150 YEARS

. **building** . master .
g . **master** . pieces .
. **pieces** . building .

PORR

Interim Report on the 3rd Quarter 2019

Key Data

in EUR m	1–9/2019	1–9/2018	Change
Operating data			
Production output	4,080	4,055	0.6%
Foreign share	55.3%	58.5%	-3.2 PP
Order backlog	7,358	6,837	7.6%
Order intake	4,338	4,525	-4.1%
Staffing level (average)	19,644	18,802	4.5%

	1–9/2019	1–9/2018	Change
Earnings indicators			
Revenue	3,519.8	3,644.4	-3.4%
EBITDA	146.0	130.3	12.0%
EBIT	27.3	42.6	-36.1%
EBT	14.4	31.2	-53.8%
Profit/loss for the period	9.8	23.3	-58.0%

	30.9.2019	12/31/2018	Change
Financial position indicators			
Total assets	3,656	3,115	17.4%
Equity (incl. non-controlling interests)	574	618	-7.2%
Equity ratio	15.7%	19.9%	-4.2 PP
Net debt[2]	785	350	>100.0%

	1–9/2019	1–9/2018	Change
Cash flow and investments			
Cash flow from operating activities	-234.6	-189.0	24.2%
Cash flow from investing activities	-101.3	-28.3	>100.0%
Cash flow from financing activities	203.2	21.6	>100.0%
CAPEX[3]	186.5	129.0	44.6%
Depreciation/amortisation/impairment	-118.7	-87.7	35.4%

	1–9/2019	1–9/2018	Change
Key data regarding shares			
Number of shares (weighted average)	29,095,000	29,095,000	-
Market capitalisation as of 30 Sep (in EUR m)	549.9	741.9	-25.9%

[1] The production output corresponds to the output of all companies and consortiums (fully consolidated, equity method, proportional or those of minor significance) in line with the interest held by PORR AG.
[2] The figures as of 31 December 2018 have been adjusted due to the first-time application of IFRS 16. Details can be found on page 34 of the notes to the interim consolidated financial statements in the Half-Year Report 2019.
[3] Investments in property, plant and equipment and intangible assets

The figures have been rounded off using the compensated summation method. Relative changes are derived from the non-rounded values.

Q1-3 at a glance

Consolidation phase following growth
PORR 2025 transformation programme initiated

High order backlog of EUR 7,358m
Healthy basis with new quality orders

Moderate increase in production output
Selective growth unchanged

EBT of EUR 14.4m far below previous year
Headwind in Poland and Norway

Adjusted guidance for 2019
EBT 2019 of around EUR 35m expected
Moderate yoy rise in production output
Dividend proposal of EUR 0.40 per share

Contents

Highlights

High tech down low

In spring, PORR Infra secured the contract to provide the electrical equipment and fittings for the Hirschhagen Tunnel on the A44 in Hessen. From 2022, around 40,000 vehicles a day are set to pass through the tunnel. In addition to the tunnel's power supply, the order also includes fire detection and extinguishing equipment as well as the ventilation and lighting.

150 years of PORR

PORR celebrated its 150th birthday in March. Since its founding in 1869, the firm has proven its pioneering spirit and become one of the leading construction companies in Austria and Europe. As a full-service provider, today PORR covers the entire value chain in construction: from building construction and civil engineering to infrastructure. What's more, as a technology leader, PORR promotes and develops networked design-build solutions.

BIM and LEAN masterpiece

The handover of the new BMW Freimann sales and distribution centre in Munich took place in February, with PORR Design & Engineering responsible for the general planning. The conceptual design, submission plans, construction planning and all construction work was handled by PORR. An integrated planning approach was applied along with the use of Building Information Modeling and LEAN Design.

Building connects people

In April, PORR won the tender for the design-build contract for the motorway construction from Sibiu to Pitești in Romania. The 13.2km section is part of the Rhine-Danube Corridor that will connect Central Europe with the Black Sea.

Brenner Base Tunnel Works Start

A ceremony is held to mark the start of the tunnelling works. The first drilling was thereby begun in March on the exploratory tunnel of the Brenner Base Tunnel – the shell should be completed within a 74-month period. PORR is once again able to showcase its expertise in project management and in tunnelling.

