# THE PORR HALF YEARLY REPORT FOR THE YEAR 2011

BUILDING THE FUTURE

MORE DYNAMIC

# KEY DATA FOR THE PORR GROUP

| in EUR million | 1 H 2011 | 1 H 2010 |
| --- | --- | --- |
| **Operating data** | | |
| Production output | 1,290.6 | 1,200.3 |
| of which domestic | 795.3 | 753.3 |
| of which foreign | 495.3 | 447.0 |
| Foreign share of total output in % | 38.4 | 37.2 |
| Order backlog | 2,341.1 | 2,594.1 |
| for the remainder of the current year | 1,180.3 | 1,307.2 |
| for the following years | 1,160.8 | 1,286.9 |
| Order bookings | 1,182.7 | 1,110.5 |
| of which domestic | 784.6 | 788.6 |
| of which foreign | 398.1 | 321.9 |
| Average staffing levels | 11,099 | 11,219 |
| **Income statement** | | |
| Revenue | 984.4 | 955.3 |
| EBIT | 10.5 | 6.9 |
| EBT | -7.0 | -7.8 |
| Interim profit/loss | -6.7 | -5.6 |
| Earnings per share (in EUR) | -4.39 | -3.34 |

# CONTENTS

We build for people. As a large, international construction group we are well aware of our ongoing responsibility towards society, the environment and the economy. Whether it's residential construction or innovative infrastructure solutions – we improve the surroundings and enhance quality of life. More than 140 years of experience have made us strong. Today we realise complex construction projects at the highest level and with the very latest technology. For our clients we guarantee the greatest profitability for their projects, while our shareholders are assured of sustainable earnings.

# FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders and
respected business associates,

The first half of 2011 was once again marred by massive turbulence on the financial markets. Grave issues which shook the global economy such as the downgrading of the USA's rating or the significant slowdown in economic growth had lasting consequences on the markets and on the capital markets. PORR succeeded in maintaining a steady course in this complex environment. In the first six months the company generated production output of EUR 1,290.6m, representing a 7.5% increase against the same period in the previous year. The order books are also well filled with EUR 2,341.1m, despite a slight y-o-y decrease; almost all capacity is fully utilised for the current year. Order bookings rose to EUR 1,182.7m, an increase of 6.5%.

These results should not allow us to forget that the construction industry has been experiencing renewed difficulties in the period under review. The widespread debt crisis is having a visible impact on the spending of public construction clients, both in the home markets Austria, Germany, Switzerland and Poland, and especially in our core markets in Eastern and South-Eastern Europe. The CEE/SEE region is still in the grip of the crisis and there is no genuine recovery in sight.

PORR's strategic approach to tackling the difficult backdrop has been to implement a comprehensive reorganisation process. This has already proven a success in the first half year and further measures will take effect in the second half. Two acquisitions from recent weeks have been particularly pleasing: Deutsche Bahn awarded the Group two major orders including the »Stuttgart 21« project, the largest ever tunnelling order in PORR's 140-year history.

The operating company Porr Bau GmbH is at the heart of the reorganisation and comes under the strategic umbrella of Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft. Streamlined structures and efficiency and flexibility in daily business guarantee the permanent business in building construction and civil engineering, which is divided into two regions, along with the sectors »Infrastructure« and »International«. Other important steps in this process include the finalisation of the complete takeover of TEERAG-ASDAG AG in recent months, as well as the incorporation of Strauss & Partner into the Development sector.

The Executive Board
August 31st 2011, Vienna

Karl-Heinz Strauss
CEO

Rudolf Krumpeck
Executive Board Member

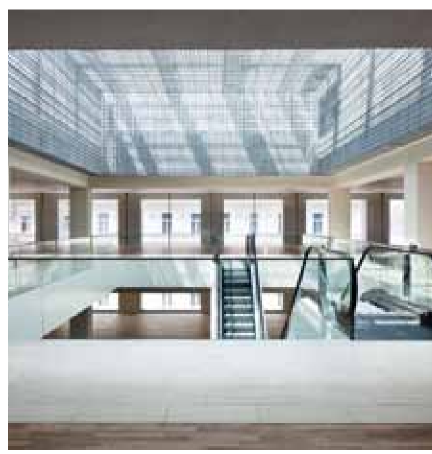
Peter Weber
Executive Board Member

# SPECTACULAR

## Uniopt-Pachleitner Headquarters

PORR fulfilled the role of general contractor on the construction of the architecturally impressive headquarters of the Uniopt-Pachleitner Group, an international lifestyle company based in Graz.

The Uniopt-Pachleitner Headquarters has set new standards in the urban setting of Graz and has made an unforgettable new addition to the city. The office building, also known as the »black panther«, resembles an architectural sculpture and provides a new twist to the Liebenauer bypass.



# SHOPPING TEMPLE

## Peek & Cloppenburg

Prominently positioned on Vienna's central shopping street, Kärntner Straße, one finds the newly built »global department store«. The building boasts more than 11,000m² retail space over six floors and brings together countless fashion brands under one roof. PORR as general contractor was responsible for the new construction, which stands out from its surroundings with its light facade clad with Danube limestone along with large windows.

## MULTIFACETED
### Galerie Harfa shopping centre

The Prague shopping centre with 42,000m² of retail space across three floors is directly connected to the multifunctional O2 Arena. Visitors can also access a children's play area, ice rink and multimedia entertainment facilities on the roof garden via the food court. The second construction phase will involve two ten-storey office buildings to complement the project.

## LIVING SPACE
### Angel Wings residential complex

The first construction phase of the newly created city quarter in Wroclaw, Poland, is this residential complex, offering space for 348 apartments with terraces, balconies and a three-storey underground car park.

When industrial architecture of the previous century meets modern construction elements, the result is a modern office building created from a heritage-protected flour mill after painstaking reconstruction.

## **NEW** FROM OLD
### Vltava Park-Classic 7 office building

The two Holosevice flour mill buildings were built at the beginning of the 20th century in Prague and have now been linked by a modern parking garage. Ample green areas with benches and water features as well as a restaurant ensure that the tenants can relax during their breaks.

# MAJOR STATION
## Vienna Main Station

The station building of Vienna Main Station is architecturally ambitious, flooded with light and offers disabled access throughout, as well as boasting space for around 100 shops and numerous eateries. Below the platforms there will be a garage for more than 600 cars as well as a bicycle garage with space for around 1,100 bicycles.

For the new Vienna Main station, currently Vienna's largest infrastructure project, PORR and its consortium partners are erecting the station building, measuring around 20,000m².

# MASTER-PIECE
## The Sava Bridge in Belgrade

The new cable-stayed bridge over the Sava is one of the most modern bridges of its type anywhere in the world. The 200m-high pylon, 376m span and 45m-wide superstructure created enormous technical challenges.

# BREAK-THROUGH
## Tauern Tunnel

The Tauern Tunnel in the province of Salzburg is one of PORR's most important tunnel projects and once again underlines the company's long tradition in this sector. PORR was contracted to build the first tunnel tube and then – 36 years later – the order for the second tunnel tube also went to PORR. Both tubes were opened to traffic for the first time at the end of June 2011.

In the city of Linz PORR operates a wet screening plant and concrete mix plant as part of a consortium. The wet screening plant processes excavated material on the compound of voestalpine Stahl GmbH. It also produces certified products for the construction industry and aggregates for concrete mix plants.

