Intelligent building ...

Half Yearly Report 2017

PORR

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This is PORR

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Key Data

in EUR m	1–6/2017	1–6/2016	Change
Operating data			
Production output	2,015	1,663	21.2%
Foreign share	54.6%	46.8%	7.8PP
Revenue	1,771	1,509	17.4%
Order backlog	5,700	5,481	4.0%
Order intake	2,911	2,564	13.5%
Average staffing levels	16,589	14,473	14.6%

in EUR m	1–6/2017	1–6/2016	Change
Earnings indicators			
EBITDA	56.9	67.9	-16.1%
EBIT	8.4	28.2	-70.1%
EBT	4.0	21.4	-81.5%
Profit for the period	2.9	16.3	-81.9%
Earnings per share (in EUR)	0.05	0.53	-90.6%

in EUR m	30.6.2017	31.12.2016	Change
Statement of financial position			
Total assets	2,597	2,362	9.9%
Equity (incl. non-controlling interests)	537.1	440.9	21.8%
Equity ratio	20.7%	18.7%	2.0PP
Cash and cash equivalents	144	476	-69.8%
Net debt/net cash	-375	53	> -100.0%
Gearing ratio	0.71	-0.12	> -100.0%
Capital employed	856	331	> -100.0%

in EUR m	1–6/2017	1–6/2016	Change
Cash flow and investments			
Operating cash flow	28	49	-42.6%
Cash flow from operating activities	-339	-186	81.8%
Cash flow from investing activities	-168	-50	> 100.0%
Cash flow from financing activities	172	-72	> -100.0%
Investments	-77	-63	23.0%
Depreciation/amortisation/impairment	-49	-40	22.2%

The figures have been rounded off using the compensated summation method. Absolute changes are calculated from the rounded values, relative changes (in percent) from the non-rounded values.

Foreword by the Executive Board

Dear shareholders and respected business associates,

The year 2017 has been a year of shaping the future at PORR. In recent months opportunities arose to acquire a number of companies, which the Executive Board recognised as a chance to strengthen and complement PORR's core business, following comprehensive analysis. With the takeover of Franki Grundbau and Heijmans Oevermann in Germany, we are pursuing our objective of opening up the infrastructure market in Central and Northern Germany with our own qualified personnel to meet the needs of the permanent business using our own resources and to be able to cover large-scale projects ourselves.

In Austria we laid the cornerstone for the takeover of the longstanding Salzburg company Hinteregger & Söhne Baugesellschaft m.b.H. in May. The company focuses on industrial civil engineering, power plant construction and underground engineering – a good complement to our service range. The group currently employs around 890 people and production output in 2016 was around EUR 220m. Hinteregger will help to further enhance our market position.

An expansion of this kind cannot be purely organic and comes with initial costs. PORR has deliberately decided to undertake these investments in light of long-term considerations, even though this naturally has an impact on earnings. In addition, political turbulence in Qatar has led to an increase in costs because of more complex logistics and procurement processes, whereby all projects are progressing as planned. The earnings guidance has thereby been reduced. As long as frame conditions remain unchanged, the Executive Board expects earnings for the full year to be slightly below the previous year – despite a sharp increase in production output.

On the operating side, PORR managed to increase its production output once again by 21.2% to EUR 2,015m. In the first half the order intake was up by 13.5% year-on-year and stood at EUR 2,911m. On the one hand, the growth in the operating indicators was naturally caused by the acquisitions in the reporting period – the German construction companies Franki Grundbau and Heijmans Oevermann. On the other hand, it was also triggered by organic growth – particularly on our home markets of Germany, Poland and Switzerland, but also in Austria and Qatar. As the newly acquired companies primarily focus on the project business, the growth is not yet fully reflected in the order backlog. This amounted to EUR 5,700m and was up by 4.0% against the previous year. Overall, the PORR order backlog continues to be at a record high.

We are convinced that the medium and long-term benefits of the acquisitions justify the costs. Achieving a significant market position in Germany along with the further strengthening of the core Austrian business corresponds to our strategy of intelligent growth. PORR is in good shape today and is now making itself fit for the future.

Vienna, August 2017

The Executive Board

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

PORR on the Stock Exchange

Positive mood on the international financial markets[1]

The favourable performance in corporate profits, a positive economic backdrop and the ongoing expansive monetary policy led to an overall positive mood on the international stock markets in the first half of 2017. The MSCI World Index climbed by 9.4%, while the MSCI Emerging Markets Index rose by as much as 17.2%. In the USA the robust economic performance and the hope of significant tax cuts by the new administration led to sharp stock rises: compared to the end of 2016, the Dow Jones Industrial rose by 8.0%, while the NASDAQ Composite, which is more closely tied to the general economy, shot up by 16.1%.

Gains in Europe were more modest, with the eurozone index EURO STOXX 50 rising by 4.6%. This weaker performance compared to international indices was due to concerns about interest rate rises by the European Central Bank, as well as additional fears of a decline in the strong export industry as the result of the current strength of the euro.

High growth rates were also seen on the Eastern Europe index CECE – it was up by 17.1%. This was caused by the region's excellent economic situation and its high competitiveness.

Strong performance by the Vienna Stock Exchange[2]

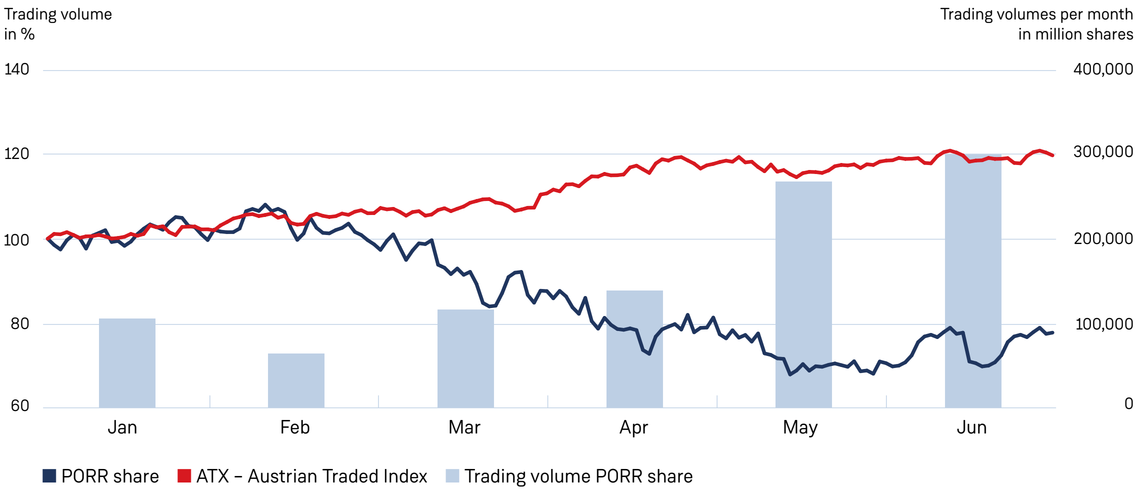
The Vienna Stock Exchange continued to recover in the first two quarters of 2017; growth in the period under review reached 18.6%. It was the first time since the economic crisis of 2008 that a quarter closed with an index of more than 3,000 points. The market capitalisation of the Vienna Stock Exchange most recently stood at EUR 114.3bn.

The economic backdrop has increasingly brought the shares listed on the Vienna Stock Exchange onto the radar of international investors in recent months. This is reflected in a significant increase in turnover to EUR 35.7bn in the first half of 2017, far exceeding the comparable value of the previous year (EUR 28.9bn).