Sustainability and education

Function and sustainability were the top priorities in the construction of the Berresgasse Campus in Vienna. The classroom doors opened in September on this PPP project that was managed by PORR. The project stood out for its use of LEAN Management and its sustainable façade design.

Skyline in Warsaw

An ambitious office quarter is taking shape in the centre of Warsaw. And with the contract to build the 155m-high SKYSAWA office and commercial complex, PORR is having a significant impact on the cityscape. The company is erecting the two buildings, which will have a gross floor area of around 40,000m^2 in a 36-month construction period. They will have a total of 50 storeys and benefit from direct access to the city's metro system.

Room with a view

Commissioned by the Swiss Railways (SBB), a modern quarter for living and working is taking shape in the very centre of Zurich, next to the Central Station. With the housing project Gleistribüne, PORR completed one of the first buildings, with a gross floor area of around 21,000m^2, in August. It consists of a total of 139 rented apartments and offers spectacular views of the rail network.

Ultra material on the road

For its refurbishment of the A4 motorway between Arth and Goldau, as part of a consortium, PORR Suisse used ultra-high-performance fibre-reinforced concrete (UHP-FRC), its first application on such a large scale. This significantly reduced the construction time as it eliminates weather-dependent work processes. This project involved three bridges being refurbished, reinforced and sealed.

Major project in Poland right on track

In September, PORR not only acquired the largest order of the year to date, but also the largest railway construction contract ever to be awarded in Poland. The order volume is EUR 238m. As part of a consortium, it won the design-build contract to modernise a 71km-long section of the LK131 rail line between Kalina and Rusiec Łódzki.

Refurbishment yields transformation

PORR has realised a sophisticated project in the centre of Prague. In the new cutting-edge media building, the only thing left from the old office block is the support structure. A 3D model of the steel construction was used to optimise the processes. The limited space available on and around the site was also a major challange.

Securing potential for the future

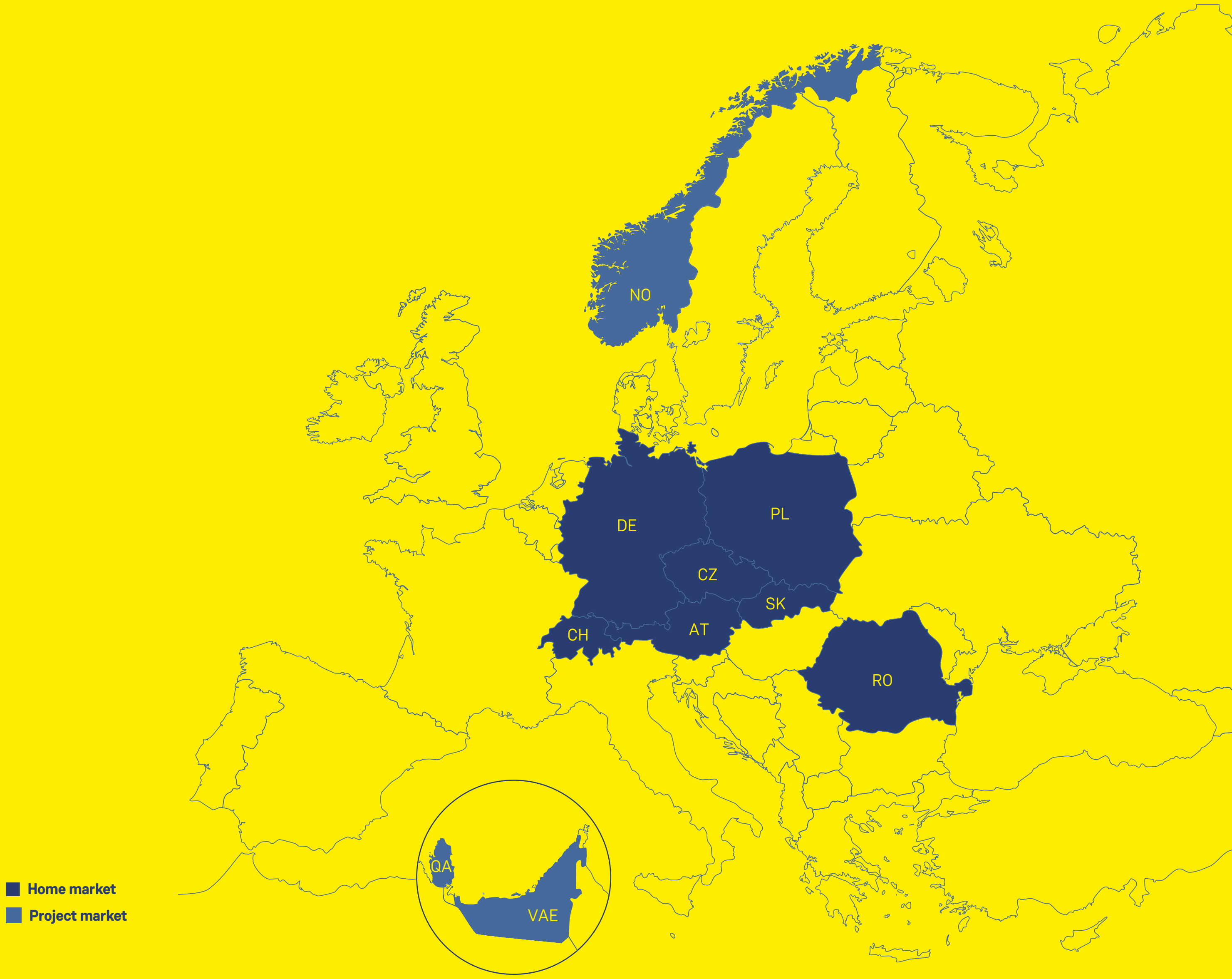
After just a year of construction, the PORR Education Campus opened with a celebration in September. Around 80 apprentices from throughout Austria will reap the benefits of additional practice-based training right from their first year. PORR has thereby become a trailblazer in construction apprenticeships.

