above the level after six months in 2015.

The depreciation and amortisation was reduced by 8 % especially through the sale of the equipment of the hydraulic engineering business. The earnings before interest and taxes (EBIT) amounted to € -20.78 million, 70 % less deep in negative territory. The fact that this figure is not in positive territory is usual for this time of the year. Adjusted for the aforementioned non-operating effect, the EBIT would have amounted to € -48.59 million (+29 %). In the second quarter, the EBIT increased by 37 % to € 124.62 million or by an adjusted 7 % to € 96.81 million.

The net interest income stood at € -5.72 million – after a positive net interest income of € 0.69 million in the comparison period of the previous year. This can be explained by the significant positive exchange rate differences, especially regarding the Swiss franc, in the amount of € 16.08 million in the first half of 2015, while the first half of 2016 registered positive exchange rate effects of just € 9.20 million. Below the line, this resulted in a 61 % increase in earnings before taxes (EBT) to € -26.49 million. After income tax of € -6.48 million, the earnings after taxes amounted to € -32.97 million versus € -61.47 million in the comparison period.

In the second quarter, the STRABAG Group acquired minority interests of Ed. Züblin AG. The minority interests still had to bear the typical winter losses of the first quarter, so that, taking into consideration minority interest totalling € 7.97 million, the net income after minorities reached € -25.00 million. In light of 102,600,000 outstanding shares, this corresponds to earnings per share of € -0.24 for the first half of the year.

Financial position and cash flows

The balance sheet total fell to € 9.9 billion from € 10.7 billion on 31 December 2015. Conspicuous was the decrease of the trade payables, due in part to the decline of the above-average level of advances at the end of 2015 and the reduction of the minority interests with a corresponding decrease in cash and cash equivalents. This was also the reason why the net cash position of € 1,094.48 million at year's end turned into net debt of € 12.65 million at 30 June 2016 (30 June 2015: net debt of € 200.74 million). The acquisition of the minority interest had only a minor impact on the equity ratio, which fell back slightly to 29.6 % from 31.0 % on 31 December 2015. The equity ratio on 30 June 2015 had been reported at 29.1 %.

At € -623.29 million, the cash flow from operating activities was significantly deeper in negative territory than in the first half of the previous year. This development was influenced particularly by the significantly higher increase of the working capital, which, due to a high level of advances, had been unusually low on 31 December 2015. The cash flow from investing activities, meanwhile, stood at € -161.04 million. This decrease by € -55.49 million versus the first six months of the previous year came in response to stronger investments in property, plant and equipment as well as through the purchase of the Tech Gate Vienna property near the STRABAG headquarters in Vienna. The cash flow from financing activities turned from € 11.86 million to € -345.09 million, driven especially by the acquisition of the remaining shares of Ed. Züblin AG and by the repayment of a project financing; in the previous year, a bond issue had made for a positive cash flow from financing activities.

Capital expenditures

A large portion of the necessary maintenance expenditures, of course, is invested in the core markets of Germany and Austria. In 2016, the cyclically necessary renewal of the vehicle fleet in the facility management business will leave an impact. A higher need for additional investments can be seen especially in the high-performing markets of Poland, Slovakia and Hungary. The capital expenditures included € 191.53 million (2015: € 160.49 million) for the purchase of property, plant and equipment and intangible assets, € 23.51 million (2015: € 7.73 million) for the purchase of financial assets and € 72.80 million (2015: inflow of € 4.33 million) for enterprise acquisitions (changes to the scope of consolidation).

Employees

The number of employees fell by 4 % to 70,221. This reduction took place mostly among blue-collar staff in the human-resource-intensive regions outside of Europe, though staff levels also decreased in Germany, RANC and the countries of Northern Europe.

Major transactions and risks

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 31 December 2015 and which significantly influenced the financial situation or business result of the first six months of the current financial year.

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

The risks are explained in more detail in the 2015 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 Management Board of STRABAG SE expects a slightly lower output volume for the 2016 financial year. Organic growth at about the level of inflation is expected for the years to come. The Management Board confirms the target of achieving a lasting EBIT margin (EBIT/revenue) of 3 % starting in 2016, as the efforts to further improve the risk management and to lower costs have already had a positive impact on earnings. This outlook remains even when adjusted for the positive effect from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG.

The earnings expectations are based on the assumption of solid demand in the German building construction and civil engineering market. At the same time, the company is hoping for the first additional investments by the public sector in transportation infrastructures in this home market. Very positive contributions to the earnings continue to be expected especially from Poland, the property and facility management entities, the real estate and the infrastructure development business.

The international business, by contrast, is weaker as the low oil price has led to a considerable decline in demand in the group's traditional non-European markets. The price pressure is expected to remain strong in the countries of Central and Eastern Europe, although, for example, work is continuing successfully in Slovakia on several larger infrastructure projects. The hydraulic engineering activities, which had created a burden on earnings in the past, were sold effective 1 April 2016. The group has retained the waterway construction business on intention.