PORR share undergoes price correction in 2017

Following on from a 42.2% price increase in 2016 and a volatile first quarter 2017, the PORR share underwent a sharp price decrease in the second quarter. It started the new year on the stock exchange at EUR 38.27 and reached its half-year high on 20 February at EUR 41.31. A price correction took hold in the second quarter – a counter-reaction to the earlier price rally. The share closed at EUR 27.63 at 30 June 2017. While this was above the comparative value for the previous year (EUR 24.40 on 30 June 2016), it was significantly below the value at year-end 2016. The trading volumes averaged 56,340 per day in the first half-year and thereby doubled against the first half of the previous year. At 30 June 2017 the market capitalisation stood at EUR 665.9m.

Share price and trading volumes of PORR share in the first half of 2017 (index)



[1] Vienna Stock Exchange
[2] ibidem

Broad international shareholder structure

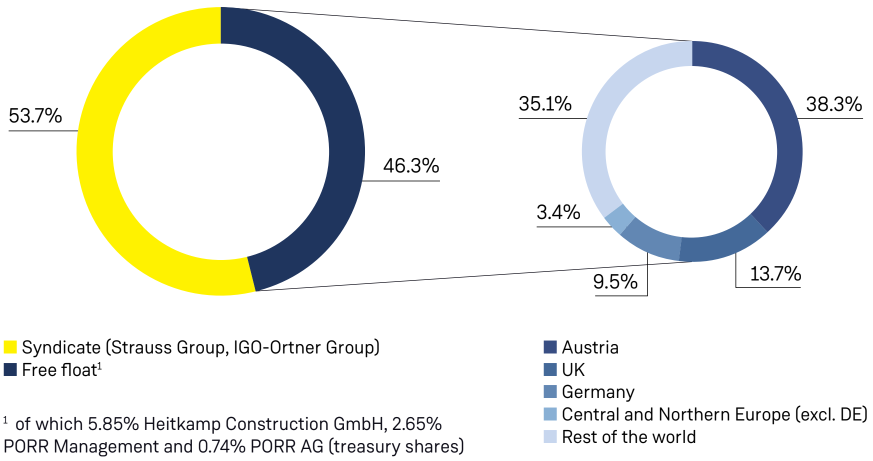
The largest percentage of outstanding shares, totalling 53.7%, is held by the syndicate consisting of the Strauss Group and the IGO-Ortner Group. According to the analysis carried out at the start of 2017, the other shares have a broad international dispersion. The majority of shares are held by institutional investors; in terms of region, the focal points are Austria (38.3%), the UK (13.7%), Germany (9.5%) and the USA (2.4%).

Investor Relations

The goal of investor relations is transparent, timely information, which should allow every stakeholder to make a true and faithful evaluation of the company. In the period under review the management and investor relations team held numerous one-on-one talks with investors and analysts in Europe's largest financial centres and took part in international investment conferences. In addition to these activities, PORR issued comprehensive reports on its business performance as part of the quarterly teleconferences for analysts, institutional investors and banks, as well as at regular press conferences.

The PORR share is currently covered by eight brokers: HSBC, ERSTE Group, Berenberg Bank, Hauck & Aufhäuser, HELVEA Baader Bank, Raiffeisen Centrobank, Kepler Cheuvreux and SRC Research.

PORR AG shareholder structure in August 2017



[1] of which 5.85% Heitkamp Construction GmbH, 2.65% PORR Management and 0.74% PORR AG (treasury shares)

Financial Calendar 2017

30.8.2017	**Publication** Half Yearly Report 2017
30.10.2017	**Interest payment** PORR Corporate Bond 2014/1 (senior bond)
30.10.2017	**Interest payment** PORR Corporate Bond 2014/2 (hybrid bond)
27.11.2017	**Interest payment** PORR Corporate Bond 2013
29.11.2017	**Publication** Interim Report on the 3rd Quarter 2017

Project Highlights

La Tête
Building construction
Düsseldorf . Germany
Construction period:
04/2016–10/2017

Bałtyk Building
Building construction
Poznan . Poland
Construction period:
10/2014–04/2017

Marina Island

Building construction
Prague . Czech Republic
Construction period: 11/2014–12/2017

Europaallee

Building construction
Zurich . Switzerland
Construction period:
03/2015–02/2020

Mur Power Plant
Power plant construction
Graz . Austria
Construction period:
01/2017–02/2020

Demolition of Stellinger Moor Waste Incineration Plant
Waste incineration plant demolition
Hamburg . Germany
Plant demolition:
10/2016–12/2017

Expanding Bekkelaget Wastewater Treatment Plant
Sewage construction
Oslo . Norway
Construction period:
05/2017–03/2021

Obervermunt II
Pumped Storage Power Plant

Power plant construction
Obervermunt . Austria
Construction period:
05/2014–08/2018

Humber Pipeline

Tunnelling
Goxhill . Great Britain
Construction period:
05/2016–01/2020

Filder Tunnel

Tunnelling
Stuttgart . Germany
Construction period:
07/2011–12/2021

Management Report

Economic Environment

Global upswing continues

The upswing in the global economy that has been felt since spring 2016 gathered pace once again in 2017 and has included many emerging economies in South America and Eastern Europe in addition to industrial states.[1] Against this backdrop, the IMF has forecast global economic growth of 3.5% for the full year 2017 (IMF, European Commission, OECD).[2]

Economic growth in the USA accelerated due to rising investments and increased exports. This growth was, however, somewhat offset by a slowdown in consumer spending leading to just a slight expansion in economic output overall. Assuming powerful recovery effects in the second quarter of 2017, GDP growth has been forecast at 2.2% for 2017.[3]

Preliminary flash estimates by Eurostat suggest that GDP in the eurozone rose by 0.6% in the second quarter of 2017 against the preceding quarter. This development was in line with the expectations of economic observers and significantly exceeded the original forecast of almost 0.3%. Compared to the same quarter in the previous year, seasonally-adjusted GDP rose by 2.1% in the second quarter of 2017 and by 1.9% in the preceding quarter.[4]

At the start of 2017 the Austrian economy experienced its strongest growth in six years. With a GDP increase of 0.9% in the second quarter, Austria had one of the highest rates of economic growth in the eurozone.[5] There are multiple reasons for this performance – with powerful drivers from both home and abroad. Dynamic exports, increased corporate investments and stable consumer spending were the key contributing factors here.

In line with the higher economic growth, the budget deficit will be lower this year than in 2016. The impact of the special effects related to the tax reform is also being felt.[6] Economic growth is expected to be positive in the second half of the year and there is also likely to be some relief in the unemployment figures. The good economic performance so far and the ongoing strength of private spending should lead economic growth to reach 2.3% for the full year 2017, a level that exceeds both the European and the American average.[7]

Growth in the construction industry

The recovery of the European economy has also boosted growth in the construction industry. In 2016 construction output grew in Euroconstruct countries by 2.5%, stronger than originally forecast. Growth is expected to reach 2.9% in 2017 and 2.4% in 2018.