Strategy Update

Markets

Market	Potential		Commentary
Austria	strong	●	Stable, high capacity utilisation, strong market position
Germany	strong	●	Strong demand, capacity bottlenecks, turnaround
Switzerland	strong	●	Stable demand, growing cost pressure
Poland	strong	●	High demand, capacity bottlenecks, pressure on margins
Czech Rep./Slovakia	strong	●	Good demand, expand permanent business
Romania	strong	●	High demand
Qatar/UAE	neutral	●	Reduce project volumes
UK	weak	●	Market withdrawal, no further projects
Norway	neutral	●	Under analysis, decision in Q1/2020

The table shows the assessment of potential on the PORR markets.



PORR 2025

The PORR strategy remains unchanged and focused on the long term. The high order backlog provides a good basis for the year of consolidation in 2019, which is characterised by a structural realignment in terms of both operations and organisation. The PORR 2025 transformation programme should strengthen PORR as a group and thereby sustainable secure the company's earnings power. The focus lies on four action fields:

Organisation

Greater efficiency

The structural realignment of the organisation provides the foundation for PORR's transformation. Its goal is to establish uniform standards and processes across the entire Group. By streamlining the organisation to just three Business Units, PORR has undertaken the first adjustments needed to make the organisational structure more efficient and more closely aligned to the needs of the market. PORR is currently focused on integrating Alpine Bau CZ a.s. and bundling its competencies in specialist civil engineering through the merger of Stump Spezialtiefbau GmbH and Franki Grundbau GmbH & Co. KG. What's more, the new management model is being implemented following the conclusion of the concept phase; this should help to optimise the processes of the Shared Service Center (SSC) and the cost structures. The Shared Service Center will assume overall specialised management for all centralised functions in the Group in order to guarantee uniform standards and strengthen PORR's regional presence. The transformation will help to secure improvements in transparency, a reduction in the number of interfaces, as well as greater interconnectedness of knowhow and capacities.

Operational Analysis

Improve performance

The changing market backdrop and PORR's powerful growth over the past few years have necessitated a review of cost structures at every level. Analysis of the material costs and indirect costs is underway; the first measures are being implemented. One important aspect here is the automation of commercial processes and the digitalisation of procurement, which should help to sustainably reduce costs. Simplifying processes and focusing on the use of purchasing platforms should optimise contracted volumes in the future; these account for a significant share of total costs.