# SEPARATING MADE EASY

## Voest Ground Unit

# PORR IN ALBANIA

## Ashta power plant

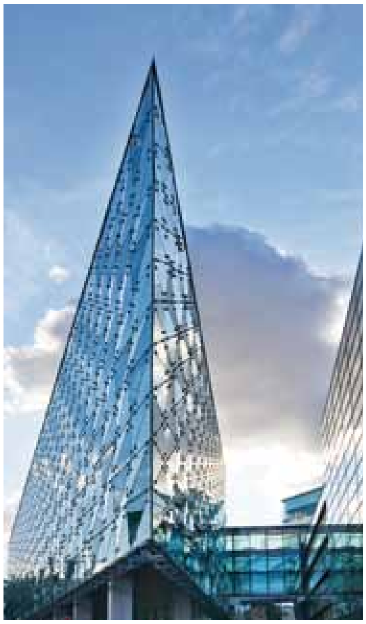
In 2009 PORR secured its first major contract in Albania, to construct two run-of-river plants. Situated near the Montenegrin border, the three-level power plant uses the drop height of the River Drin, whereby the Ashta 1 and Ashta 2 run-of-river plants are joined together by a 5km-long canal. All special civil engineering, foundation engineering, water construction and concrete construction works are also being carried out by PORR.

On the main section of the Gigos landfill in Jagodina, Serbia, PORR was responsible for designing the compound. Hydro-geological factors and landscape conditions were taken into account, as were the daily amounts of waste – naturally under strict adherence to all legal and technical standards.

# **WELL** STORED

## Jagodina landfill

When it comes to sewage plants or landfills, PORR guarantees clean solutions.

# SUPERLATIVE OFFICE SPACE

## EURO PLAZA Office Park

EURO PLAZA was designed, built and let by Strauss & Partner, a PORR subsidiary since April 2011. As Vienna's first office park, EURO PLAZA today remains the largest and most successful of its kind. Extensive infrastructure, a customised service range, exceptional atmosphere, the greatest comfort and cutting-edge fittings and fixtures are just some of the advantages these offices boast. PORR was also involved in building several phases of this office park.

# HEALTHCARE AND QUALITY OF LIFE

## Münster rehab centre

The Münster rehabilitation centre in Tyrol opened at the end of June 2011, having been developed and constructed by PORR as general contractor. The new building is flooded with light, offers the quality of a 4-star hotel and the very latest in medical technology. The 250-bed building was erected in just 16 months; PORR will continue to operate the building services and IT facilities.

# EDUCATION CAMPUS

## Monte Laa School + Kindergarten

Vienna's new quarter Monte Laa is the site for a new primary school for around 700 children with a nursery day-care centre and two large gymnasiums. The project won an EU competition and offers a lot of space even at break times, with extensive outdoor areas and an additional sports ground on the roof of the gymnasiums.

# INTERIM MANAGEMENT REPORT

## General Economic Environment

A range of contradictory signals emerged from the global economy in the first six months of 2011. At the beginning of the year some industries which lie at the beginning of the economic cycle predicted further economic growth following on from a strong recovery phase. While the debt question continued to be a key issue in the USA, EU and – previously almost unobserved – in certain Chinese provinces, nevertheless the finance industry and most export industries were on course for growth. In spring, German economic institutes judged the largest threats to be those abroad. They feared that the economy could be significantly affected by a possible oil shortage triggered by increasing unease in the Arab world, or by an intensification of the European debt crisis or a crisis of confidence. Apart from these factors, there was nothing to stand in the way of 2011 GDP growth of 2.8% in Germany, 1.7% in the EU, 3.0% in the USA and 1.0% in Japan (despite the natural disaster).

This euphoria was significantly dampened by the middle of the year and the peak of negativity was reached with the downgrading of the USA's rating. According to OeNB, the recent sharp growth trend is now dwindling. What this means for Austria is a slowdown in real GDP growth to 0.6% for the second quarter. A further decrease in growth to 0.3% is likely in the third quarter. Exports also slowed sharply in the second quarter.

In addition to the USA rating downgrade, there is an array of other circumstances which are making it difficult to produce accurate economic forecasts. Although the available data points to above-average growth, the preliminary indicators suggest a cooling-off period for both the global and the Austrian economy. There is also a risk that the global debt crisis will continue to have a negative impact on economic development in individual countries.

Strong signals of a downturn have emerged from the recently flourishing industrial sector. The weak estimates for new orders in June clearly show that the high point for the industrial economy is already over. OeNB predicts that dynamic movement in investments will slow in the second half of the year, despite capacity utilisation. Furthermore, the inventory cycle came to an end, marking the demise of another important economic driver in the first half of the year. In contrast, the construction industry is observing the first signs of recovery.

This recovery phase saw the construction industry record its first slight growth rates. According to EuroConstruct, at the lowest point of the crisis the European construction industry fell to 1998 levels. However it is still not possible to talk of a multinational upsurge – there continues to be sharp variation within the EU. As the construction industry is dependent on public investment to a degree experienced by almost no other sector, the eurozone debt crisis has had a negative impact on the industry's recovery. While countries such as Germany or in Scandinavia were able to bounce back quickly from the crisis, according to EuroConstruct, most CEE/SEE countries will remain at a lower level for a much longer period of time.

On the other hand, the long-term outlook for the European construction industry paints a different picture. By 2020 construction markets in Western Europe are expected to grow by less than 2%, while stronger growth has been forecast for most of the countries in Eastern Europe.

## Development of Output

In the first half of 2011 the PORR Group generated production output of EUR 1,290.6m, a 7.5% increase. This meant that despite unclear signals from the markets and the crisis which is still prevailing in the construction industry in several Eastern European countries, PORR was able to slightly exceed forecasts in production output which had been expected to hold steady. And this even through 2011 has been dominated by the reorganisation in the PORR Group. Multiple factors played a decisive role in this positive development. At the beginning of the year most operating units were working off backlogs which had resulted from the early onset of winter in 2010. However, at the start of the second quarter the general economic environment changed as euphoria on the markets was replaced by growing unease caused by the debt crisis in certain European countries. PORR managed to balance out these uncertainties thanks to the increased focus on the home markets of Austria, Germany, Switzerland and Poland. While it is true that consolidation measures are affecting public-sector budgets at municipal level in the DACH region, these cost-cutting initiatives are far less restrictive than in most of the core markets in Region II. In Poland the ongoing economic boom and urgent demand, particularly in the area of modern infrastructure, had a positive impact.

There was wide variation in developments on the core markets. Some places saw significant growth, such as Serbia (Sava Bridge) and Albania (Ashta I & II power plants), in contrast to two markets where the situation was exceptionally tense – Hungary and Slovakia. Both of these countries are having to battle massive cuts in civil engineering and building construction.

In the international sector there are wide-ranging efforts underway to bring in new orders, which should lead to positive developments in production output. The first successful acquisition in Libya for the Tripoli Stadium had to be stopped in light of the political situation. Recent developments in Libya lead to hopes that the conditions for further acquisitions are set to improve.

The operating units for Region I (Germany, Austria, Switzerland), Region II (Poland, CEE, SEE), Infrastructure and Development consistently displayed positive developments in output in the first half year. Environmental engineering was the only sector to record a decrease. However, even in this area the order pipeline suggests that there will be an overall increase in the production curve over the course of the entire year. In the future all PORR activities in water, waste, wastewater and environmental clean-up will be bundled into this sector.