In terms of construction sectors, residential construction underwent the sharpest growth in 2016 of 5.0%. Growth is expected to slow somewhat in the coming years with an increase of 3.7% in 2017 and 2.7% in 2018. However, residential construction will remain a growth market due to demographic developments, the increase in household income and low mortgage rates. Following a decrease of 1.8% in 2016, construction output in civil engineering is set to grow by 2.0% this year and by 3.0% in the years 2018 and 2019 respectively. Here the growth rates in Western European countries are around 0.5% below the average, while civil engineering is set to experience strong growth of 10% a year in CEE countries. This is a direct consequence of the new budget framework of the EU Structural Funds.[8]

Production Output

As expected, PORR achieved a significant increase in output in the first half of 2017 that was partly caused by organic growth and partly by M&A activities. Production output reached EUR 2,015m, a sharp increase of EUR 352m or 21.2%. More than EUR 150m of the total came from the new Group subsidiaries. Strong growth was recorded on the home markets of Germany, Poland and Switzerland and, despite its already high level, Austria managed to increase its output by around 3.5%. The purchase of the Hinteregger Group closed after the reporting date of 30 June and is therefore not yet included in the half-year results. Output in the Czech Republic slipped back against the comparable period of the previous year.

Broken down by segment, every operating unit achieved a significant increase in output in the first half of 2017. As a result of the takeovers, Business Unit 2 – Germany achieved the highest growth in production output by some margin; it also achieved organic growth through its focus on building construction. The growth in Business Unit 1 – A/CH/CZ was caused by the positive performance in Austria as well as the very good capacity utilisation in Switzerland – especially in

[1] WIFO Monthly Report, 2017, 90(7), p. 511-524
[2] ÖNB Economic Report / AUSA Berichtsteil_fsr33.pd
[3] WIFO Monthly Report, 2017, 90(7), p. 511-524
[4] Eurostat, press release Euroindicators, 1 August 2017
[5] WIFO press release, 9 August 2017
[6] WIFO Monthly Report, 2017, 90(7), p. 511-524
[7] https://www.bankaustria.at/files/Oesterreich-Konjunktur_01-08-17.pdf
[8] Press release by Euroconstruct http://www.euroconstruct.org/jart/prj3/wifo/main.jart?rel=euroconstruct_en&content-id=1496906589254&reserve-mode=active

building construction. Business Unit 3 – International also saw growth in almost every unit, with overall growth rising significantly by around 19%. Business Unit 4 – Environmental Engineering, Healthcare & Services benefited from the strong output of PORR Umwelttechnik and ALU-SOMMER.

In the first half of 2017 the five home markets once again accounted for around 86% of production output. Austria was the largest market by some margin, responsible for around 45% of production output. The share of total output accounted for by Germany also grew significantly; in the first half of 2017 it reached more than 26%.

Order Balance

The strong growth in production output was once again coupled with a rise in orders at 30 June 2017. The order backlog climbed to EUR 5,700m, an increase of EUR 219m or 4.0%. The rise in the order intake was even more pronounced. At EUR 2,911m it was up against the previous year by EUR 347m or 13.5%. In contrast to production output, the growth in the order backlog was mainly due to the takeovers.

The largest new order in the first half of the year was a major German industrial project for BMW in Munich-Freimann, which will be realised to state-of-the-art BIM and Lean standards together with the client. Other large-scale orders included the new railway line LK 354 Poznań–Piła in Poland and a section of the U5 metro line in Frankfurt. PORR Deutschland GmbH will realise the underground section from Platz der Republik to Emser Bridge. Another major road project was acquired in Slovakia with the D3 Čadca, while in Norway PORR won the tender for the E18 Varodd Bridge, the E18 Rugtvedt-Dørdal and the Bekkelaget sewage plant project near Oslo. The largest new orders in Austria were the Mur power plant consortium Graz and the Mühlgrundgasse residential complex in Vienna. In Switzerland PORR acquired two additional building construction projects at Zurich Central Station, as well as the tender to overhaul the Zentralschweizer Nationalstraße N4 between Zurich and Altdorf. In addition to a range of projects from the newly acquired Group subsidiaries, acquisitions in Germany included the residential project Stresemann Quartier in Hamburg, the residential project Naumannsche Brauerei in Leipzig, the Talbrücke Rothof Bridge on the A7, the office project Sono West in Frankfurt and an additional lot on the Emscher sewer.

Financial Performance

The construction industry traditionally generates lower revenue and consequently lower earnings in the first half of the year due to seasonal factors. The weaker construction output and relatively higher fixed costs in the winter months also have an impact on financial performance.

In the first half of 2017 it was possible to achieve a significant increase in revenue to EUR 1,771.2m, marking a 17.4% rise against the comparable period 2016. While the cost of materials and staff expense rose slightly faster than revenue (18.6%), other related production expenses increased significantly by 19.9%. Expenses for subcontractor services and professionals thereby rose more sharply than expenses related to services rendered by the company's own staff. There was an overall rise of 2.8% in the percentage of revenue accounted for by the cost of materials and other related production services, while staff costs as a percentage of revenue declined slightly (-1.3PP). Projects in Qatar were the main cause of unplanned expenses due to the difficult political situation. Other operating expenses of EUR 160.1m also underwent a disproportionately sharp increase (EUR 24.6m, i.e. up by 18.1% year-on-year). All of the cost items include expenses for Germany, where the rapid expanse in structures has not yet led to adequate output.

This development led to a decline in EBITDA of EUR 11.0m to EUR 56.9m. The increase in depreciation, amortisation and impairment in the first half of 2017 (EUR up by 8.8m to EUR 48.5m) led to a reduction in EBIT as of 30 June 2017 to EUR 8.4m; it was thereby EUR 19.8m below the value of the previous year.

Financing costs were unchanged at EUR 11.4m. At the same time, the higher interest income led to a rise in earnings from current and non-current financial assets of EUR 2.3m to EUR 7.0m, whereby the contribution to earnings from the financing items improved by this EUR 2.3m. Overall, this led to a decline of EUR 17.4m in EBT, which totalled EUR 4.0m, and – with the slight increase in the tax rate of 25.7% (1st half 2016: 24.1%) – to a EUR 13.3m decrease in the profit for the period of EUR 2.9m.

Financial Position and Cash Flows

At 30 June 2017 the Group's total assets amounted to EUR 2,596.5m and were thereby EUR 234.5m higher than on the comparable closing date, 31 December 2016.

Non-current assets increased in the first half of 2017 (EUR +175.8m), primarily because of acquisitions and investments in financial assets, and current assets rose by a total of EUR 58.6m against 31 December 2016, as a result of the reduction in the high levels of cash and cash equivalents due to seasonal factors and acquisitions, and the simultaneous increase in trade receivables for revenue-related reasons. Equity at 30 June 2017 improved significantly against year-end due to the issue of a hybrid bond (EUR +123.8m). There was a contrasting effect from the dividend payout to shareholders and holders of mezzanine capital (EUR -34.7m). At 30 June 2017 equity totalled EUR 537.1m; the equity ratio improved to 20.7% at 30 June 2017 compared to 18.7% at 31 December 2016.

In terms of liabilities, there was an increase in current liabilities in particular, with a rise of EUR 142.2m. This resulted from the expansion of business activities, which led to an increase in both trade payables (EUR +90.8m) and financial liabilities (EUR +99.6m) due to securing short-term financing. The advance payments received have declined (EUR -68.7m) as the result of progress made on construction projects. Non-current liabilities slipped back by EUR -4.0m to EUR 558.7m.

Net debt rose as a result of the reduction in cash and cash equivalents at 30 June 2017 by EUR 428.0m to EUR 374.7m (net cash position at 31 December 2016: EUR 53.3m).