In April 2016, a share purchase agreement was concluded with the minority shareholders of Ed. Züblin AG, Stuttgart, for 42.74 % of the shares in that company. The group so increased its stake from 57.26 % to 94.90 %. The remaining shares were acquired by a core shareholder of STRABAG SE. The transaction will result in a lower net income attributable to non-controlling interests, which will lead to a higher earnings per share.

The cash flow from investing activities, without considering acquisitions, will likely reach around € 400 million in 2016 after an estimated € 320 million in 2015.

SEGMENT REPORT

North + West

€ mln.	Q2/2016	Q2/2015	Δ %	Δ absolute	6M/2016	6M/2015	Δ %	Δ absolute
Output volume	1,566.16	1,632.64	-4	-66.48	2,558.09	2,744.07	-7	-185.98
Revenue	1,452.17	1,535.70	-5	-83.53	2,416.75	2,568.95	-6	-152.20
Order backlog					7,253.06	6,013.47	21	1,239.59
EBIT	6.83	-6.94	n. a.	13.77	-72.84	-93.65	22	20.81
EBIT margin (% of revenue)	0.5	-0.5			-3.0	-3.6		
Employees					21,604	22,243	-3	-639

The **output volume** of the North + West segment reached € 2,558.09 million in the first half of the 2016 financial year, a minus of 7 % versus the high level of the previous year. Declines were registered, among other places, in Germany – the segment's largest market – as well as in Sweden and Poland. The negative development is due to the less favourable weather in the first three months of the year but can also be explained by the relatively high output volume in 2015.

The **revenue** was also down, decreasing by 6 % to € 2,416.75 million. The **earnings before interest and taxes** (EBIT), at € -72.84 million, were 22 % less deep in negative territory as hydraulic engineering projects were no longer burdened as before. The **second quarter** sank by 5 %, while the EBIT moved from negative into positive terrain.

The **order backlog** increased considerably to € 7,253.06 million, gaining 21 % over the comparison value from 30 June 2015. New orders in Germany (+31 %) contributed particularly to this growth. The most important new projects acquired in the German building construction and civil engineering sector during the first half of 2016 include the trivago headquarters in Düsseldorf, worth approx. € 81 million, the Möckernkiez residential project in Berlin-Kreuzberg, and the Offshore Terminal Bremerhaven. At the same time, a number of completed commercial buildings in several German cities were handed over to the clients. New orders were also registered in the transportation infrastructures business, including the contract for track construction and civil engineering structures along the Berlin–Dresden line for Deutsche Bahn for about € 66 million. The year-on-year order backlog also grew in Benelux and in Sweden, but decreased in Denmark.

The number of **employees** in the segment fell by 3 % on the year to 21,604. The reduction of the overall staff numbers is due exclusively to the decline of blue-collar staff in nearly all markets in the segment. Employee levels in Poland, on the other hand, were up in response to the positive order backlog.

A word on the segment **outlook**: In the 2016 financial year, the output volume in the segment North + West is expected to reach the same high level of € 6.4 billion as the year before – an assumption that to a large degree is already covered by existing contracts. The **German building construction and civil engineering** business should continue to contribute positively to both output volume and earnings. The prices for subcontractor services and for construction materials continued to exhibit a moderate upward trend. Bids are currently being calculated for large projects in building construction and civil engineering, with a bid total of about € 2.1 billion.

In **transportation infrastructures**, STRABAG also expects an overall positive outlook for the coming years. The order backlog and the volume of new orders at the end of the second quarter are already considerably above the previous year's figures. In the spring of 2016, the German government had announced substantially increased investments in transportation infrastructures. Investments totalling around € 265 billion are planned for more efficient transport networks until 2030. The number of projects up for tender will grow only slowly over the course of 2016, however, as the public sector has enormously reduced its procurement and planning capacities in the past few years. To expand its market leadership in the German road construction business, STRABAG will also pursue inorganic growth. Effective 1 July 2016, for example, the company took over the approximately 40 employees as well as the real estate and equipment of construction SME Jansen & Berndsen of Oberhausen.

The **Polish construction sector** has been undergoing a significant recovery since the year 2014. The volume of public-sector tenders in 2016 will likely reach about € 4.1 billion this year, comparable to last year's level. As tenders for these projects are only slowly getting underway, STRABAG expects the first projects to be awarded at a relatively low price level. Thanks to the good order backlog, however, the output volume for 2016 has already been secured through existing contracts. Meanwhile, the company is becoming more active in the area of public-sector tenders in the Polish building construction and civil engineering sector. STRABAG is especially hopeful with regard to buildings in the energy sector.