Market Analysis

Greater focus

The market analysis has two focal points: determining the markets with the greatest potential and optimising the portfolio structure. The sharp growth in recent years has allowed PORR to establish a strong market position in many regions. The goal for the future will be safeguarding and expanding this position. The first milestones have been set for Romania and Slovakia, which have been included as home markets from the first half of 2019. This contrasts with the withdrawal from Great Britain coupled with the significant reduction in output in Qatar. The market in Poland continues to have high costs for construction materials and subcontractors, with no relief currently in sight. The newly acquired orders in Poland are valuable and provide a good basis for the future. The revaluation of a project in Norway led to a one-off value adjustment. The analysis phase in Norway is set for completion in the first quarter of 2020. The optimal portfolio mix that the Group will strive to secure has been defined as 45% large-scale projects, 25% medium-sized projects and 30% small projects.

Digital Opportunities

Realising future potential

The need for transformation in the construction sector has undergone a massive rise in terms of technology. Digital, networked solutions across the entire construction value chain and new, data-based business models are the main focal points here. PORR is committed to BIM-standard-based solutions together with LEAN Design and LEAN Construction. Machine-to-machine communication is already being used in real time for fleet and equipment management. This makes processes more transparent while simultaneously optimising costs and resources. Furthermore, PORR is driving forward measures to harmonise IT processes throughout the Group. This assists in the steering of the company and opens up new opportunities to make processes more efficient and to strengthen the competitiveness of PORR.

Dear shareholders,

The construction sector finds itself in an unprecedented situation. High demand for construction services is clearly evident on all of our markets. On the other hand, there is no sign of easing with regard to the high cost level for construction materials and subcontractor services. Following the strong growth of recent years, we have initiated a phase of consolidation at PORR in 2019, which will, however, take longer than expected. While our order backlog of EUR 7,358m was at a very high level in the period under review and contains quality orders, EBT of EUR 14.4m in the first nine months fell considerably short of expectations. With our PORR 2025 transformation programme, we have taken early action to adapt to the change in framework conditions. That said, these measures have not been sufficient to offset the developments and in some cases their implementation has been delayed. In light of this, PORR expects EBT of around EUR 35m for the full year 2019 as well as a moderate output increase.

PORR is a leading construction company in a steadily growing market. We are utilising this position and sustainably strengthening PORR with a range of strategic initiatives.

Vienna, November 2019

Sincerely, The Executive Board

Karl-Heinz Strauss
Chairman of the Executive Board and CEO

Thomas Stiegler
Executive Board Member and COO

J. Johannes Wenkenbach
Executive Board Member and COO

Andreas Sauer
Executive Board Member and CFO

PORR on the Stock Exchange

International stock exchanges climb

In the first nine months of 2019, growing geopolitical uncertainty caused an increase in volatility on the international stock markets. Nonetheless, a positive dynamic was observed.

The latent trade conflict between the USA and China continued to put pressure on the international stock exchanges, although a slight rapprochement seemed to occur at the end of the third quarter. In addition, the US share price performance benefited from the cut in interest rates by the Federal Reserve in July and September. The Dow Jones closed up by 15.4% at the end of the reporting period.

The interest-rate decrease by the European Central Bank (ECB) in September had a positive impact on European stock markets. Both the EURO STOXX 50 and Germany's leading index, the DAX, closed the first nine months of 2019 up by 18.9% and 17.7% respectively against year-end 2018.

The leading Austrian index, the ATX, also delivered a good performance. Following strong growth in the first months of the year, it levelled off slightly in the third quarter, mirroring the international stock markets. Compared to year-end 2018, the ATX had grown by 9.6% at the end of the first nine months.