The decrease of EUR -20.8m in operating cash flow, which totalled EUR 28.1m, mainly resulted from the lower earnings for the period in the first half of 2017 as well as the higher, non-cash release of deferred tax provisions. This impact is, however, being partially offset by allocations to current tax provisions in cash flow from operating activities.

Cash flow from operating activities of EUR -338.7m in the first half of 2017 was EUR -152.4m lower than the comparable period in 2016, as more funds were tied up in working capital at 30 June 2017 than on the comparable date of the previous year. Cash flow from investing activities totalled EUR -167.8m and was EUR 117.6m lower than in the same period of the previous year due to the higher cash outflows for acquiring subsidiaries and for current financial investments.

Cash flow from financing activities showed the cash inflow from raising hybrid capital (EUR 123.4m) and taking out credit financing (EUR 98.3m), as well as the outflow from settling loans and borrowings (EUR -15.1m) and dividend payouts (EUR -34.7m).

At 30 June 2017 cash and cash equivalents totalled EUR 143.9m.

Investments

In the first half of 2017 no significant investments were made in tangible assets aside from the usual high investments to replace machinery and construction site equipment and buy new equipment. In recent months PORR has modernised its machinery pool significantly and is thereby very well-equipped for the current and future order backlogs.

Opportunity and Risk Management

Risk management focuses on the areas of project management, lending and borrowing management, procurement, liquidity, currency and interest exchange management, as well as monitoring risks related to markets and the general economy. The main priority of the PORR Group's opportunity and risk management is to implement and monitor processes in order to identify opportunities and risks early on so that the requisite countermeasures can be taken swiftly. In the past year the PORR opportunity and risk management system has been bundled organisationally with Corporate Governance and Compliance and developed into a holistic concept.

Staff

In the first half of 2017 PORR employed 16,589 people on average – an increase of 2,116 people or 14.6%. Here more than 568 staff members, or around 20% of the change, resulted from the corporate acquisitions in Germany. There was also an increase in staffing levels in Qatar in particular, where the workforce is being expanded as planned on the Slab Track Doha Metro project, and through the expansion of activities in Poland.

Forecast

PORR is expanding and consistently implementing its strategy of intelligent growth. In line with this strategy, the growth has been achieved both organically and through the recent corporate acquisitions of Franki Grundbau, Heijmans Oevermann and – after the end of the reporting period – the Hinteregger Group.

The acquisitions make it likely that PORR will achieve its goal of opening up the infrastructure market in Central and Northern Germany with our own qualified personnel. Further acquisitions purely for expansion purposes are thereby not in focus, however, opportunities that may arise to complement the Group's knowhow in special areas will still be examined selectively.

With the takeover of one of the largest domestic competitors, the Hinteregger Group, a unique opportunity also presented itself in Austria in the first half of the year. After comprehensive analysis, the Executive Board ruled in favour of the purchase with a view to the company's medium and long-term success. With its knowhow in the permanent civil engineering business and in special areas such as tunnelling, the Hinteregger Group is an ideal complement to PORR's business in Austria and for complex infrastructure projects.

The integration of the new subsidiaries in Germany and Austria will occupy PORR for the entire year 2017 and lead to a significant increase in production output. In addition, the cushion of orders also continues to rise to record levels.

The Executive Board expects that – despite the sharp increase in production output – earnings for the full year will be slightly below the level of the previous year. The main factors behind this decrease are weaker contributions to earnings in Germany and Qatar. Political turbulence in Qatar has led to an increase in costs because of more complex logistics and procurement processes, whereby all projects are progressing as planned. In Germany the rapid expansion to achieve complete coverage and integration has led to higher costs, as well as higher production costs for subcontractors.

Segment Report

Business Unit 1 – Austria, Switzerland, Czech Republic

Key data

in EUR m	1-6/2017	1-6/2016	Change
Production output	973	887	9.6%
EBT	16.3	16.3	–
Order backlog	1,949	1,982	-1.7%
Order intake	1,257	1,304	-3.6%
Average staffing levels	7,333	7,179	2.1%

The activities on the permanent markets of Austria, Switzerland and the Czech Republic are included in the segment Business Unit 1 – A/CH/CZ (BU 1). It covers building construction and civil engineering, structural engineering, foundation engineering, the raw materials business on these markets and various shareholdings. The focus is on the fields of residential construction, office building, industrial construction and road construction. This segment additionally covers large-scale building construction projects – also those on international markets.

BU 1 managed to achieve a sharp increase in production output in the first half of 2017, whereby the growth came from Austria and Switzerland, as well as large-scale building construction projects. The Czech Republic was the only country where output lagged behind the previous year. BU 1's production output totalled EUR 973m, an increase of EUR 86m or 9.6%. EBT amounted to EUR 16.3m and was thereby at the same high level as the previous year. The order backlog of BU 1 as at 30 June declined slightly, although it remained at a very strong level and continues to be highly satisfactory. The order backlog totalled EUR 1,949m, a decrease of EUR 33m or 1.7%. The order intake declined to EUR 1,257m, a reduction of EUR 47m or 3.6%. As with other areas, the capacity of all of the units in large-scale building construction is fully utilised and therefore new projects are only being pursued very selectively.

BU 1 remains optimistic about the full year 2017 – despite the challenging backdrop in civil engineering. The strong credit standing of both public and private clients in Austria and Switzerland is the basis for economic growth.

Business Unit 2 – Germany

Key data

in EUR m	1-6/2017	1-6/2016	Change
Production output	373	194	92.9%
EBT	-11.1	0.4	> -100.0%
Order backlog	1,234	795	55.2%
Order intake	868	299	> 100.0%
Average staffing levels	1,726	1,013	70.4%

The segment Business Unit 2 – Germany (BU 2) encompasses all of PORR's activities on the home market of Germany – from building construction and civil engineering to foundation and structural engineering – and does justice to the importance of PORR's second largest market. Particular focal points include private building construction, where PORR has established itself as a reliable partner to German industry.

In the first half of 2017, BU 2's development was dominated by the acquisitions concluded, especially those of the pile-engineering specialist Franki Grundbau and the medium-sized company Heijmans Oevermann in Münster. These were complemented by expansion efforts within the business unit itself. BU 2 is set to reach the critical size needed for successful business activities. These developments led the production output of BU 2 to reach EUR 373m in the first half of 2017, an increase of EUR 179m or 92.9%. The rapid expansion to achieve complete coverage, the integration and the higher production costs for subcontractors caused EBT to remain negative; it totalled EUR -11.1m, a reduction of EUR 11.5m. Despite the sharp increase in output, it was also possible to achieve significant growth in the cushion of orders. The order backlog stood at EUR 1,234m, an increase of EUR 439m or 55.2%. The order intake practically tripled to EUR 868m at the end of the reporting period, marking a rise of EUR 569m.

In the coming months PORR will work on consolidating the acquisitions at this high level. Some necessary organisational adjustments will be undertaken here and, on the other hand, the earnings situation will undergo a sustainable improvement.

Business Unit 3 – International

Key data

in EUR m	1–6/2017	1–6/2016	Change
Production output	549	462	18.9%
EBT	-5.2	3.7	–
Order backlog	2,314	2,467	-6.2%
Order intake	636	732	-13.1%
Average staffing levels	4,922	3,935	25.1%

The segment Business Unit 3 – International (BU 3) is home to the project-based business activities in Poland, the Nordic region, Qatar, Slovakia, Romania, Bulgaria, the UK and other future target countries. Added to this are the competencies in tunnelling, railway construction and bridge construction. In Poland and Romania BU 3 is also responsible for building construction and civil engineering, while PORR is additionally active in foundation engineering in Poland.