In **Scandinavia**, the countries of Sweden and Denmark continue to make the most significant contributions to the output volume. Here, both the overall economic environment and the market for tunnel and infrastructure projects continue to be stable. New tenders for large infrastructure projects are expected especially in the regions around Stockholm and Copenhagen in the near future, although stronger competitive pressure is expected as well. The economic environment for building construction in Sweden continues to exhibit growth potential, albeit at only stable margins. Due in part to the refugee situation, growth is expected especially in the field of residential construction. In the greater Copenhagen area, the market for offices and shopping centres is also developing very positively. As these projects are usually cooperatively operated project developments, STRABAG has been able to use its teamconcept contract model to attain a positive market acceptance and good possibilities to acquire large projects.

South + East

€ mln.	Q2/2016	Q2/2015	Δ %	Δ absolute	6M/2016	6M/2015	Δ %	Δ absolute
Output volume	1,088.66	1,248.96	-13	-160.30	1,699.36	1,886.78	-10	-187.42
Revenue	1,069.71	1,215.52	-12	-145.81	1,644.43	1,807.58	-9	-163.15
Order backlog					3,630.07	4,140.60	-12	-510.53
EBIT	51.27	85.57	-40	-34.30	7.33	28.08	-74	-20.75
EBIT margin (% of revenue)	4.8	7.0			0.4	1.6		
Employees					17,119	17,515	-2	-396

The **output volume** in the segment South + East fell by 10 % to € 1,699.36 million in the first half of 2016. Most of this decline is accounted for by Hungary, although the output volume in the RANC region (Russia and Neighbouring Countries), which had already been at a low level, also declined once more.

The **revenue** decreased by 9 % to € 1,644.43 million. The **earnings before interest and taxes** (EBIT), at € 7.33 million, also failed to repeat the relatively high level of € 28.08 million that had been reported last year. This, as reported, had been due to aperiodic income from an agreement related to a large construction project following completion. The effect becomes especially clear in the **second quarter**: revenue fell by 12 %, while EBIT, at € 51.27 million after € 85.57 million, was significantly lower.

The **order backlog** also declined substantially in comparison to the previous year, going back 12 % to settle at € 3,630.07 million. Positive contributions came, inter alia, from Austria and Serbia, where STRABAG has been commissioned to build the country's first IKEA store. Considerable declines, however, were registered especially in the RANC region – here due to a cancelled order and reduced order levels in industrial construction – as well as in Slovakia and Romania. The order backlog increased slightly in Switzerland, in part because of the contract to build an office and a production building for Siemens using BIM.5D (Building Information Modelling).

The number of **employees** in the segment remained relatively stable at 17,119 (-2 %). Staff levels fell in line with the lower output volume in the RANC region and in Hungary, while the large order in Serbia helped to create new jobs.

A word on the segment **outlook**: The development of the order backlog confirms the more conservative planning for the year 2016. Overall, the output volume is expected to decline versus the previous year to € 4.3 billion.

While it was possible to raise the order backlog in **Austria**, the largest market in the segment, the price pressure is growing in the very steady building construction sector in the greater Vienna area. Due to the lack of public investments in this area, an improvement of the market for transportation infrastructures is still not in sight despite the great need for renovation work on lower tier roads.

While **Hungary** had still been able to report an unusually high output volume in transportation infrastructures during the previous year, the construction sector had to face declines this year in the double-digit percentage range. A return to attractive figures for STRABAG in the coming years will depend on its success in the bidding for a few large projects.

Large infrastructure projects with EU co-financing are currently still up for tender in **Slovakia**, e.g. highways or projects in the field of waste water and for the automotive industry. The high volume of tenders, however, is leading to an increased scarcity of and higher prices for subcontractor services. Moreover, construction sector competitors are estimating their bidding prices near the limit of profitability. This is also true in the **Czech Republic**: in contrast to Slovakia, however, projects here mostly involve private clients (office and commercial centres).

The **Swiss** construction market remains hotly contested, especially in the building construction business. The price level is very low and – in contrast to the tunnelling sector – no additional large projects are expected for the rest of the year.

Despite isolated growth opportunities, **South East Europe** remains affected by a lower level of tendering activity and, as a result, by more aggressive competition. Bids are being made above all for smaller projects from private clients. In **Romania** and **Bulgaria**, no noteworthy investments can be observed from either private or public clients.

In **Russia**, the same scenario prevails: restrictive loan granting from banks for private investment projects as well as state budget cuts in response to the oil price level. The low market demand will continue to affect the price level for construction services – even if the postponed investments could lead to revived demand in the medium term.

International + Special Divisions

€ mln.	Q2/2016	Q2/2015	Δ %	Δ absolute	6M/2016	6M/2015	Δ %	Δ absolute
Output volume	735.36	822.67	-11	-87.31	1,359.00	1,506.16	-10	-147.16
Revenue	658.94	702.63	-6	-43.69	1,237.85	1,356.36	-9	-118.51
Order backlog					4,525.67	4,676.12	-3	-150.45
EBIT	32.08	17.31	85	14.77	7.13	-2.38	n. a.	9.51
EBIT margin (% of revenue)	4.9	2.5			0.6	-0.2		
Employees					25,710	27,340	-6	-1,630

The **output volume** of the segment International + Special Divisions shrank by 10 % to € 1,359.00 million in the first half of 2016. The decline was especially strong in Italy, with negative growth also reported from the non-European markets.