## Order Balance

The order balance in the first six months of 2011 continued to follow the slight upward trend recorded in the first quarter. Order bookings reached EUR 1,182.7m, representing an increase of 6.5%. It is too early to talk of an ongoing upsurge, although the recovery currently being seen in order bookings is a positive signal. The order backlog at June 30th stood at EUR 2,341.1m, a decrease of 9.8% against the previous year. To take this drop in the right context, one must also look at the increase in production output and the pleasing development in order bookings. The order backlog will utilise almost all existing capacity for the current year.

In terms of orders, the situation on the home markets is stable, even if individual regions are progressing at different paces. In Germany there is a clear positive trend thanks to numerous order bookings. In Poland as well it was possible to achieve a renewed increase in order bookings from an already high level. The development of orders in Switzerland continued to be satisfactory. In Austria PORR has sustained an exceptionally high level, which remains a solid foundation for future growth. Order bookings continued to be stable.

Slight growth was also recorded on most of the core markets such as Serbia, where new acquisitions included works on the side-span of the Sava Bridge in Belgrade and the JV Millennium Pipeline. There were further decreases in Hungary and Slovakia, due to the previously mentioned difficulties on these markets.

The operating units of Region I and Region II saw stable developments. There were relative falls in the infrastructure sector caused by large-scale acquisitions in the past (S2 in Poland, Sava Bridge, railway lines in Slovakia and Romania). In contrast, there was growth in environmental engineering and development. In the international sector PORR is concentrating on Qatar and Russia, with a special focus on the St. Petersburg region.

## Financial Performance

In contrast to other economic sectors, the construction industry is subject to sharp seasonal fluctuations in revenue and profit because of the effects of weather conditions. Basically, revenue and earnings are lower in the winter months than in the summer. The renewed tension on the markets since the second quarter, along with the lack of a recovery phase for the construction industry – whose economic cycle lags behind the general economy by 18 months – had a further impact on construction industry earnings. In addition to this, PORR is undergoing a reorganisation process in 2011 which is affecting every area of the company and will make the Group fit to face the challenges of the future.

Revenue in the first half of 2011 amounted to EUR 984.4m, an increase of 3.0% against the same period 2010. At June 30th 2011 EBIT stood at EUR 10.5m, which was EUR 3.5m higher than the previous year's total mainly because of disproportionately high savings in materials and other related production services. Taking the weaker financial results into account, there was a EUR 0.8m improvement to EBT, amounting to EUR -7.0m. Because of non-periodic tax effects, the interim loss amounted to EUR -6,7m, down on the previous year's value of EUR -5.6m. Consequently, there were earnings per share of EUR -4.39 at June 30th 2011.

## Financial Position and Cash Flows

At June 30th 2011 total assets amounted to EUR 2,240.5m, representing a seasonally triggered increase of EUR 62.6m, or 2.9% against the same period 2010. This increase, particularly in non-current assets, was mainly caused by completing or advancing projects which are under development, which accounted for EUR 51.8m. In line with the construction industry's seasonal curve, current assets saw a rise in trade receivables of EUR 94.9m to EUR 747.2m and in other financial assets of EUR 22.5m to EUR 108.5m. Cash and cash equivalents saw a decrease of EUR 68.2m to EUR 95.2m, which was mainly caused by the redemption of two bonds.

The changes in Group equity in the first half year were partly caused by the payment of dividends to shareholders in PORR AG and to non-controlling interest as well as by the capital increase against contribution in kind (Strauss & Partner), with equity decreasing by EUR 3.2m to EUR 474.1m. This yields an equity ratio of 21.2%.

Non-current liabilities remained generally stable at EUR 700.5m. The reclassification of a bond due in 2012 into current liabilities was balanced out by the inclusion of other non-current liabilities. Current liabilities amounted to EUR 1,066.0m and the changes here were mainly caused by the seasonal increase in trade payables for ongoing construction work.

Operating cash flow amounted to EUR 11.8m, only a slight change to the previous year's total. Cash flow from operating activities of EUR -28.0m mainly related to receivables for ongoing construction projects and partly to an accumulation of trade payables. Cash flow from investing activities mainly reflects the increase in investment property caused by the efficient execution of construction work as well as investments required for replacing construction equipment. In cash flow from financing activities, the injection of funds from taking out loans balanced out the repayment of a bond in the first half of 2011. Furthermore, a total of EUR 13.3m was distributed to shareholders and non-controlling interest. At June 30th 2011 cash and cash equivalents amounted to EUR 95.2m and reflect the seasonal use of funds for executing construction work as well as the aforementioned other cash flows over the course of the first six months.

## Investments

In the first half of 2011 no investments were made in material assets, apart from the usual investments to replace machinery and construction site equipment. The takeover of TEERAG-ASDAG, which was completed after the reporting date June 30th, and the incorporation of Strauss & Partner represent the most significant investments made by PORR in 2011.

## Staff

PORR has always been aware that well-trained, highly skilled and motivated staff are a reliable foundation for corporate success even in times of crisis. This is why the company promotes quality and motivation.

Recognising the value of every member of staff has also been the guiding principle of the Executive Board, even in the recent, economically challenging years. It was possible to prevent a massive spate of redundancies through constructive negotiations with the Works Council; individual capacity adjustments in the course of PORR's new Group structure have been cushioned with social measures. On average PORR employed 11,099 staff members.

## Risk Management

The main purpose of risk management in the PORR Group is to implement processes in such a way that risks can be identified early on so that the requisite countermeasures can be taken swiftly. In difficult times, effective risk management plays a crucial role in any company.

Risk management in the PORR Group is widely spread and covers the following areas: HR management, liquidity management, project development and project execution management, lending and borrowing management, procurement, currency and interest exchange management, as well as risks related to markets and the general economy.

## Forecast

At the end of the first half of 2011 the markets are displaying a clear downward trend. The main problem for most economic areas lies in public debt, which increased sharply during the crisis and has now necessitated strict consolidation. As the construction industry is highly dependent on the public sector, it has been hit once again and the real danger is that projects which had previously been postponed will now fall victim to cost-cutting and be cancelled completely.

PORR reaps dividends from its clear commitment to the home markets as well as risk diversification in Eastern and South-Eastern Europe. Austria, Switzerland and, in particular, Germany are economies which are currently among the most stable in Europe. Then there is also the economy in Poland which continues to flourish. In its core markets PORR is capable of reacting quickly to fluctuations in orders. This strategy, combined with the solid order backlog, suggests a forecast similar to the stable levels of the previous year, which could also slightly outperform 2010 if market conditions prove favourable.

## Sustainable Value

PORR published its latest »Sustainable Value Report« in June 2011; the report is available on the company's home page. PORR believes that an equal balance between economy, ecology and social affairs is crucial. Coherence of these three aspects guarantees productivity and sustainability. Since it was founded in 1869, PORR has viewed the values which are collectively known today as Corporate Social Responsibility (CSR) as the basis for sustainable corporate management.

Within the company sustainability is treated as an issue which crosses all divisions and has permeated every division. The PORR Group understands the term »sustainable value« to play a key role in the ongoing development of the company: »recognising value« in terms of every staff member; long-term, sustainable value add, i.e. »adding value«; as well as the great importance of »preserving value« in terms of the environment have been a part of PORR for decades and have turned the Austrian construction company into an international group.

**Taking responsibility – the economic aspect**

PORR ensures that CSR is a question of give and take on both sides. Cost efficiency is not the only factor when choosing suppliers, adherence to high standards related to society and ecology is also taken into account. PORR views the third-party service providers it works with as partners and as an extension of PORR's own sustainability strategy.