A sharp increase in production output was also achieved in BU 3 in the first half of 2017. It reached EUR 549m, a rise of EUR 87m or 18.9%. The growth was split across most of the units of BU 3. EBT reached EUR -5.2m, a decrease of EUR 8.9m. In Qatar, political turbulence led to the aforementioned higher costs resulting from more complex logistics and procurement processes; however, all projects are progressing as planned. Working off numerous large-scale projects led to a decline in the order situation – similar to BU 1, but at a very high level. The order backlog totalled EUR 2,314m, a decrease of EUR 153m or 6.2%. The order intake fell to EUR 636m, a reduction of EUR 96m or 13.1%.

The high order backlog means that nearly all of the capacities of BU 3 are fully utilised; new acquisitions are therefore undertaken very selectively with a view to the margins. Nevertheless, the cushion of orders is still significantly higher than a year's production output. BU 3 has a special focus on risk management in order to counter the fluctuations throughout the year that are a common feature of the large-scale project business.

Business Unit 4 – Environmental Engineering, Healthcare & Services

Key data

in EUR m	1–6/2017	1–6/2016	Change
Production output	104	94	11.6%
EBT	1.9	0.9	20.9%
Order backlog	104	147	-29.1%
Order intake	92	159	-42.3%
Average staffing levels	1,467	1,304	12.5%

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

At 30 June 2017 the production output of BU 4 totalled EUR 104m and was thereby up by EUR 10m or 11.6% against the comparable period of the previous year. Key output drivers included PORR Umwelttechnik and ALU-SOMMER, PORR's facade specialists, in particular. It was also possible to increase EBT, which reached EUR 1.9m, a rise of EUR 1.0m or 20.9%. The order backlog declined as the result of the project-driven business of the PPP unit. There was a strong one-effect in the comparable period of the previous year with the acquisition of the PPP motorway project D4/R7 in Slovakia. A similar one-off impact also affected the order intake of ALU-SOMMER in the first quarter, although this has now recovered as planned and become positive. The order backlog reached EUR 104m, a decline of EUR 43m or 29.1%. The one-off effects caused the order intake to fall to EUR 92m, a decrease of EUR 67m or 42.3%.

With its competencies in niche sectors, BU 4 has continued with its highly satisfactory performance. This expands the value chain across a structure's entire lifecycle and serves as an ideal complement to PORR's construction services. Niches such as environmental engineering, project development or additional services such as facades or sewage technology will continue to be expanded consistently in order to be able to exploit opportunities in the design-build and general contractor sector in particular.

… is founded on innovative solutions.

Intelligent building is founded on innovative solutions.
Today's world is digital. This also holds true for the construction business. Analogue technologies are being replaced by tablet and cloud computing, while the entire value chain – from order intake to production and execution – is being digitalised with multifunctional, complete solutions. With Building Information Modeling (BiM), PORR has set the course for the future. Our specialists today are developing 5D solutions and have integrated the dimensions of time and construction site logistics. The result: a conclusive optimisation of all previously commonplace processes.

Interim Consolidated Financial Statements as of 30 June 2017

Consolidated Income Statement

in EUR thousand	1–6/2017	1–6/2016	4–6/2017	4–6/2016
Revenue	1,771,215	1,509,243	1,107,920	910,985
Own work capitalised in non-current assets	1,379	332	397	201
Share of profit/loss of companies accounted for under the equity method	18,618	19,141	12,977	13,839
Other operating income	77,087	58,964	41,219	30,886
Cost of materials and other related production services	-1,183,637	-966,570	-767,747	-588,072
Staff expense	-467,631	-417,673	-274,556	-242,246
Other operating expenses	-160,098	-135,548	-78,346	-70,614
EBITDA	**56,933**	**67,889**	**41,864**	**54,979**
Depreciation. amortisation and impairment expense	-48,517	-39,701	-25,252	-20,947
EBIT	**8,416**	**28,188**	**16,612**	**34,032**
Income from financial investments and other current financial assets	7,001	4,734	4,922	2,046
Finance costs	-11,447	-11,499	-6,543	-4,658
EBT	**3,970**	**21,423**	**14,991**	**31,420**
Income tax expense	-1,019	-5,157	-3,905	-6,963
Profit for the period. total	**2,951**	**16,266**	**11,086**	**24,457**
of which attributable to shareholders of the parent	1,561	15,061	10,312	23,812
of which attributable to holders of profit-participation rights	1,332	1,332	666	666
of which attributable to non-controlling interests	58	-127	108	-21
Basic (diluted) earnings per share, total (in EUR)	**0.05**	**0.53**	**0.35**	**0.85**

Statement of Comprehensive Income

in EUR thousand	1–6/2017	1–6/2016	4–6/2017	4–6/2016
Profit for the period	**2,951**	**16,266**	**11,086**	**24,457**
Other comprehensive income:				
Gains/losses from revaluation of property, plant and equipment	-454	-	-454	-
Remeasurement from defined benefit obligations	4,660	-11,103	4,660	-11,103
Income tax expense/income on other comprehensive income	-1,160	2,863	-1,160	2,863
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**3,046**	**-8,240**	**3,046**	**-8,240**
Exchange differences	-452	-1,436	-1,840	-1,126
Losses/gains from fair value measurement of securities	-101	-125	-98	-153
Losses/gains from cash flow hedges				
in the year under review	174	-813	17	-129
reclassified into profit or loss	-	-	-	-
Income tax expense/income on other comprehensive income	-18	234	20	70
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**-397**	**-2,140**	**-1,901**	**-1,338**
Other comprehensive income	**2,649**	**-10,380**	**1,145**	**-9,578**
Total comprehensive income	**5,600**	**5,886**	**12,231**	**14,879**
of which attributable to non-controlling interests	-53	-130	-37	-36
Share attributable to shareholders of the parent and holders of profit-participation rights	**5,653**	**6,016**	**12,268**	**14,915**
of which attributable to holders of profit-participation rights	1,332	1,332	666	666
Share attributable to shareholders of the parent	**4,321**	**4,684**	**11,602**	**14,249**

Statement of Financial Position

in EUR thousand	30.6.2017	31.12.2016
Assets		
Non-current assets		
Intangible assets	134,783	62,597
Property, plant and equipment	551,010	522,709
Investment property	60,340	43,453
Shareholdings in companies accounted for under the equity method	50,901	43,286
Loans	24,322	23,157
Other financial assets	90,080	89,912
Other non-current financial assets	52,805	7,638
Deferred tax assets	12,888	8,528
	977,129	**801,280**
Current assets		
Inventories	87,564	73,274
Trade receivables	1,266,881	930,029
Other financial assets	105,134	70,999
Other receivables and current assets	11,008	6,019
Cash and cash equivalents	143,923	476,430
Assets held for sale	4,869	4,024
	1,619,379	**1,560,775**
Total assets	**2,596,508**	**2,362,055**