The **revenue** paints a similar picture, falling back by 9 % to € 1,237.85 million. The **earnings before interest and taxes** (EBIT) turned from a slight negative into a slightly positive figure, due to a number of contrary effects related to various large projects. In the **second quarter**, the revenue fell by 6 %, while the EBIT increased from € 17.31 million to € 32.08 million.

The **order backlog** was down slightly in a year-on-year comparison, slipping by 3 % to € 4,525.67 million. Here, too, the greatest decline was registered in Italy. At the same time, the restrained tendering activity in the Middle East – a result of the low price of oil – almost entirely balanced out the positive effect from a € 400 million plus related to a mine project in Chile.

Influenced by the lower output volume, the number of **employees** in this segment fell considerably during the period under report in the human-resource-intensive regions of the Middle East and Africa. The total number of employees stood at 25,710 (-6 % in comparison to the first half of the previous year).

A word on the segment **outlook**: The segment is expected to generate a slightly declined output volume of € 3.2 billion in the segment in the ongoing 2016 financial year.

Another positive contribution to the earnings – albeit not to the same extent as in the past – is expected to come from the **property and facility services business**. Despite expectations of a considerable revenue reduction from the largest client, new clients such as Vodafone, Huawei and Telefónica have joined the customer base since the end of 2015 and during the first quarter of 2016. This development has helped to compensate for the reduced revenue from the previous client base at least in the ongoing financial year. The medium-range output and earnings will depend, among other things, on the outcome of negotiations to extend the contract with the aforementioned key client.

Clearly positive business has been registered in **real estate development**, which is continuing to contribute very positively to both output volume and earnings. An uninterrupted positive trend could be observed on the German real estate market in the first half of the year. In the project development business, STRABAG is active not only in Germany, but also in Poland, in Romania, and, as of recently, in Luxembourg. Property in top locations is constantly being purchased, developed and sold to the investors – in part even before construction is completed. Demand is present for traditional asset classes such as commercial buildings but also for alternatives such as logistics buildings, nursing homes or student housing. The current project pipeline gives STRABAG reason to be optimistic about the future.

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

The **specialty fields** are also an international business with largely positive development: Pipe jacking is expected to benefit from the growing demand for urban infrastructure especially in the metropolitan areas of South-East Asia. In Singapore, for example, STRABAG has been working on the expansion of the sewer network using this technique. The field of test track construction, thanks to a good market position, also permits the company to issue a positive outlook for 2016. The liquefied natural gas business, however, will be abandoned over the course of the financial year due to the continuing difficult market conditions.

The **construction materials business** exhibits differing trends from country to country. In Slovakia and Hungary, opportunities are in sight with relation to a number of large tenders that are currently in the pipeline in the second half of the year. In Austria, Germany and Poland, on the other hand, the company has to face strong price pressure.

With the beginning of 2016, the group merged its services in the field of **intelligent infrastructure solutions** in the subsidiary STRABAG Infrastructure & Safety Solutions GmbH. The order backlog can be described as extremely satisfactory. Moreover, increased investments are expected in tunnel and transport technology in both Austria and Germany.

Consolidated semi-annual financial statements STRABAG SE, Villach, as at 30 June 2016

Consolidated income statement for 1.1.–30.6.2016

T€	1.4.–30.6.2016	1.4.–30.6.2015	1.1.–30.6.2016	1.1.–30.6.2015
Revenue	3,188,134	3,461,510	5,312,149	5,745,469
Changes in inventories	-8,564	11,102	14,594	-18,369
Own work capitalised	1,293	54	2,881	1,991
Other operating income	49,308	38,260	100,605	92,221
Construction materials, consumables and services used	-2,014,940	-2,322,803	-3,452,122	-3,852,253
Employee benefits expenses	-844,909	-815,580	-1,540,637	-1,520,975
Other operating expenses	-189,594	-216,606	-330,030	-362,373
Share of profit or loss of equity-accounted investments	19,285	18,681	32,137	23,178
Net income from investments	14,456	15,295	17,183	14,935
EBITDA	**214,469**	**189,913**	**156,760**	**123,824**
Depreciation and amortisation expense	-89,850	-99,013	-177,536	-192,248
EBIT	**124,619**	**90,900**	**-20,776**	**-68,424**
Interest and similar income	19,714	15,468	33,657	45,165
Interest expense and similar charges	-16,535	-22,474	-39,372	-44,472
Net interest income	**3,179**	**-7,006**	**-5,715**	**693**
EBT	**127,798**	**83,894**	**-26,491**	**-67,731**
Income tax expense	-30,637	-17,910	-6,479	6,263
Net income	**97,161**	**65,984**	**-32,970**	**-61,468**
Attributable to: non-controlling interests	5,172	5,022	-7,966	-5,962
Attributable to: equity holders of the parent company	91,989	60,962	-25,004	-55,506
Earnings per share (€)	**0.90**	**0.59**	**-0.24**	**-0.54**