Positive performance for the PORR share

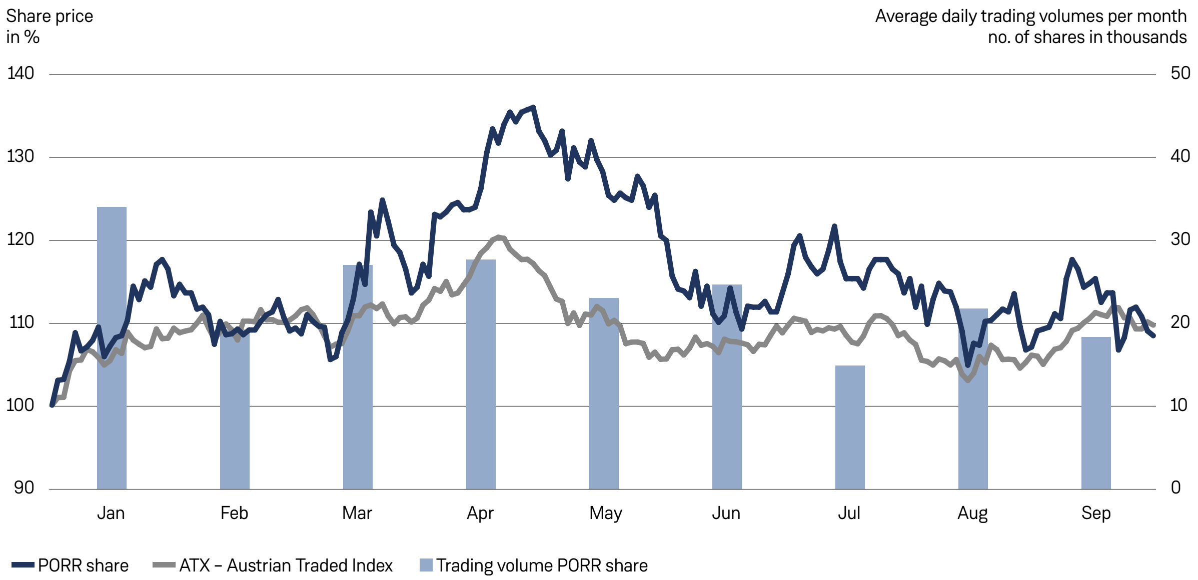
Despite volatile developments, the PORR share has risen overall in the year to date. Following its year-low of EUR 17.96 at the start of the year, it significantly outperformed the ATX early in the year. Buoyed by the publication of the 2018 results, the share reached its highest level in the first three quarters of 2019 on 30 April at EUR 23.70. The months that followed were characterised by price falls and heightened volatility.

The PORR share broadly moved in parallel with the ATX throughout the third quarter. Overall, the share closed up by 8.4% against year-end with a price of EUR 18.90 as of 30 September. Market capitalisation stood at EUR 549.9m.

International investor base

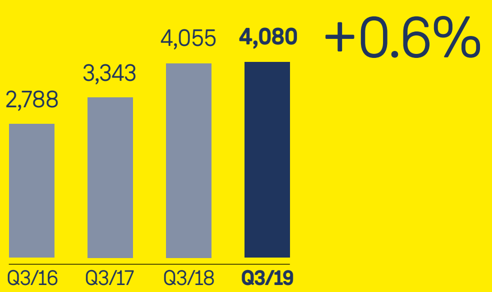
The syndicate (Strauss Group, IGO-Ortner Group) holds the majority of shares outstanding, totalling 53.7%. The free float of 46.3% is primarily split among Austria (29.3%) and the USA (15.6%). In addition, UK investors held 13.4%, while 20.5% of free-float shares were held by investors from Germany and France.

Share price and trading volumes of the PORR share in the first three quarters of 2019 (index)

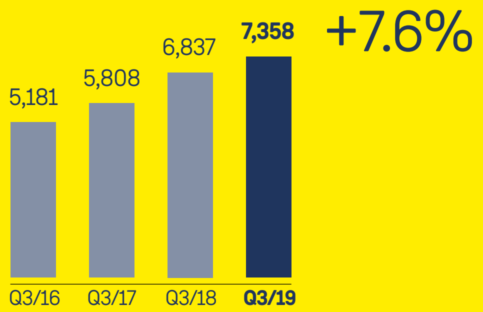


Management Report

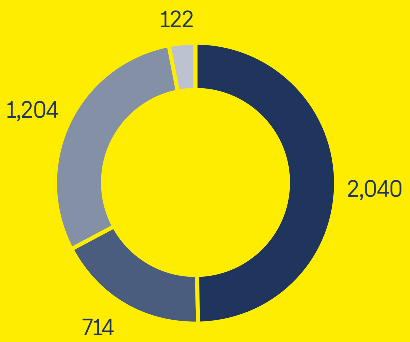
Production output[1]
(in EUR m)