Equity and liabilities		
Equity		
Share capital	29,095	29,095
Capital reserves	251,287	251,287
Hybrid capital	152,725	25,303
Other reserves	58,630	89,335
Equity attributable to shareholders of parent	**491,737**	**395,020**
Equity from profit-participation rights	41,317	42,624
Non-controlling interests	4,064	3,228
	537,118	**440,872**
Non-current liabilities		
Bonds and Schuldscheindarlehen	300,969	300,662
Provisions	141,805	134,455
Non-current financial liabilities	74,038	78,463
Other non-current financial liabilities	5,721	3,176
Deferred tax liabilities	36,180	45,947
	558,713	**562,703**
Current liabilities		
Provisions	125,302	120,058
Current financial liabilities	143,589	43,993
Trade payables	876,386	785,630
Other current financial liabilities	23,167	19,232
Other current liabilities	294,596	368,933
Tax payables	37,637	20,634
	1,500,677	**1,358,480**
Total equity and liabilities	**2,596,508**	**2,362,055**

Consolidated Cash Flow Statement

in EUR thousand	1–6/2017	1–6/2016
Profit for the period	2,951	16,266
Depreciation, amortisation, impairment and reversals of impairment on fixed assets and financial assets	48,529	39,714
Interest income/expense	3,756	6,335
Income from companies accounted for under the equity method	-7,681	-2,757
Dividends from companies accounted for under the equity method	1,146	1,741
Losses/profits from the disposal of fixed assets	-5,835	-6,946
Decrease in long-term provisions	-2,166	-975
Deferred income tax	-12,617	-4,465
Operating cash flow	**28,083**	**48,913**
Decrease/increase in short-term provisions	-25,464	6,382
Increase in tax provisions	12,790	7,765
Increase in inventories	-9,663	-6,629
Increase in receivables	-303,649	-145,938
Decrease in payables (excluding banks)	-40,866	-101,447
Interest received	9,478	7,549
Interest paid	-4,930	-5,634
Other non-cash transactions	-4,505	2,718
Cash flow from operating activities	**-338,726**	**-186,321**
Proceeds from the disposal of intangible assets	27	6
Proceeds from sale of property, plant and equipment and disposal of investment property	13,738	13,870
Proceeds from sale of financial assets	2	387
Proceeds from repayment of loans	66	71
Investments in intangible assets	-5,588	-1,162
Investments in property, plant and equipment and investment property	-70,723	-48,113
Investments in financial assets	-129	-12,636
Investments in loans	-382	-557
Payouts for financial investments	-45,000	-
Proceeds from the sale of consolidated companies	-	468
Payouts for the purchase of subsidiaries less cash and cash equ.	-59,827	-2,566
Cash flow from investing activities	**-167,816**	**-50,232**
Dividends	-34,430	-45,949
Payouts to non-controlling interests	-293	-330
Proceeds from scrip dividend	-	10,230
Capital increase	123,412	-
Repayment of loans	-	-3,081
Obtaining loans and other financing	98,342	5,766
Repayment of loans and other financing	-15,123	-38,717
Cash flow from financing activities	**171,908**	**-72,081**
Cash flow from operating activities	**-338,726**	**-186,321**
Cash flow from investing activities	**-167,816**	**-50,232**
Cash flow from financing activities	**171,908**	**-72,081**
Change to cash and cash equivalents	**-334,634**	**-308,634**
Cash and cash equivalents at 1 January	476,430	647,243
Currency translation differences	2,127	-2,460
Cash and cash equivalents at 30 June	**143,923**	**336,149**
Taxes paid	783	1,709

Segment Report[1]

in EUR thousand	BU 1 – A/CH/CZ	BU 2 – Germany	BU 3 – International	BU 4 – Environmental Engineering, Healthcare & Services	Holding	Group
1-6/2017						
Production output (Group)	972,527	373,013	549,474	104,304	15,519	2,014,837
Segment revenue (revenue, own work capitalised in non-current assets and other operating income)	924,546	355,154	477,515	78,574	13,892	1,849,681
Intersegmental revenue	14,848	5,453	7,973	5,472	63,355	
EBT (EBT (Segment Earnings Before Tax))	16,328	-11,074	-5,238	1,880	2,074	3,970

[1] Part of the notes

Statement of Changes in Group Equity

in EUR thousand	Share capital	Capital reserves	Revaluation reserve	Remeasurement from defined benefit obligations	Currency translation reserve
Balance at 1 January 2016	**29,095**	**249,014**	**13,417**	**-25,540**	**3,190**
Total profit/loss for the period	-	-	-	-	-
Other comprehensive income	-	-	-545	-8,240	-1,635
Total comprehensive income	**-**	**-**	**-545**	**-8,240**	**-1,635**
Dividend payout	-	-	-	-	-
Proceeds from dividend-in-kind treasury shares	-	-	-	-	-
Income tax on interest for holders of hybrid/ mezzanine capital	-	-	-	-	-
Changes to the consolidated group/acquisition of non-controlling interests	-	-	-	-	-
Balance at 30 June 2016	**29,095**	**249,014**	**12,872**	**-33,780**	**1,555**
Balance at 1 January 2017	**29,095**	**251,287**	**12,767**	**-30,767**	**2,156**
Total profit/loss for the period	-	-	-	-	-
Other comprehensive income	-	-	-336	3,499	-642
Total comprehensive income	**-**	**-**	**-336**	**3,499**	**-642**
Dividend payout	-	-	-	-	-
Hybrid capital	-	-	-	-	-
Income tax on interest for holders of hybrid/ mezzanine capital	-	-	-	-	-
Changes to the consolidated group/acquisition of non-controlling interests	-	-	-	-	-
Balance at 30 June 2017	**29,095**	**251,287**	**12,431**	**-27,268**	**1,514**

in EUR thousand	BU 1 – A/CH/CZ	BU 2 – Germany	BU 3 – International	BU 4 – Environmental Engineering, Healthcare & Services	Holding	Group
1-6/2016						
Production output (Group)	887,358	193,377	462,211	93,472	26,371	1,662,789
Segment revenue (revenue, own work capitalised in non-current assets and other operating income)	849,431	208,586	439,553	53,105	17,864	1,568,539
Intersegmental revenue	32,697	7,136	5,803	8,389	73,166	
EBT (EBT (Segment Earnings Before Tax))	16,322	440	3,653	851	157	21,423

Available-for-sale securities reserve: fair value reserve	Reserve for cash flow hedges	Hybrid capital	Retained earnings and non-retained profit	Equity attributable to equity holders of the parent	Profit-participation rights	Non-controlling interests	Total
-645	**-806**	**25,303**	**76,080**	**369,108**	**43,160**	**-150**	**412,118**
-	-	844	14,217	**15,061**	1,332	-127	**16,266**
-94	-610	-	747	**-10,377**	-	-3	**-10,380**
-94	**-610**	**844**	**14,964**	**4,684**	**1,332**	**-130**	**5,886**
-	-	-	-42,749	**-42,749**	-3,200	-330	**-46,279**
-	-	-	10,230	**10,230**	-	-	**10,230**
-	-	-	544	**544**	-	-	**544**
-	-	-	53	**53**	-	-63	**-10**
-739	**-1,416**	**26,147**	**59,122**	**341,870**	**41,292**	**-673**	**382,489**
-272	**-655**	**25,303**	**106,106**	**395,020**	**42,624**	**3,228**	**440,872**
-	-	3,613	-2,052	**1,561**	1,332	58	**2,951**
-76	131	-	184	**2,760**	-	-111	**2,649**
-76	**131**	**3,613**	**-1,868**	**4,321**	**1,332**	**-53**	**5,600**
-	-	-	-31,791	**-31,791**	-2,639	-293	**-34,723**
-	-	123,809	-	**123,809**	-	-	**123,809**
-	-	-	333	**333**	-	-	**333**
-	-	-	45	**45**	-	1,182	**1,227**
-348	**-524**	**152,725**	**72,825**	**491,737**	**41,317**	**4,064**	**537,118**

Notes to the Interim Consolidated Financial Statements as at 30 June 2017

1. General Information

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

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

In accordance with IAS 34, the interim consolidated financial statements do not contain every comprehensive entry which is obligatory in the annual financial statements and therefore this interim report should be read in conjunction with the annual report of the PORR Group as at 31 December 2016. As per IAS 34, the consolidated results of the interim consolidated financial statements are not necessarily indicative of the annual results.