Statement of total comprehensive income for 1.1.–30.6.2016

T€	1.4.–30.6.2016	1.4.–30.6.2015	1.1.–30.6.2016	1.1.–30.6.2015
Net income	**97,161**	**65,984**	**-32,970**	**-61,468**
Differences arising from currency translation	-10,068	-5,740	-7,791	31,873
Recycling of differences arising from currency translation	0	-3,578	0	-3,578
Change in hedging reserves including interest rate swaps	-1,080	13,653	-14,375	5,206
Recycling of hedging reserves including interest rate swaps	5,601	5,864	11,187	13,032
Deferred taxes on neutral change in equity	-825	-3,823	727	-3,736
Other income from equity-accounted investments	-251	-3,664	-1,284	-115
Total of items which are later recognised („recycled“) in the income statement	**-6,623**	**2,712**	**-11,536**	**42,682**
Change in actuarial gains or losses	-50,172	0	-50,172	0
Deferred taxes on neutral change in equity	14,418	0	14,418	0
Other income from equity-accounted investments	4	0	129	0
Total of items which are not later recognised („recycled“) in the income statement	**-35,750**	**0**	**-35,625**	**0**
Other income	**-42,373**	**2,712**	**-47,161**	**42,682**
Total comprehensive income	**54,788**	**68,696**	**-80,131**	**-18,786**
Attributable to: non-controlling interests	3,677	3,841	-9,786	-5,123
Attributable to: equity holders of the parent company	51,111	64,855	-70,345	-13,663

Consolidated balance sheet as at 30 June 2016

T€	30.6.2016	31.12.2015
Intangible assets	505,024	510,801
Property, plant and equipment	1,972,640	1,881,520
Investment property	12,640	13,817
Equity-accounted investments	345,643	373,419
Other financial assets	198,328	201,905
Receivables from concession arrangements	690,350	710,248
Trade receivables	73,860	75,089
Income tax receivables	3,899	3,572
Other financial assets	222,059	221,773
Deferred taxes	324,541	291,928
Non-current assets	**4,348,984**	**4,284,072**
Inventories	828,257	801,701
Receivables from concession arrangements	29,981	28,829
Trade receivables	2,571,623	2,317,882
Non-financial assets	79,652	67,579
Income tax receivables	95,541	52,115
Other financial assets	384,571	374,360
Cash and cash equivalents	1,596,374	2,732,330
Assets held for sale	0	70,000
Current assets	**5,585,999**	**6,444,796**
Assets	**9,934,983**	**10,728,868**
Share capital	114,000	114,000
Capital reserves	2,311,384	2,311,384
Retained earnings and other reserves	426,401	613,647
Non-controlling interests	91,225	281,604
Total equity	**2,943,010**	**3,320,635**
Provisions	1,126,058	1,093,379
Financial liabilities[1]	1,254,482	1,293,753
Trade payables	84,047	78,370
Non-financial liabilities	900	900
Other financial liabilities	65,597	16,780
Deferred taxes	35,413	36,064
Non-current liabilities	**2,566,497**	**2,519,246**
Provisions	783,529	774,051
Financial liabilities[2]	230,446	285,994
Trade payables	2,672,424	2,915,939
Non-financial liabilities	302,030	383,753
Income tax liabilities	105,337	187,611
Other financial liabilities	331,710	341,639
Current liabilities	**4,425,476**	**4,888,987**
Equity and liabilities	**9,934,983**	**10,728,868**

1) Thereof T€ 414,219 concerning non-recourse liabilities from concession arrangements (31 December 2015: T€ 439,377)
2) Thereof T€ 49,709 concerning non-recourse liabilities from concession arrangements (31 December 2015: T€ 50,153)