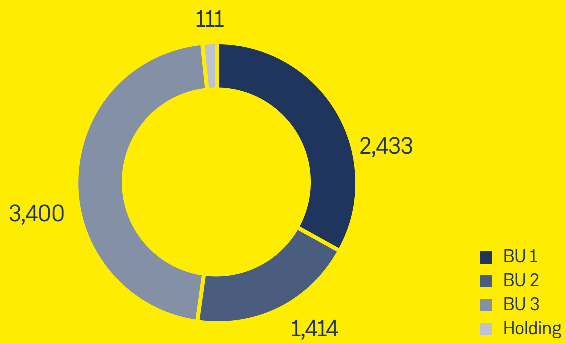
Order backlog
(in EUR m)



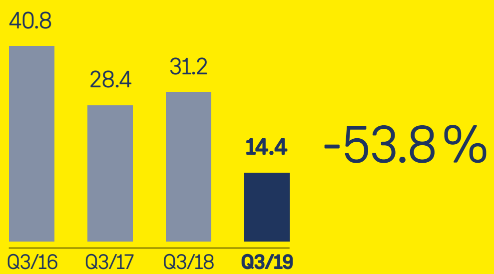
Production output[1] by segment
(in EUR m)



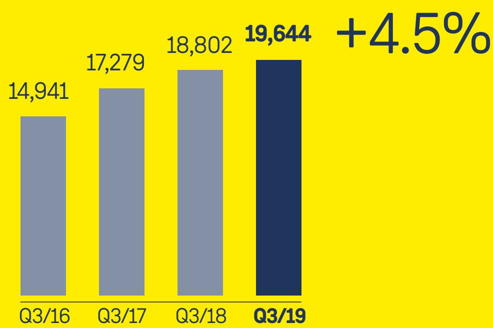
Order backlog by segment
(in EUR m)



EBT
(in EUR m)



Staffing level (average)



[1] The production output corresponds to the output of all companies and consortiums (fully consolidated, equity method, proportional or those of minor significance) in line with the interest held by PORR AG.

Markets and Performance

Economic Environment

Subdued global growth
In the first nine months of 2019 the global economy grew at a moderate pace. Increasing geopolitical uncertainty weakened international trade. Both the OECD and the International Monetary Fund (IMF) adjusted their growth forecasts for the global economy downwards to 2.9% and 3.0% respectively.

The ongoing trade conflict between the USA and China created an unstable economic backdrop. That said, the US economy remains on a growth path, propped up by consumer spending and fiscal policy measures. In addition, the Federal Reserve provided positive impetus in the form of interest-rate cuts in July, September and October to a final level of 1.50% to 1.75%. The IMF has thereby retained its forecasts of 2.6% growth for the USA for the year 2019.

Weak global trade and the uncertainty surrounding Brexit piled increasing pressure on the European economy. In contrast, there was a positive impact not only from the good job market figures and rising domestic demand, but also from an interest-rate cut and the ECB's introduction of a staggered interest rate. Nevertheless, the OECD revised its expectations of annual eurozone growth with a slight decrease to 1.1%.

The export-focused German economy suffered particularly severely from the current decline in foreign demand. Following a regressive second quarter, slight economic growth was observed for the third quarter of 2019 – supported by higher private and public spending. The OECD has forecast growth of 0.5% for the full year 2019.

Against a backdrop of international economic weakness, the Austrian economy proved robust. Despite slower investment momentum, the third quarter of 2019 saw growth of 0.2% against the preceding quarter. The Austrian Institute of Economic Research (WIFO) has forecast growth of 1.7% for 2019 on the basis of stable consumer spending.

Construction sector remains at a high level
Supported by the prevailing low interest-rate environment, the European construction industry continues to experience strong demand. In Austria, WIFO has forecast growth of 1.8% for 2019, whereby a particularly strong performance is expected in civil engineering.