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

2. Consolidated Group and Acquisitions

The following 17 companies were consolidated for the first time in these interim financial statements:

Because of acquisitions	Date of initial consolidation
Franki Group:	
Porr Franki GmbH & Co. KG	17.1.2017
Franki Grundbau Verwaltungs GmbH	17.1.2017
Franki Grundbau GmbH & Co. KG	17.1.2017
VIT Verbau- und Injektionstechnik GmbH	17.1.2017
ISG Ingenieurservice Grundbau GmbH	17.1.2017
HUT Umwelttechnik GmbH	17.1.2017
Unterstützungskasse Franki Grundbau GmbH	17.1.2017
Sabimo Monte Laa Bauplatz 2 GmbH	24.3.2017
Oevermann Group:	
PORR Oevermann GmbH	21.4.2017
Oevermann Verkehrswegebau GmbH	21.4.2017
Oevermann Hochbau GmbH	21.4.2017
Oevermann Ingenieurbau GmbH	21.4.2017
CMG Gesellschaft für Baulogistik GmbH	21.4.2017
BB Government Group:	
baikap Holding 180812 GmbH	16.5.2017
BB Government Services GmbH	16.5.2017
BB GOVERNMENT SERVICES SRL	16.5.2017
ISHAP Personaldokumentations GmbH	7.6.2017

One company was liquidated; one company was deconsolidated through a Group-internal transfer in the form of a merger. The assets and liabilities over which control was lost are not significant.

The purchase of Sabimo Monte Laa Bauplatz 2 GmbH involves the purchase of a property and its financing, which does not represent a business combination under IFRS 3. This involves a transaction with related parties.

TEUR 7,400 was used to purchase a 100% stake in Porr Franki GmbH & Co. KG and its subsidiaries (Franki Group). The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2017
Non-current assets	
Intangible assets	4,971
Property, plant and equipment	11,732
Interests in associated companies	375
Loans	700
Deferred tax assets	1,004
Current assets	
Inventories	2,724
Trade receivables	17,976
Other current financial assets	1,608
Other receivables and assets	657
Cash and cash equivalents	1,356
Non-current liabilities	
Provisions	-10,900
Deferred tax liabilities	-1,024
Current liabilities	
Provisions	-145
Trade payables	-11,488
Other current financial liabilities	-10,691
Other current liabilities	-1,203
Tax payables	-252
Purchase price	**7,400**

TEUR 60,100 was used to purchase a 100% stake in PORR Oevermann GmbH and its subsidiaries (Oevermann Group). The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2017
Non-current assets	
Intangible assets	44,334
Property, plant and equipment	2,867
Interests in associated companies	592
Loans	2
Other financial assets	186
Deferred tax assets	4,303
Current assets	
Inventories	1,902
Trade receivables	45,824
Other current financial assets	3,424
Other receivables and assets	622
Cash and cash equivalents	14,223
Non-current liabilities	
Provisions	-1,054
Current liabilities	
Provisions	-29,803
Trade payables	-18,590
Other current financial liabilities	-179
Other current liabilities	-4,811
Tax payables	-3,742
Purchase price	**60,100**

TEUR 13,000 was used to purchase a 100% stake in baikap Holding 180812 GmbH and its subsidiaries (BB Government Group). The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2017
Non-current assets	
Intangible assets	13,176
Property, plant and equipment	64
Loans	116
Deferred tax assets	88
Current assets	
Trade receivables	3,686
Other current financial assets	459
Other receivables and assets	508
Cash and cash equivalents	7,359
Non-current liabilities	
Provisions	-65
Current liabilities	
Provisions	-760
Trade payables	-9,504
Other current financial liabilities	-344
Other current liabilities	-945
Tax payables	-838
Purchase price	**13,000**

A total of TEUR 2,500 was used to purchase an 80% stake in ISHAP Personaldokumentations GmbH. Furthermore, there is an earn-out clause that is dependent on adhering to the budget over the next five years. In the course of determining the purchase price, this was valued at TEUR 2,500, as the Group assumes that the budget will be adhered to. The earn-out has a maximum cap of TEUR 2,500, a floor of TEUR 0 and is due on 31 January 2022. The purchase price was provisionally allocated to the Group's liabilities and assets as follows:

in EUR thousand	2017
Non-current assets	
Intangible assets	7,481
Property, plant and equipment	110
Interests in associated companies	220
Other financial assets	15
Current assets	
Trade receivables	255
Other current financial assets	15
Cash and cash equivalents	237
Non-current liabilities	
Deferred tax payables	-1,850
Current liabilities	
Financial liabilities	-67
Trade payables	-22
Other current financial liabilities	-23
Other current liabilities	-73
Tax payables	-48
Non-controlling interests	**-1,250**
Purchase price	**5,000**

The acquisition led to the recognition of goodwill as the purchase price includes the benefits from synergic effects. The initial consolidation of the company contributed TEUR 3,480 to earnings before taxes for the period and TEUR 82,096 to revenue.

Regarding the acquisition of Altlastensanierung und Abraumdeponie Langes Feld Gesellschaft m.b.H. concluded in the 2016 business year, the purchase price allocation was finalised in the current business year, whereby an additional provision and mining rights totalling TEUR 1,591 were identified.

A total of 45 (previous year: 43) domestic and 24 (previous year: 23) foreign associates and joint ventures were valued under the equity method.

3. Accounting and Valuation Methods

The accounting and valuation methods applied in the consolidated financial statements of 31 December 2016, which are presented in the notes to the consolidated annual financial statements, were used, unmodified, in the interim report.

The following standards and interpretations have been published in the period between 31 December 2016 and the preparation of these interim consolidated financial statements and do not yet need to be applied compulsorily nor have they been adopted into EU law:

	Effective date in acc. with IASB
IFRIC 23	1.1.2019
IFRS 17	1.1.2021

The interim consolidated financial statements at 30 June 2017 use the same consolidation methods and basis for currency exchange as were used in the annual financial statements at 31 December 2016.

4. Estimates and Assumptions

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

5. Seasonal Influence

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

6. Earnings per Share

in EUR thousand	1-6/2017	1-6/2016
Proportion of deficit/surplus for the period relating to shareholders of parent	1,561	15,061
Weighted average number of issued shares	28,878,505	28,518,326
Basic earnings per share = diluted earnings per share, in EUR	**0.05**	**0.53**

7. Share Capital

Share capital	No. 2017	EUR 2017	No. 2016	EUR 2016
Ordinary bearer shares	29,095,000	29,095,000	29,095,000	29,095,000
Total share capital	**29,095,000**	**29,095,000**	**29,095,000**	**29,095,000**

As proposed by the Executive Board and the Supervisory Board, the Annual General Meeting of PORR AG passed a resolution on 24 May 2017 to pay out a dividend of EUR 1.10 per share entitled to dividends as a result of the earnings for the business year 2016.