In order to live up to its responsibilities to staff, shareholders and investors alike, PORR is careful to ensure that a clear mission statement and a uniform management system are in place across every sector and subsidiary. One of the goals is to subject every activity in the company to concrete, ethical targets and to strengthen the principles of legality, openness and transparency.

**Sustainable HR policies – the social aspect**

PORR's success stands and falls on the strength of its staff. This is why the company is committed to ongoing HR development: it supports and motivates staff members, builds loyalty to the company and, ideally, leads employees to stay with the company for longer.

The extent to which company management recognises the value of its staff is reflected in its efforts to create an attractive working environment for everyone. It is also displayed in the fact that employees in the PORR Group are supported in an active and targeted way, thereby empowering them to pursue and achieve their individual development goals. Comprehensive initial training and ongoing further development is a key factor here, as the construction industry demands particularly intensive expertise.

**Preserving resources – the environmental aspect**

Building always involves change. To ensure that these changes are not at the expense of people or the environment, PORR pursues a clear strategy: the systematic planning of every construction project is part of the environmental management system. Environmental risks are pinpointed during the planning stage along with an assessment of how environmentally friendly construction can be further optimised. A range of different variants are then developed and realised together with the client, taking into account environmental concerns as well as economic, technical, legal and political requirements.

For example, PORR always tries to use as little space as possible and to preserve existing trees and plants. Environmental protection is also considered during the construction stage: by using cutting-edge equipment, PORR has managed to significantly reduce water consumption on its construction sites in recent years.

# REGION I

**Key Data**

| in EUR million | 1 H 2011 | 1 H 2010 |
|---|---|---|
| Production output | 702.8 | 660.6 |
| Order backlog | 1,184.9 | 1,147.5 |
| EBT | 1.8 | -2.1 |
| Average staffing levels | 6,707 | 6,756 |

Region I is responsible for the home markets of Austria, Germany and Switzerland as well as large-scale building construction projects. PORR generates a high percentage of production output in these economically stable countries. The goal is to press ahead with selective, low-risk internationalisation starting out from this strong region, thereby guaranteeing sustainable growth with long-term earnings. PORR has had excellent networks in this region for decades and enjoys a first-class reputation. All products and sectors are offered across the region with complete coverage. With this portfolio covering all sectors, PORR is able to balance out fluctuations in the individual markets and business segments in the core markets as effectively as possible.

## Business Operations

There were positive developments in Region I in the first six months of 2011, albeit at slightly different growth rates to the whole Group. Output rose to EUR 702.8m, a 6.4% increase, which was due in part to working off the order backlog from last year as well as positive growth in the Austrian federal states. With the exception of Salzburg, production output grew in every federal state – even though output was already at a very high level in the most important regions such as Greater Vienna.

In the first half of 2011 order bookings amounted to EUR 644.4m. There was a further increase in the order backlog to EUR 1,184.9m, a rise of 3.3%. Here the German market in particular displayed a clear upward trend – public sector investment seems to be flowing again. A good of example of this is the Stör Bridge Itzehoe project. In Austria the growth was mainly accounted for by the excellent situation in Greater Vienna – the order backlog saw further increases thanks to residential construction projects (apartment buildings Oase 22 and Kammelweg/Lorettoplatz).

## Outlook

Region I represents PORR's home markets. The first six months of 2011 showed a clear upward trend following on from the crisis years which had also hit these markets hard. The good order backlog which is currently held will enable PORR to push ahead with a new strategic direction in CEE/SEE and to build an international brand, using these secure markets as a launch pad.

# REGION II

**Key Data**

| in EUR million | 1 H 2011 | 1 H 2010 |
|---|---|---|
| Production output | 187.8 | 172.2 |
| Order backlog | 390.6 | 532.7 |
| EBT | -7.5 | -11.8 |
| Average staffing levels | 1,952 | 1,999 |

Region II of Porr Bau GmbH is responsible for the home market of Poland and the core markets in Central, South-Eastern and Eastern Europe. PORR has extensive experience and exceptional customer relationships in these markets. In the Czech Republic, Slovakia, Hungary, Romania, Serbia and Croatia, as well as other markets in the region, PORR has enjoyed success for decades. Here PORR pursues a cautious step-by-step strategy – the expansion of permanent business is taking place gradually and is linked to economic and political conditions. In the medium term some of these countries should be upgraded to »home markets«.

Poland is a slightly different story. This market is already one of PORR's home markets: all products and services are offered with complete coverage. Poland is the only EU country not to have slid into recession and offers excellent potential for growth.

## Business Operations

As was the case for nearly every operating unit, Region II also managed to increase production output in the first half of 2011. Output amounted to EUR 187.8m, which was 9.1% up on the same period in the previous year. Growth in output was seen in every country in the region except the Czech Republic, Croatia and Hungary. Growth rates in Poland and Romania were particularly positive; Serbia and Montenegro also performed well.

The order backlog totalled EUR 390.6m, equivalent to a 26.7% decrease. The reasons for this reduction vary from country to country. High production output was responsible for the decrease in order backlog in markets such as Poland and Montenegro, while the falls in the Czech Republic and Hungary were caused by the crisis which continues to grip these countries. The current absence of follow-up orders validates the regional risk-diversification strategy which PORR has been pursuing for several years.

Order bookings reached EUR 162.5m, an increase of 55.7%, a level which reflects the trend towards recovery following on from the grave impact of the economic crisis. That said, the home market of Poland recorded the largest growth by a significant margin. Here PORR managed to acquire important new projects such as the Andersia Business Center, the Poleczki Business Park Phase 2 and the Magnolia Park Wroclaw. Another pleasing acquisition was the Millennium JV Pipeline in Belgrade – the largest order booking for Region II in the first six months.

## Outlook

The outlook for Region II continues to be highly varied. While numerous acquisitions in Poland and PORR's strong position in Serbia point to good output for the year as a whole, the Czech Republic and Hungary are still in the grip of their greatest economic crisis for more than 50 years. Structural problems have come to light in these states which will require serious fiscal efforts; even with assistance from the EU any solution is likely to take time. On the other hand, beside the traditional markets, there is a chance in South-Eastern Europe that Romania and, in particular, Bulgaria, will be able to compensate for falls in Eastern Europe.

# INFRASTRUCTURE

**Key Data**

| in EUR million | 1 H 2011 | 1 H 2010 |
|---|---|---|
| Production output | 248.3 | 237.5 |
| Order backlog | 515.7 | 743.9 |
| EBT | 3.9 | 6.2 |
| Average staffing levels | 1,233 | 1,231 |

All of the Group's core competencies related to every aspect of public infrastructure are bundled in the infrastructure sector. It is composed of the departments of tunnelling, foundation engineering, railway construction, pipeline construction, civil engineering, power plant construction and large-scale civil engineering projects.

Realising complex infrastructure projects has been one of the Group's most important business areas ever since its foundation. With internationally acclaimed large-scale projects such as the Großglockner High Alpine Road, the pumped storage power plant in Kaprun or the very recent second tube of the Tauern Tunnel, this division has been carrying out pioneering work in the most challenging conditions for over 140 years.

## Business Operations

Mirroring the performance of the whole Group, the infrastructure sector also managed to increase production output in the first months. It generated EUR 248.3m, a rise of 4.5%. As large-scale infrastructure projects are responsible for most business in this sector, growth was mainly accounted for by significant individual projects. The largest increases in production output were seen in Serbia (Sava Bridge) and Albania (Astha I & II power plants).