Consolidated cash flow statement for 1.1.–30.6.2016

T€	1.1.–30.6.2016	1.1.–30.6.2015
Net income	-32,970	-61,468
Deferred taxes	-24,021	-37,946
Non-cash effective results from consolidation	-4	-3,781
Non-cash effective results from equity-accounted investments	44,616	10,985
Depreciations/write ups	179,578	206,164
Change in long-term provisions	-13,785	-9,993
Gains/losses on disposal of non-current assets	-28,507	-24,016
Cash flow from earnings	*124,907*	*79,945*
Change in inventories	-25,809	-68,734
Change in trade receivables, construction contracts and consortia	-244,579	-549,655
Change in receivables from subsidiaries and receivables from participation companies	-30,946	-14,130
Change in other assets	-45,117	-11,031
Change in trade payables, construction contracts and consortia	-239,212	367,510
Change in liabilities from subsidiaries and liabilities from participation companies	-6,245	-13,633
Change in other liabilities	-169,291	-99,574
Change in current provisions	12,998	19,235
Cash flow from operating activities	**-623,294**	**-290,067**
Purchase of financial assets	-23,509	-7,729
Purchase of property, plant, equipment and intangible assets	-191,531	-160,487
Gains/losses on disposal of non-current assets	28,507	24,016
Disposals of non-current assets (carrying value)	86,317	35,298
Change in other financing receivables	11,975	-974
Change in scope of consolidation	-72,799	4,327
Cash flow from investing activities	**-161,040**	**-105,549**
Issue of bank borrowings	53,700	69,860
Repayment of bank borrowings	-147,969	-107,685
Issue of bonds	0	200,000
Repayment of bonds	0	-100,000
Repayment of payables relating to finance lease	-359	-401
Change in other financing liabilities	-2,101	5,331
Change in non-controlling interests due to transaction	-180,374	-122
Distribution of dividends	-67,988	-55,125
Cash flow from financing activities	**-345,091**	**11,858**
Net change in cash and cash equivalents	**-1,129,425**	**-383,758**
Cash and cash equivalents at the beginning of the period	2,726,646	1,906,038
Change in cash and cash equivalents due to currency translation	-6,532	14,759
Change in restricted cash and cash equivalents	1,174	386
Cash and cash equivalents at the end of the period	**1,591,863**	**1,537,425**

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
Changes 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[1]	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[2]	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**

Statement of changes in equity for 1.1.–30.6.2015

T€	Share capital	Capital reserves	Retained earnings	Hedging reserves	Foreign currency reserves	Group equity	Non-controlling interests	Total equity
Balance as at 1.1.2015	**114,000**	**2,311,384**	**659,165**	**-112,259**	**-87,578**	**2,884,712**	**259,588**	**3,144,300**
Net income	0	0	-55,506	0	0	-55,506	-5,962	-61,468
Differences arising from currency translation	0	0	0	0	27,712	27,712	583	28,295
Change in hedging reserves	0	0	0	269	0	269	7	276
Changes in equity-accounted investments	0	0	0	-380	268	-112	-3	-115
Neutral change of interest rate swaps	0	0	0	17,649	0	17,649	313	17,962
Deferred taxes on neutral change in equity	0	0	0	-3,675	0	-3,675	-61	-3,736
Total comprehensive income	**0**	**0**	**-55,506**	**13,863**	**27,980**	**-13,663**	**-5,123**	**-18,786**
Transactions concerning non-controlling interests	0	0	-24	0	0	-24	-98	-122
Distribution of dividends[3]	0	0	-51,300	0	0	-51,300	-3,825	-55,125
Balance as at 30.6.2015	**114,000**	**2,311,384**	**552,335**	**-98,396**	**-59,598**	**2,819,725**	**250,542**	**3,070,267**

1) Transactions mainly involve the acquisition of shares of Ed. Züblin AG.
2) The total dividend payment of T€ 66,690 corresponds per share of € 0.65 based on 102,600,000 shares.
3) The total dividend payment of T€ 51,300 corresponds per share of € 0.50 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 2016, 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 2015.

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 are available at www.strabag.com.

Changes in accounting policies

The following amended or new accounting standards are effective for annual periods beginning on or after 1 January 2016.

	Application for financial years which begin on or after (according to IASB)	**Application for financial years which begin on or after (according to EU endorsement)**
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1.7.2014	1.2.2015
Annual Improvements to IFRS 2010–2012	1.7.2014	1.2.2015
Amendments to IFRS 11 Joint Arrangements:	1.1.2016	1.1.2016
Accounting for the acquisition of an interest in a joint operation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible	1.1.2016	1.1.2016
Assets: Acceptable methods of depreciation and amortisation	1.1.2016	1.1.2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41: Bearer Plants	1.1.2016	1.1.2016
Amendments to IAS 27 Separate Financial Statements:	1.1.2016	1.1.2016
Equity method in separate financial statements	1.1.2016	1.1.2016
Amendments to IAS 1 Presentation of Financial Statements	1.1.2016	1.1.2016
Annual Improvements to IFRS 2012–2014	1.1.2016	1.1.2016

The first-time adoption of the aforementioned standards had only minor impact on the semi-annual consolidated financial statements as at 30 June 2016.

Accounting and valuation methods

With exception of the above mentioned changes in the accounting and valuation methods 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 2015.

Information regarding the accounting and valuation methods can be found in the annual financial statements with reporting date 31 December 2015.

Due to the lower capital market interest rates on 30 June 2016, the discount rate used to measure defined benefit obligations in Austria and pension obligations in Germany was reduced to 1.60 % (2015: 2.30). The other parameters remained unchanged.