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

Hybrid capital

In early February 2017 a hybrid bond of TEUR 125,000 was issued with a coupon of 5.5%. The bond is a perpetual bond, although PORR has right to pay back the bond issue in full after five years. Should the bond not be redeemed, the coupon will increase to the five-year swap rate plus 10.312%. The bond fulfils all of the IFRS conditions to be recognised in equity.

8. Financial Instruments

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

in EUR thousand	Measurement category	Carrying amount at 31 Dec. 2016	(Continuing) acquisition costs	Fair value other com-prehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 31 Dec. 2016
Assets							
Loans	LaR	24,404	24,404				
Other financial assets[1]	AfS (at cost)	4,764	4,764				
Other financial assets	AfS	10,738		10,738		Level 1	10,738
Other financial assets	AfS	74,578		74,578		Level 3	74,578
Trade receivables	LaR	1,266,881	1,266,881				
Other financial assets	LaR	152,530	152,530				
Derivatives (without hedges)	FAHfT	5,326			5,326	Level 2	5,326
Cash and cash equivalents		143,922	143,922				
Liabilities							
Bonds							
at fixed interest rates	FLAC	101,670	101,670			Level 1	108,709
Schuldscheindarlehen							
at fixed interest rates	FLAC	74,747	74,747			Level 3	76,236
at variable interest rates	FLAC	124,552	124,552				
Deposits from banks							
at fixed interest rates	FLAC	112,243	112,243			Level 3	112,741
at variable interest rates	FLAC	23,658	23,658				
Lease obligations[2]		80,579	80,579				
Trade payables	FLAC	876,386	876,386				
Other financial liabilities	FLAC	28,888	28,888				
Derivatives (without hedges)	FLHfT	77			77	Level 2	77
Derivatives (with hedges)		1,070		1,070		Level 2	1,070
by category:							
Loans and receivables	LaR	1,443,815	1,443,815				
Cash and cash equivalents		143,922	143,922				
Available-for-sale financial assets[1]	AfS (at cost)	4,764	4,764				
Available-for-sale financial assets	AfS	85,316		85,316			
Financial assets held for trading	FAHfT	5,326			5,326		
Financial liabilities held for trading	FLHfT	77			77		
Derivative liabilities (with hedges)		1,070		1,070			
Financial liabilities measured at amor-tised cost	FLAC	1,342,144	1,342,144				

[1] These are related to Group shareholdings, predominantly shares in GmbHs, whose fair value cannot be reliably measured and for which there is no active market so that they are measured at acquisition cost less possible impairment. There are currently no concrete plans to sell.
[2] Lease obligations fall under the application of IAS 17 and IFRS 7.

in EUR thousand	Measurement category	Carrying amount at 31 Dec. 2016	(Continuing) acquisition costs	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value at 31 Dec. 2016
Assets							
Loans	LaR	23,254	23,254				
Other financial assets[1]	AfS (at cost)	4,495	4,495				
Other financial assets	AfS	10,690		10,690		Level 1	10,690
Other financial assets	AfS	74,727		74,727		Level 3	74,727
Trade receivables	LaR	930,029	930,029				
Other financial assets	LaR	78,517	78,517				
Derivatives (without hedges)	FAHfT	23			23	Level 2	23
Cash and cash equivalents		476,430	476,430				
Liabilities							
Bonds							
at fixed interest rates	FLAC	101,461	101,461			Level 1	109,648
Schuldscheindarlehen							
at fixed interest rates	FLAC	74,697	74,697			Level 3	75,915
at variable interest rates	FLAC	124,504	124,504				
Deposits from banks							
at fixed interest rates	FLAC	17,250	17,250			Level 3	17,611
at variable interest rates	FLAC	21,648	21,648				
Lease obligations[2]		81,851	81,851				
Trade payables	FLAC	785,630	785,630				
Other financial liabilities	FLAC	22,408	22,408				
Derivatives (without hedges)	FLHfT	463			463	Level 2	463
Derivatives (with hedges)		1,244		1,244		Level 2	1,244
by category:							
Loans and receivables	LaR	1,031,800	1,031,800				
Cash and cash equivalents		476,430	476,430				
Available-for-sale financial assets[1]	AfS (at cost)	4,495	4,495				
Available-for-sale financial assets	AfS	85,417		85,417			
Financial assets held for trading	FAHfT	23			23		
Financial liabilities held for trading	FLHfT	463			463		
Derivative liabilities (with hedges)		1,244		1,244			
Financial liabilities measured at amortised cost	FLAC	1,147,598	1,147,598				

[1] These are related to Group shareholdings, predominantly shares in GmbHs, whose fair value cannot be reliably measured and for which there is no active market so that they are measured at acquisition cost less possible impairment. There are currently no concrete plans to sell.
[2] Lease obligations fall under the application of IAS 17 and IFRS 7.

Details on fair value financial instruments level 3:

For the valuation of the mezzanine capital of TEUR 50,000 and the hybrid capital of TEUR 25,330 for UBM Development AG, the following input factors (pricing criteria) were applied:
- Mid swap
- Credit spread UBM bond (Z-spread)
- Hybrid spread

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

As a second step, the current pricing and contractually agreed coupon were compared, thereby determining the necessary surcharges/discounts.
- If the current market pricing is higher than the contractually agreed coupon, then a discount is applied to the nominal amount.
- If the current market pricing is lower than the contractually agreed coupon, then a surcharge is applied to the nominal amount.

This resulted in the following valuation as at 30 June 2017:

	Mid swap	Credit spread	Hybrid spread	Hybrid coupon in %
Balance at 30 June 2016	28	375	330	7.33

in EUR thousand	Hybrid coupon in %	Nominal amount	Change in value	Fair value
Mezzanine capital	6.5	50,000	-415	49,585
Hybrid capital	6.0	25,330	-337	24,993

Sensitivities and interrelationships

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

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

9. Related Party Disclosures

There have been no significant changes in relationships between related companies, or any resultant obligations or guarantees, since 31 December 2016.

Transactions in the business year between companies included in the PORR Group's consolidated financial statements and the UBM Group companies primarily relate to construction services. In connection with the development of a property, the main tenant, PORR AG, provided the developer, STRAUSS & PARTNER Development GmbH, with prefinancing of TEUR 45,000 which has a term ending in 2019. Furthermore, interest for the mezzanine capital and hybrid capital of TEUR 4,770 was paid to PORR AG in the business year 2017.

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

10. Audit Disclosure

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

11. Events after the End of the Reporting Period

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

On 21 July 2017 transfer agreements were signed for the takeover of the Hinteregger Group. The provisional purchase price amounts to around TEUR 29,800. Closing of the transaction is subject to further conditions that have not yet been fully met. Closing is therefore likely to take place in the third quarter.

Vienna, 30 August 2017

The Executive Board
Karl-Heinz Strauss
Christian B. Maier
J. Johannes Wenkenbach

Responsibility Statement

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

30 August 2017, Vienna

Karl-Heinz Strauss, MBA
Chief Executive Officer

Christian B. Maier
Executive Board Member

J. Johannes Wenkenbach
Executive Board Member

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

Disclaimer

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

The figures have been rounded off using the compensated summation method. Absolute changes are calculated from the rounded values, relative changes (in percent) from the non-rounded values.

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

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

Every care has been taken to ensure that all information contained in every part of this Half Yearly Report is accurate and complete. We regret that we cannot rule out possible round-off, typesetting and printing errors.

This report is a translation into English of the Half Yearly Report issued in the German language and is provided solely for the convenience of English-speaking users. In the event of a discrepancy or translation error, the German-language version prevails.

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