Order bookings amounted to EUR 123.2m in the first half of the year, which was lower than the same period 2010. There was growth in the first half year in Germany (ARGE Emscher Tunnel) and in Greater Vienna. The acquisition of the side-span for the Sava Bridge in Belgrade was particularly pleasing – this is another subsequent order on this project following on from the two access ramps.

With a slight increase in production output, there was an order backlog of EUR 515.7m at the half-year reporting date, which is far below the level of the previous year. This variation reflects the way in which the sector is dominated by large-scale projects. There are currently concrete expectations of numerous upcoming projects, some of which have already been booked after the reporting date of June 30th. These include the orders for Stuttgart 21 and a section of the high-speed railway line Erfurt–Halle. These additional order volumes worth almost EUR 500.0m greatly improve the order backlog for the future.

## Outlook

In recent months the infrastructure sector has been preparing numerous large-scale projects which will be awarded in the second half of the year. Some of these construction projects were newly booked shortly after the June 30th reporting date. These orders predominantly relate to railway and tunnel projects; here PORR has enjoyed great success with its proprietary technology, the »ÖBB-PORR Slab track system« and with innovative solutions. The outlook is therefore positive, given the highly realistic expectation of a significant increase in orders over the following six months.

# ENVIRONMENTAL ENGINEERING

**Key Data**

| in EUR million | 1 H 2011 | 1 H 2010 |
|---|---|---|
| Production output | 34.9 | 47.8 |
| Order backlog | 33.1 | 12.3 |
| EBT | 1.7 | 0.7 |
| Average staffing levels | 234 | 234 |

The environmental engineering sector, a subsidiary of Porr Bau GmbH, is home to PORR's expertise in the fields of environmental clean-up, waste, wastewater and water. PORR is part of the trend towards »green solutions«, particularly on the South-Eastern European market, where it is greatly increasing its activities in the environmental sector. Here PORR can point to its extensive experience in building sewage plants, environmental clean-up and operating wastewater treatment plants.

## Business Operations

The environmental engineering sector is currently being restructured. Production output in the first six months amounted to EUR 34.9m, a decrease of 27.0%. In contrast, the order backlog tripled to EUR 33.1m and order bookings were up to EUR 53.2m, a rise of 44.6% against the same period in the previous year. Broken down by country, the current focus in this sector is on Austria, Serbia and Germany. With its landfills in Jagodina and Leskovac, PORR is Serbia's largest private waste company.

## Outlook

In the future the environmental engineering sector is set to play an even more important role in the Group. South-Eastern Europe holds particularly good opportunities, with most SEE countries preparing for comprehensive improvement plans at the behest of the EU. For this, the environmental engineering sector will work closely together with the local PORR companies based in the region.

# INTERNATIONAL

Together with its Turkish partner, the Renaissance Group, PORR is also expanding into the CIS and MENA regions. The strategic cooperation with the Renaissance Group guarantees low market entry costs and allows PORR more exclusive market access beyond Europe's borders.

In light of the difficult political backdrop in some states in the MENA region, risk management and a low-risk approach are important features of the expansion strategy. PORR's focus in the Middle East and North Africa is on the sectors energy, environment and infrastructure.

The two most attractive markets are Russia and Qatar. In order to get a foothold here, PORR is currently increasing its efforts in infrastructure and is pursuing several concrete projects, particularly in the St. Petersburg region. The 2022 FIFA World Cup in Qatar also brings up interesting opportunities for extending the traffic network and building stadiums.

# DEVELOPMENT

**Key Data**

| in EUR million | 1 H 2011 | 1 H 2010 |
|---|---|---|
| Production output | 116.8 | 80.9 |
| Order backlog | 216.8 | 157.7 |
| EBT | -3.7 | 3.1 |
| Average staffing levels | 572 | 590 |

In addition to engineering expertise, PORR is specialised in project development in the field of building construction. The property and project development business, which started with the company's foundation in 1869, is one of its special features and is practised by no other construction firm in this particular form and tradition.

With PORR Solutions and Strauss & Partner, PORR is ideally positioned in this promising sector. Porr Solutions Immobilien und Infrastruktur GmbH is focused on projects in civil engineering and municipal building construction, energy, healthcare, administration and tourism. Strauss & Partner Immobilien GmbH operates in several fields including office and residential construction in Austria and the neighbouring countries.

The portfolio is complemented by UBM Realitätenentwicklung AG, in which PORR owns significant shares. UBM has been developing, renting and selling real estate in Austria and across the whole of Europe for over 130 years.

## Business Operations

The development sector is currently undergoing a reorganisation. In the first half of 2011 it generated a rise in production output to EUR 116.8m.

The situation with orders was also significantly stronger than the first half of 2010. The order backlog totalled EUR 216.8m and order bookings doubled to EUR 199.4m. PORR Solutions successfully brought several projects to a close in the first six months of 2011, including the Haidäcker Park hardware store and the handover of the Münster rehab centre in Tyrol. Works on the Simmering residential and care home, Palais Hansen and Hotel Alexander Parkside Berlin are progressing on schedule.

## Outlook

Following the grave crisis in the real estate business, which triggered the global economic recession when it hit the USA in 2008, the industry has still not completely recovered. PORR has decided to focus growth on areas where it has extensive expertise, through the specialisation of its project developers and by concentrating on its core competencies. In Strauss & Partner, PORR now has an exceptionally experienced specialist for office properties, which has been following a successful course despite the crisis. PORR Solutions will also focus on its core competencies, for example in the healthcare sector: the Münster rehabilitation centre was successfully opened in May 2011 and is the most cutting-edge facility of its kind in western Austria.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30TH 2011

# CONSOLIDATED INCOME STATEMENT

| in EUR thousand | 1–6/2011 | 1–6/2010 |
|---|---|---|
| Revenue | 984,382.4 | 955,328.1 |
| Own work capitalised in non-current assets | 2,502.5 | 4,412.2 |
| Share of profit (loss) of associates | 5,551.8 | 6,514.3 |
| Other operating income | 30,496.2 | 33,365.9 |
| Cost of materials and other related production services | -619,080.1 | -606,185.2 |
| Staff expense | -276,055.4 | -263,961.6 |
| Depreciation, amortisation and impairment expense | -23,566.1 | -26,286.9 |
| Other operating expenses | -93,685.8 | -96,245.4 |
| **EBIT** | **10,545.5** | **6,941.4** |
| Income from financial investments and other current financial assets | 3,421.4 | 3,382.5 |
| Finance costs | -20,947.5 | -18,129.3 |
| **EBT** | **-6,980.6** | **-7,805.4** |
| Income tax expense | 295.4 | 2,226.8 |
| **Profit (loss) for the period** | **-6,685.2** | **-5,578.6** |
| of which: attributable to non-controlling interest | 2,400.4 | 472.8 |
| **Profit (loss) for the period including attributable to holders of profit-participation rights** | **-9,085.6** | **-6,051.4** |
| of which: attributable to holders of profit-participation rights | 2,800.0 | 2,800.0 |
| Profit (loss) for the period attributable to shareholders of the parent | -11,885.6 | -8,851.4 |
| **Earnings per share (in EUR)** | **-4.39** | **-3.34** |