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 2016 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 2016 as follows:

	Consolidation	**Equity method**
Situation as at 31.12.2015	**257**	**23**
First-time inclusions in year under report	2	2
First-time inclusions in year under report due to merger	2	0
Merger in year under report	-3	0
Exclusions in year under report	0	-1
Situation as at 30.6.2016	**258**	**24**

ADDITIONS TO SCOPE OF CONSOLIDATION

	Direct stake %	**Date of acquisition or foundation**
Consolidation		
DC1 Immo GmbH, Vienna	100.00	26.4.2016
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	100.00	30.6.2016
Merger		
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	100.00	1.1.2016[1)]
DIW System Dienstleistungen Verwaltungs GmbH, Munich	100.00	1.1.2016[1)]
at-equity		
Messe City Köln GmbH & Co. KG, Hamburg	50.00	1.1.2016[2)]
MesseCity Köln Generalunternehmer GmbH & Co. KG, Oststeinbek	50.00	1.1.2016[2)]

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.

2) Due to its increased business volume, the company was included in the scope of consolidation of the group for the first time effective 1 January 2016. The foundation/acquisition of the company occurred before 1 January 2016.

ACQUISITION TECH GATE VIENNA

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

T€	Acquisition TECH GATE VIENNA
Acquired assets and liabilities	
Non-current assets	77,335
Current assets	3,413
Non-current liabilities	-3,508
Current liabilities	-1,306
Purchase price	**75,934**
Acquired cash and cash equivalents	-3,135
Net cash outflow from acquisitions	**72,799**

DISPOSALS FROM THE SCOPE OF CONSOLIDATION

As at 30 June 2016, the following companies were no longer included in the scope of consolidation:

Merger[1)]	
DIW Mechanical Engineering Verwaltungs GmbH, Stuttgart	Merger
DIW System Dienstleistungen Verwaltungs GmbH, Munich	Merger
Rimex Gebäudemanagement GmbH, Ulm	Merger
at-equity	
PARK SERVICE HÜFNER GmbH + Co. KG, Stuttgart	Sale

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 2016 as were used for the consolidated annual financial statements with reporting date 31 December 2015. Details regarding the methods of consolidation and principles of currency translation are available in the 2015 annual report.

1) The companies listed under “Merger” were merged with already consolidated companies.

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.

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.–30.6.2016	1.1.–30.6.2015
Interest income	31,249	32,681
Interest expense	-13,521	-14,786
Net interest income	**17,728**	**17,895**

SHARE OF PROFIT OR LOSS OF EQUITY-ACCOUNTED INVESTMENTS

T€	1.1.–30.6.2016	1.1.–30.6.2015
Income from equity-accounted investments	30,574	5,492
Expenses arising from equity-accounted investments	-33,805	-8,131
Profit from construction consortia	58,825	56,929
Losses from construction consortia	-23,457	-31,112
Share of profit or loss equity-accounted investments	**32,137**	**23,178**

The income from equity-accounted investments in the 2016 financial year includes a non-operative profit from the sale of a shareholding related to the acquisition of the minority interest in subsidiary Ed. Züblin AG in the amount of T€ 27,811.

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 1–6/2016, no goodwill from capital consolidation was capitalised and no impairments were made.

INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT

In 1–6/2016, tangible and intangible assets in the amount of T€ 191,531 (1–6/2015: T€ 160,487) were acquired.

In the same period, tangible and intangible assets and assets held for sale with a book value of T€ 80,388 (1–6/2015: T€ 24,337) were sold.

PURCHASE OBLIGATIONS

On the reporting date, there were T€ 66,686 (30 June 2015: T€ 55,218) 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€ -58,004 (31 December 2015: T€ -53,392) is also recognised as long-term receivables from concession arrangements.

Recognisable receivables from concession arrangements are offset by non-recourse financing in the amount of T€ 463,928 (31 December 2015: T€ 489,530), 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 € 114,000,000 and is divided into 113,999,997 no-par bearer shares and three registered shares.

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

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

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

CONTINGENT LIABILITIES

The company has accepted the following guarantees:

T€	30.6.2016	31.12.2015
Guarantees without financial guarantees	155	155

Furthermore, there is a derived credit risk arising from the financial guarantee contracts (guarantees issued) of T€ 46,714 (31 December 2015: T€ 34,125).

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€	30.6.2016	30.6.2015
Securities	2,970	3,093
Cash on hand	1,727	5,087
Bank deposits	1,591,677	1,546,840
Restricted cash abroad	-4,505	-6,871
Pledge of cash and cash equivalents	-6	-10,724
Cash and cash equivalents	**1,591,863**	**1,537,425**

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

T€	1.1.–30.6.2016	1.1.–30.6.2015
Interest paid	36,865	41,115
Interest received	17,313	19,391
Taxes paid	164,913	46,298

SEGMENT REPORTING

The rules of IFRS 8 Operating Segments apply to the segment reporting. IFRS 8 prescribes defining the segments and reporting the earnings on the basis of the internal reporting (Management Approach).

Internal reporting is based on the dedicated Management Board areas North + West, South + East and International + Special Divisions, which represent also the segments. In addition, there are the central business units and central staff units, 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.

The settlement between the single segments is made at arm's length prices.