In Germany the construction sector is currently the strongest growth driver, albeit one restrained by capacity limits and the acute lack of skilled labour. Nevertheless, the German Construction Federation (ZDB) has forecast revenue growth of 8.7% for 2019, mainly justified by the increase in activity in public-sector construction.

Experts also predict turnover growth in the Swiss construction industry. Here the order intake in residential construction is being hampered by higher vacancy rates, while revenue is rising for building construction overall.

In 2019 a range of different growth factors had an impact on PORR in the CEE home markets. According to Euroconstruct, civil engineering will experience the sharpest rise in Poland, while residential and non-residential construction will play a significant role in Slovakia and the Czech Republic. In Romania building construction is serving as a growth driver according to its national institute of statistics.

Development of Output

The indicator production output covers all classic design and construction services, waste management, raw materials sales and facility management, i.e. all significant services rendered by PORR. For companies fully included in the consolidated group, this output broadly corresponds to the revenue defined and reported in accordance with IFRS. In contrast to revenue, production output also includes the output from consortiums and companies accounted for under the equity method, as well as those of minor significance, in line with the interest held by the Group and differences in definitions reconciled pursuant to commercial criteria.

In the first nine months of 2019, PORR generated production output of EUR 4,080m, thereby exceeding the high level of the previous year by 0.6%. Structural Engineering Germany as well as Slovakia and the Czech Republic contributed to this growth.

Segment reporting in this report is presented in accordance with the new organisational structure in place since 1 January 2019. Comparative data from previous periods has been adjusted retrospectively.

Totalling EUR 2,040m, half of the total production output came from Business Unit 1 – Austria, Switzerland. This represents a rise of 0.4% compared to the same period of the previous year and was primarily generated by Carinthia and Upper Austria and in superregional earthworks.

In the first three quarters of 2019, Business Unit 2 – Germany achieved output of EUR 714m, corresponding to a 3.8% increase against the comparable period. Structural Engineering Germany and earthworks Stump-Franki Germany made especially strong contributions to this growth.

With production output of EUR 1,204m, Business Unit 3 – International reported a 3.7% decrease against the previous year. This was mainly caused by the completion of several large-scale projects in Qatar coupled with a more selective approach to order acquisition in Poland. In contrast, output increased in Slovakia, the Czech Republic and the unit for large-scale international projects.

Around 94% of total output was generated on PORR's home markets – Austria, Germany, Switzerland, Poland, the Czech Republic, Slovakia and Romania. Austria remained the most important market with a share of around 45%. Germany was responsible for 26% of the output, while 11% came from Poland. Switzerland generated around 4% of production output, while the Czech Republic and Slovakia – under joint management – accounted for 7%. The new home market of Romania generated more than 1% of total production output.

Order Balance

As of 30 September 2019, PORR had an order backlog of EUR 7,358m. This represents an increase of 7.6% or EUR 521m against the previous year. In the period under review, the order intake stood at EUR 4,338m and was thereby 4.1% or EUR 187m below the comparable period. This was caused by the previously announced selective approach to acquiring orders, in particular in Germany and Poland. The order situation thereby reflects the cautious acquisition policy. PORR's focus remains on operational excellence and the company will resolutely pursue the consolidation of its achieved growth.

The largest new order in the first nine months was the design-build contract for the LK131 railway line between Kalina and Rusiec Łódzki in Poland. In a consortium, PORR is overhauling a 71km-long section and thereby improving the links between the industrial region of Upper Silesia and the Baltic Sea ports of Gdansk and Gdynia. One major order in bridge construction is Norway's longest railway bridge, with a length of 836m, the Minnevika Bridge. In road construction, PORR acquired the contract to build a 14.2km-long section of the expressway between Sibiu and Piteşti in Central Romania. On the home markets of Austria and Germany, several important contracts were acquired, especially in building construction. These included the residential development Wohngarten Geiselbergstraße in Vienna and the Q218 office complex in Berlin.

Financial Performance

PORR has opted for the modified retrospective method when applying IFRS 16 for the first time from 1 January 2019. The impacts of this are laid out in detail on page 34 of the notes to the interim consolidated financial statements in the 2019 Half-Year Report.