# STATEMENT OF COMPREHENSIVE INCOME

| in EUR thousand | 1–6/2011 | 1–6/2010 |
|---|---|---|
| **Profit (loss) for the period** | **-6,685.2** | **-5,578.6** |
| **Other comprehensive income:** | | |
| Gains (losses) from fair value measurement of securities | -126.3 | -49.2 |
| Gains (losses) from cash flow hedges | | |
| Gains (losses) in the period under review | 195.7 | 71.5 |
| Gains (losses) recognised in profit or loss | – | 1,444.4 |
| Gains (losses) from cash flow hedges of associates | 3,516.9 | -8,553.9 |
| Gains (losses) from revaluation of property, plant and equipment | -85.4 | - |
| Exchange differences | 1,185.4 | 2,013.7 |
| Income tax expense on other comprehensive income | -17.3 | -338.7 |
| **Other comprehensive income** | **4,669.0** | **-5,412.2** |
| **Total comprehensive income** | **-2,016.2** | **-10,990.8** |
| of which: attributable to non-controlling interest | 3,165.2 | 1,340.1 |
| **Share attributable to shareholders of the parent and holders of profit-participation rights** | **-5,181.4** | **-12,330.9** |
| of which: attributable to holders of profit-participation rights | 2,800.0 | 2,800.0 |
| **Share attributable to shareholders of the parent** | **-7,981.4** | **-15,130.9** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Assets**

| in EUR thousand | 30.6.2011 | 31.12.2010 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 38,149.6 | 31,411.7 |
| Property, plant and equipment | 392,856.3 | 400,902.5 |
| Investment property | 438,325.5 | 380,988.8 |
| Shareholdings in associates | 183,425.2 | 175,674.8 |
| Loans | 38,747.7 | 37,328.0 |
| Other financial assets | 35,349.8 | 34,404.4 |
| Other non-current assets | 39,467.6 | 52,972.9 |
| Deferred tax assets | 16,589.1 | 17,438.3 |
| | **1,182,910.8** | **1,131,121.4** |
| **Current assets** | | |
| Inventories | 87,705.2 | 74,337.1 |
| Trade receivables | 747,229.3 | 652,369.5 |
| Other financial assets | 108,513.8 | 86,011.0 |
| Other receivables and current assets | 18,973.3 | 21,900.8 |
| Cash and cash equivalents | 95,203.0 | 212,160.8 |
| | **1,057,624.6** | **1,046,779.2** |
| | | |
| | **2,240,535.4** | **2,177,900.6** |

**Equity and liabilities**

| in EUR thousand | 30.6.2011 | 31.12.2010 |
|---|---|---|
| **Equity** | | |
| Share capital | 19,895.8 | 19,275.3 |
| Capital reserves | 122,360.6 | 111,453.5 |
| Other reserves | 179,042.2 | 187,774.7 |
| **Equity attributable to shareholders of the parent** | **321,298.6** | **318,503.5** |
| Equity from profit-participation rights (non-controlling interest) | 78,330.0 | 75,530.0 |
| Equity attributable to non-controlling interest | 74,437.7 | 83,258.3 |
| | **474,066.3** | **477,291.8** |
| **Non-current liabilities** | | |
| Bonds | 223,825.5 | 293,548.9 |
| Provisions | 100,620.4 | 100,155.1 |
| Non-current financial liabilities | 273,635.2 | 213,138.9 |
| Other non-current financial liabilities | 23,225.7 | 14,540.0 |
| Other non-current liabilities | 30,400.1 | 29,949.7 |
| Deferred tax liabilities | 48,818.0 | 48,686.9 |
| | **700,524.9** | **700,019.5** |
| **Current liabilities** | | |
| Bonds | 69,679.5 | 67,821.6 |
| Provisions | 116,697.6 | 107,959.1 |
| Current financial liabilities | 83,485.6 | 78,998.0 |
| Trade payables | 541,022.0 | 487,127.2 |
| Other current financial liabilities | 79,602.9 | 78,925.3 |
| Other current liabilities | 171,144.3 | 175,112.3 |
| Tax liabilities | 4,312.3 | 4,645.8 |
| | **1,065,944.2** | **1,000,589.3** |
| | | |
| | **2,240,535.4** | **2,177,900.6** |

# SEGMENT REPORT

**1–6/2011**

| in EUR thousand | Region I | Region II | Infrastructure | Environmental Engineering | Development | Other | Group |
|---|---|---|---|---|---|---|---|
| Production output (Group) | 702,838.3 | 187,851.2 | 248,253.8 | 34,883.0 | 116,762.4 | – | 1,290,588.7 |
| Segment revenue (revenue, own work capitalised in non-current assets and other operating income) | 605,749.7 | 193,824.9 | 178,105.4 | 16,218.2 | 16,652.0 | 6,830.9 | 1,017,381.1 |
| Intersegmental revenue | 54,254.1 | 2,146.5 | 40,538.5 | 2,896.5 | 797.9 | 50,511.9 | |
| EBT (Segment Earnings Before Tax) | 1,834.9 | -7,495.4 | 3,902.9 | 1,682.4 | -3,731.5 | -3,173.9 | -6,980.6 |

# STATEMENT OF CHANGES IN GROUP EQUITY

| in EUR thousand | Share capital | Capital reserves | Revaluation reserve | Foreign currency translation reserves |
|---|---|---|---|---|
| **Balance at Jan 1st 2010** | **19,275.3** | **111,453.5** | **13,063.0** | **-224.5** |
| Overall profit/loss for the period | - | - | 14.7 | 1,155.5 |
| Dividend payout | - | - | - | - |
| Income tax on interest for holders of profit-participation rights | - | - | - | - |
| Acquisition of non-controlling interest | - | - | - | - |
| **Balance at June 30th 2010** | **19,275.3** | **111,453.5** | **13,077.7** | **931.0** |
| **Balance at Jan 1st 2011** | **19,275.3** | **111,453.5** | **13,074.9** | **3,466.4** |
| Overall profit/loss for the period | - | - | -85.4 | 410.1 |
| Dividend payout | - | - | - | - |
| Income tax on interest for holders of profit-participation rights | - | - | - | - |
| Capital increase | 620.5 | 10,907.1 | - | - |
| Acquisition of non-controlling interest | - | - | - | - |
| **Balance at June 30th 2011** | **19,895.8** | **122,360.6** | **12,989.5** | **3,876.5** |

**1–6/2010**

| in EUR thousand | Region I | Region II | Infrastructure | Environmental Engineering | Development | Other | Group |
|---|---|---|---|---|---|---|---|
| Production output (Group) | 660,634.8 | 172,191.0 | 237,472.1 | 47,809.9 | 80,935.8 | 1,295.2 | 1,200,338.8 |
| Segment revenue (revenue, own work capitalised in non-current assets and other operating income) | 547,618.1 | 184,358.3 | 154,554.7 | 16,640.8 | 13,422.9 | 76,511.4 | 993,106.2 |
| Intersegmental revenue | 97,770.2 | 24,369.5 | 29,060.3 | 13,790.3 | 1,549.8 | 43,451.2 | |
| EBT (Segment Earnings Before Tax) | -2,127.8 | -11,838.6 | 6,217.7 | 681.8 | 3,090.6 | -3,829.1 | -7,805.4 |