Segment reporting for 1.4.–30.6.2016

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**1,566,158**	**1,088,664**	**735,362**	**30,209**		**3,420,393**
Revenue	**1,452,166**	**1,069,702**	**658,933**	**7,333**	**0**	**3,188,134**
Inter-segment revenue	24,431	5,566	55,913	211,551		
EBIT	**6,827**	**51,269**	**32,081**	**584**	**33,858**	**124,619**
Interest and similar income	0	0	0	19,714	0	19,714
Interest expense and similar charges	0	0	0	-16,535	0	-16,535
EBT	**6,827**	**51,269**	**32,081**	**3,763**	**33,858**	**127,798**

Segment reporting for 1.4.–30.6.2015

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**1,632,639**	**1,248,964**	**822,673**	**32,058**		**3,736,334**
Revenue	**1,535,691**	**1,215,522**	**702,638**	**7,659**	**0**	**3,461,510**
Inter-segment revenue	28,849	126	75,261	225,166		
EBIT	**-6,941**	**85,572**	**17,311**	**285**	**-5,327**	**90,900**
Interest and similar income	0	0	0	15,468	0	15,468
Interest expense and similar charges	0	0	0	-22,474	0	-22,474
EBT	**-6,941**	**85,572**	**17,311**	**-6,721**	**-5,327**	**83,894**

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**

Segment reporting for 1.1.–30.6.2015

T€	North + West	South + East	International + Special Divisions	Other	Reconciliation to IFRS financial statements	Group
Output Volume	**2,744,066**	**1,886,784**	**1,506,161**	**67,658**		**6,204,669**
Revenue	**2,568,946**	**1,807,579**	**1,356,363**	**12,581**	**0**	**5,745,469**
Inter-segment revenue	51,187	7,727	96,437	372,140		
EBIT	**-93,646**	**28,080**	**-2,384**	**15**	**-489**	**-68,424**
Interest and similar income	0	0	0	45,165	0	45,165
Interest expense and similar charges	0	0	0	-44,472	0	-44,472
EBT	**-93,646**	**28,080**	**-2,384**	**708**	**-489**	**-67,731**

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

Income and expense in the internal reporting are shown essentially in accordance with IFRS. An exception is income taxes, including those applicable to deferred tax, which are not considered in the internal reporting.

The basis for the internal reporting is formed by all subsidiaries. In the IFRS financial statements, earnings from companies which were not fully consolidated or reported using the equity method are recognised in conformity with dividends, transfer of earnings and/or depreciation and amortisation. For this reason, the internal reporting does not conform with EBIT respectively EBT in the consolidated financial statements in terms of the investment result.

Other minor differences result from entries in other consolidation.

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

T€	1.1.–30.6.2016	1.1.–30.6.2015
Net income from investments	9,840	753
Non-operating profit	27,811	0
Other consolidations	-213	-1,242
Total	**37,438**	**-489**

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€ -1,532,758 on 30 June 2016 (31 December 2015: T€ -1,619,725) compared to the recognised book value of T€ -1,484,928 (31 December 2015: T€ -1,579,747).

The **fair values as at 30 June 2016** for financial instruments were measured as follows:

T€	Level 1	Level 2	Gesamt
ASSETS			
Securities	28,828		28,828
Cash and cash equivalents (securities)	2,970		2,970
Derivatives held for hedging purposes		-57,745	-57,745
Total	**31,798**	**-57,745**	**-25,947**
LIABILITIES			
Derivatives held for hedging purposes		-4,529	-4,529
Total		**-4,529**	**-4,529**

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

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

NOTES ON RELATED PARTIES

Notes on related parties may be found in the 2015 consolidated financial statements. Since 31 December 2015, 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

In August 2016, the group bought the remaining 5.10 % stake in Ed. Züblin AG and now holds 100 % of the shares.

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 2016 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 2016

Management Board

Dr. Thomas Birtel
CEO
Responsibility Central Divisions and Central Staff Divisions (except BRVZ)
as well as Division 3L RANC[1)]

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 RANC)

1) RANC = Russia and Neighbouring Countries

Financial calendar

Interim Report January–September 2016	**30 November 2016**
Disclosure	7:30 a.m.
Investor and analyst conference call	2:00 p.m.
Annual Reprot 2016	**27 April 2017**
Disclosure	7:30 a.m.
Press conference	10:00 a.m.
Investor and analyst conference call	2:00 p.m.
Notice of Annual General Meeting	12 May 2017
Shareholding confirmation record date	30 May 2017
Interim Report January–March 2017	**31 May 2017**
Disclosure	7:30 a.m.
Investor and analyst conference call	2:00 p.m.
Annual General Meeting 2017	**9 June 2017**
Start	10:00 Uhr
Location – to be announced	
Ex-dividend date	16 June 2017
Record date	19 June 2017
Payment date for dividend	20 June 2017
Semi-Annual Report 2017	**31 August 2017**
Disclosure	7:30 a.m.
Investor and analyst conference call	2:00 p.m.
Interim Report January–September	**30 November 2017**
Disclosure	7:30 a.m.
Investor and analyst conference call	2:00 p.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.