| Total debt securities available for sale - fair value reserve | Reserve for cash flow hedges | Retained earnings and profit | Equity attributable to shareholders of the parent | Equity from profit-participation rights | Equity attributable to non-controlling interest | Total |
|---|---|---|---|---|---|---|
| **-84.2** | **-19,262.8** | **193,061.4** | **317,281.7** | **75,530.0** | **82,868.4** | **475,680.1** |
| -32.8 | -7,416.9 | -8,851.4 | **-15,130.9** | 2,800.0 | 1,340.1 | **-10,990.8** |
| - | - | -5,835.1 | **-5,835.1** | -5,600.0 | -8,149.3 | **-19,584.4** |
| - | - | 700.0 | **700.0** | - | - | **700.0** |
| - | - | 28.6 | **28.6** | - | -21.1 | **7.5** |
| **-117.0** | **-26,679.7** | **179,103.5** | **297,044.3** | **72,730.0** | **76,038.1** | **445,812.4** |
| **-18.9** | **-20,667.4** | **191,919.7** | **318,503.5** | **75,530.0** | **83,258.3** | **477,291.8** |
| -84.2 | 3,663.7 | -11,885.6 | **-7,981.4** | 2,800.0 | 3,165.2 | **-2,016.2** |
| - | - | -1,458.8 | **-1,458.8** | - | -11,865.7 | **-13,324.5** |
| - | - | 700.0 | **700.0** | - | - | **700.0** |
| - | - | - | **11,527.6** | - | - | **11,527.6** |
| - | - | 7.7 | **7.7** | - | -120.1 | **-112.4** |
| **-103.1** | **-17,003.7** | **179,283.0** | **321,298.6** | **78,330.0** | **74,437.7** | **474,066.3** |

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE PERIOD JANUARY 1ST TO JUNE 30TH 2011

| in EUR thousand | 1–6/2011 | 1–6/2010 |
|---|---|---|
| Profit (loss) for the period | -6,685.2 | -5,578.6 |
| Depreciation, impairment and reversals of impairment on fixed assets | 23,565.9 | 26,293.2 |
| Income/expense from associates | -1,622.6 | -3,059.8 |
| Income from the disposal of fixed assets | -2,716.8 | -2,179.5 |
| Increase in long-term provisions | 465.3 | 423.2 |
| Deferred tax expenses | -1,171.9 | -5,308.6 |
| **Operating cash flow** | **11,834.7** | **10,589.9** |
| | | |
| Increase/Decrease in short-term provisions | 7,904.3 | -7,501.4 |
| Increase in inventories | -13,370.9 | -19,234.9 |
| Increase in receivables | -87,421.3 | -169,171.9 |
| Increase in payables (excluding banks) | 52,548.2 | 134,540.9 |
| Other non-cash transactions | 513.7 | 1,068.4 |
| **Cash flow from operating activities** | **-27,991.3** | **-49,709.0** |
| | | |
| Proceeds from sale of property, plant and equipment and investment property | 11,564.1 | 15,828.5 |
| Proceeds from sale of financial assets | 2,314.7 | 2,766.7 |
| Investments in intangible assets | -1,211.6 | -1,995.4 |
| Investments in property, plant and equipment and investment property | -74,599.8 | -39,746.0 |
| Investments in financial assets | -7,523.7 | -2,241.1 |
| **Cash flow from investing activities** | **-69,456.3** | **-25,387.3** |
| | | |
| Dividends | -1,458.8 | -5,835.1 |
| Dividends paid out to non-controlling interest | -11,865.7 | -13,749.3 |
| Repayment of bonds | -68,197.4 | -100,000.0 |
| (Re)payment of loans and other financing activities | 61,498.1 | 68,915.6 |
| **Cash flow from financing activities** | **-20,023.8** | **-50,668.8** |
| | | |
| **Cash flow from operating activities** | **-27,991.3** | **-49,709.0** |
| **Cash flow from investing activities** | **-69,456.3** | **-25,387.3** |
| **Cash flow from financing activities** | **-20,023.8** | **-50,668.8** |
| | | |
| **Net inflow of cash and cash equivalents** | **-117,471.4** | **-125,765.1** |
| Cash and cash equivalents at January 1st | 212,160.8 | 163,042.7 |
| Currency differences | 899.0 | 203.2 |
| Changes to cash and cash equivalents resulting from changes to the consolidated group | -385.4 | 27.7 |
| **Cash and cash equivalents at June 30th** | **95,203.0** | **37,508.5** |
| | | |
| Interest paid | 18,597.8 | 15,551.1 |
| Interest received | 5,332.1 | 3,734.6 |
| Tax paid | 510.0 | 2,863.4 |
| Dividends received | 2,671.3 | 2,812.7 |

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 1. General Information

The PORR Group consists of Allgemeine Baugesellschaft – A. Porr Aktiengesellschaft (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 (IFRS) 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 statement and therefore this interim report should be read in conjunction with the annual report of the PORR Group of December 31st 2010. 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 the interim consolidated financial statements.

## 2. Consolidated Group and Acquisitions

6 project associations were consolidated for the first time in this interim financial statement:

- EPS Welser Straße 17 – Business Hof Leonding 1 Errichtungs- und Beteiligungs GmbH & Co KG
- EPS Haagerfeldstraße – Business Hof Leonding 2 Errichtungs- und VerwertungsGmbH
- STRAUSS & PARTNER IMMOBILIEN GMBH
- ALBA BauProjektManagement GmbH
- ALBA ProjectManagement Romania S.R.L.
- ALBA BauProjektManagement Bulgaria EOOD

The first two companies were newly founded. For the other four companies, PORR AG acquired 100% of the shares (99% in ALBA Project Management Romania S.R.L.) effective as of April 28th 2011 in the course of a capital increase of 85,390 ordinary shares from authorised capital against contribution in kind; subscription rights were suspended.

The purchase price and the fair value of the recent ordinary shares issued for the acquired companies are allocated to the following provisional (as per IFRS 3.45) assets and liabilities:

| | in EUR thousand |
|---|---|
| Intangible assets | 7,109.6 |
| Other non-current assets | 4,139.4 |
| Current assets | 15,285.5 |
| Current liabilities | -15,006.6 |
| Non-controlling interest | -0.3 |
| **Purchase price** | **11,527.6** |

The fair value of the companies acquired was determined on the basis of an external expert opinion. Expected synergies, particularly in the field of property management, were considered when determining goodwill. The effects on the consolidated income statement of the PORR Group as at June 30th 2011 since the acquisition date of April 28th 2011 are not significant. The transaction qualifies as a related party disclosure.

One company (TRB Tief-, Rohrleitungs- und Brunnenbau GmbH & Co.KG) was sold in the reporting period and is therefore no longer included in the consolidated group. Effective as of June 11th 2011, Porr Technobau und Umwelt Aktiengesellschaft has been transformed into a GmbH with the registered company name Porr Bau GmbH and merged with Porr Projekt und Hochbau Aktiengesellschaft, which was the transferring company.

## 3. Accounting and Valuation Methods

The applied accounting and valuation methods in the consolidated financial statements of December 31st 2010, which are presented in the notes to the consolidated annual financial statements, were used, unmodified, in the interim report, with the exception of the following standards and interpretations which have been adopted for the first time:

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments:

This interpretation published in November 2009 specifies that when extinguishing a financial liability with equity instruments, which should be initially recognised at fair value, these are »consideration paid« in accordance with paragraph 41 of IAS 39. This interpretation is compulsory for fiscal years beginning on or after July 1st 2010 and does not affect the consolidated financial statements of the Group.

IAS 24 – Related Party Disclosures:

The 2009 revisions to the standard simplify the definition of related parties, clarify the meaning of this term and eliminate inconsistencies. They provide a partial exemption for government-related entities. In its revised form this standard is effective for annual periods beginning on or after January 1st 2011 and has not had a significant effect on the financial statements of the Group.

Classifications of Rights Issues: Amendment to IAS 32 – Financial Instruments: Presentation (amended 2009):

According to this amendment, rights (also options or warrants) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the functional currency, would be equity instruments, provided the entity offers the rights pro rata to all existing owners of the same class of equity instruments. The amendment is effective for annual periods beginning on or after February 1st 2010 and does not affect the financial statements of the Group.

Prepayments of a Minimum Funding Requirement: Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amended 2009):

The amendment allows prepayments of minimum funding requirements to be recognised as an asset. The amendment is effective for annual periods beginning on or after January 1st 2011 and does not affect the financial statements of the Group.

Improvements to IFRS (amendments 2010):

In May 2010 as part of the Annual Improvements Process, the IASB published Improvements to IFRSs, specifying various amendments. The revisions relate to amendments on presentation, application and measurement as well as terminology or editorial changes. The amendments are effective for annual periods beginning on or after January 1st 2011 and have had no significant effect on the financial statements of the Group.

It was not yet compulsory to apply the following published standards and interpretations in these interim consolidated financial statements:

| | Applicable as of |
|---|---|
| Amendment to IFRS 1 | July 1st 2011 |
| Amendment to IFRS 7 | July 1st 2011 |
| Amendment to IAS 12 | July 1st 2012 |
| IFRS 9 – Financial Instruments | January 1st 2013 |
| IFRS 10 – Consolidated Financial Statements | January 1st 2013 |
| IFRS 11 – Joint Arrangements | January 1st 2013 |
| IFRS 12 – Disclosure of Interests in Other Entities | January 1st 2013 |
| IFRS 13 – Fair Value Measurement | January 1st 2013 |

The interim consolidated financial statements of June 30th 2011 use the same consolidation methods and basis for currency exchange as were used in the annual financial statements of December 31st 2010.

## 4. Estimates and Assumptions

Producing interim consolidated financial statements in accordance with IFRS 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.

## 6. Dividends

In the reporting period bearers of shares and capital share certificates in PORR AG have received dividends and profit shares totalling EUR 1,458,785.35 (previous year: EUR 5,835,141.40) – each share and capital share certificate is therefore EUR 0.55 (previous year: EUR 2.20).

## 7. Earnings per Share

| in EUR thousand | 1–6/2011 | 1–6/2010 |
|---|---|---|
| Interim profit/loss attributable to shareholders of the parent | -11,885.6 | -8,851.4 |
| Weighted average number of shares and capital share certificates issued | 2,708,952 | 2,652,337 |
| **Basic earnings per share = diluted earnings per share in EUR** | **-4.39** | **-3.34** |

## 8. Share Capital

| Share capital | No. 2011 | EUR 2011 | No. 2010 | EUR 2010 |
|---|---|---|---|---|
| Ordinary bearer shares | 2,045,927 | 14,868,331.36 | 1,960,537 | 14,247,778.03 |
| 7% bearer preference shares (without voting rights) | 642,000 | 4,665,595.95 | 642,000 | 4,665,595.95 |
| **Total share capital** | **2,687,927** | **19,533,927.31** | **2,602,537** | **18,913,373.98** |
| Capital share certificates (profit-participation rights pursuant to Art. 174 Stock Corporation Act) | 49,800 | 361,910.71 | 49,800 | 361,910.71 |
| **Total share capital and capital from profit-participation rights** | **2,737,727** | **19,895,838,.02** | **2,652,337** | **19,275,284.69** |

With effect from May 4th 2011, the date of entry into the commercial register, the Executive Board, with approval from the Supervisory Board, increased the Group's share capital against contribution in kind by issuing 85,390 new no-par-value bearer shares with voting rights and dividend entitlement from the fiscal year 2011. This partially drew on the capital authorised in an Extraordinary General Meeting on November 27th 2008. Subscription rights of existing shareholders were suspended. Following this capital increase, the share capital is split into 2,045,927 ordinary shares and 642,000 7%-preference shares without voting rights. The final subscription price per share was EUR 135.00. Following the capital increase, 287,698 authorised ordinary shares remain.

## 9. Bonds

Two bonds issued in 2006 amounting to TEUR 60,000.0 and CZK 200.0m were 100% redeemed with the value date June 29th 2011.

## 10. Notes on Segment Reporting

Segment reporting has been adjusted to reflect the new internal reporting structure of the PORR Group. Comparative figures have been retrospectively adjusted to conform to the new structure, however, a comparison with the segment information as at June 30th 2010 is only possible to a limited extent. The following segments have been defined:

Segment Region I: Region I covers the permanent operating business in the home markets of Austria, Germany and Switzerland, as well as large-scale building construction projects. All products and services are offered.

Segment Region II: Region II covers the permanent operating business of the PORR Group in the home market of Poland and the core markets in Central, South-Eastern and Eastern Europe. A step-by-step expansion of permanent business is underway in these markets.

Segment Infrastructure: the core competencies in public infrastructure are bundled in the infrastructure segment. This includes the departments of tunnel construction, foundation engineering, railway construction, pipeline construction, civil engineering, power plant construction and large-scale civil engineering projects.

Segment Environmental Engineering: the environmental engineering sector bundles competencies in water, wastewater, waste and environmental clean-up.

Segment Development: the development sector deals predominantly with companies specialised in project development, namely Porr Solutions Immobilien- und Infrastrukturprojekte GmbH, Strauss & Partner Immobilien GmbH and the shareholding in UBM Realitätenentwicklung AG and its subsidiaries.

Other: activities on the international markets as well as Group services and non-operating shareholdings are found in this segment.

## 11. Related Party Disclosures

With the exception of the contribution in kind by the companies referenced in Note 2, there have been no significant changes in relationships between related companies, or any resultant obligations or guarantees since December 31st 2010.

The volume of transactions during the first half of the fiscal year between, on the one hand, Group companies included in the consolidated financial statements and, on the other hand, these related parties, and the receivables or payables outstanding at the end of the first half of the fiscal year arising from these transactions are of negligible significance.

In addition to subsidiaries and associates, related parties include B & C Privatstiftung and the companies over which it has control, the companies of the 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 & Partner Group, as a member of the Executive Board of PORR AG has significant influence over it. 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.

Receivables to related companies and persons are not secured. No guarantees were given nor were any enforced. No allowances were made in respect of amounts owed by related companies or persons, nor were any bad debt losses booked during the reporting period.

## 12. Opting Out

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

## 13. Events after the End of the Reporting Period

With the closing date August 3rd 2011 the PORR Group acquired a further 47.19% of shares in TEERAG-ASDAG AG and therefore now owns a total of 99.74% of shares with voting rights. The acquisition of these additional shares is a transaction between owners and is recognised in equity.

August 31st 2011, Vienna
The Executive Board

Karl-Heinz Strauss (*)
Rudolf Krumpeck (*)
Peter Weber (*)

(*) manu propria

# RESPONSIBILITY STATEMENT

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

August 31st 2011, Vienna

| Karl-Heinz Strauss | Rudolf Krumpeck | Peter Weber |
|---|---|---|
| CEO | Executive Board Member | Executive Board Member |

# IMPRINT

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The 2011 half yearly report can be obtained free of charge from the company at A-1100 Vienna, Absberggasse 47, and may be downloaded from the website, www.porr.at.

**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.

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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