In the first three quarters of 2019, revenue declined slightly by 3.4% against the comparable period to EUR 3,519.8m. At the same time, there was a slight increase of 2.8% in earnings from companies accounted for under the equity method.

Expenses for materials and other related production services underwent a sharper decline than revenue, decreasing by 7.4%, while staff costs increased by 7.4%. On the one hand, this resulted from personnel-intensive companies first acquired in the fourth quarter of the previous year and in the current year; on the other from the increase in staff costs on projects in Norway and in Poland.

This decrease in earnings was offset by the effect of applying IFRS 16 for the first time, whereby EBITDA rose overall by 12.0% to EUR 146.0m. Also mainly triggered by IFRS 16, depreciation, amortisation and impairment expense climbed by 35.4%. This led to a 36.1% decrease in EBIT, which stood at EUR 27.3m. Despite higher financing income, the financial result slipped back to EUR -12.8m as a result of the higher interest on leases that affected financing costs. Overall, this led to a 53.8% decrease in EBT to EUR 14.4m at the end of the third quarter. Tax expense of EUR 4.6m, which was weighed down by aperiodic effects, meant that earnings for the period fell by 58.0% to EUR 9.8m.

Financial Position and Cash Flows

As of 30 September 2019, PORR's total assets stood at EUR 3,655.7m, thereby increasing by 17.4% against 31 December 2018. There was a sharp rise in property, plant and equipment, partly because of IFRS 16. Seasonal effects such as the growth of recent years were responsible for the increase in trade receivables.

Equity decreased in line with the usual seasonal business performance, partly because of the dividend payout in June and the adjustment in interest rates applied when calculating social capital requirements. As of 30 September 2019, the equity ratio stood at 15.7%, marking a decline against 31 December 2018 (19.9%).

In terms of liabilities, there was an especially sharp rise in non-current liabilities, which climbed by EUR 440.8m to EUR 1,014.5m. Here the first-time application of IFRS 16 brought with it a significant increase in financial liabilities. Securing long-term liquidity in the form of taking out new Schuldscheindarlehen led to an increase in bonds and Schuldscheindarlehen. Current liabilities rose slightly by EUR 144.8m to EUR 2,067.7m.

Seasonal factors coupled with the effects of IFRS 16 caused net debt to rise to EUR 785.5m as of 30 September 2019 (31 December 2018: EUR 150.2m). When IFRS 16 is applied retrospectively, net debt stood at EUR 350.3m as of 31 December 2018.

The EUR 42.8m increase in operating cash flow mainly resulted from the rise in depreciation, amortisation and impairment expense triggered by applying IFRS 16. This effect was exacerbated by the change in deferred taxes. Cash flow from operating activities fell by EUR 45.7m in the period under review to EUR -234.6m. The main factor here was the higher capital tied up as working capital.

Cash flow from investing activities reflected the increase in outgoings from investments in property, plant and equipment and investment property. Furthermore, there were one-off effects from paying back other financial assets in the previous year. This led to a decrease of EUR 73.1m to EUR 101.3m. Cash flow from financing activities climbed by EUR 181.6m to EUR 203.2m mainly because of the increase in Schuldscheindarlehen.

As of 30 September 2019, cash and cash equivalents stood at EUR 186.9m.

Investments

In the first nine months of 2019, investments were made in large-scale construction machinery in addition to the usual high investments to replace machinery and construction site equipment and to buy new equipment.

Investment activity is measured by applying the CAPEX indicator (capital expenditure). This includes investments in intangible assets, property, plant and equipment, and assets under construction including investments financed by leases. CAPEX increased against the comparable period of the previous year by EUR 57.5m to EUR 186.5m. This resulted in a CAPEX ratio – partly caused by high investments in a storage site and in construction equipment – of 4.6% in relation to production output (1–9/2018: 3.2%).

The investment needs of the entire Group are continuously assessed in terms of economic viability.

Opportunity and Risk Management

Effective risk management has long been one of PORR's most important principles when carrying out any economic activity and safeguards its competitive ability. If risks have an impact on one of PORR's business fields or markets, this can have a negative effect on the company's earnings potential. Any developments of this kind are always reported immediately. That's why the aim of risk management is to identify risks and then minimise them while still maintaining the company's earnings potential.

Since the 2018 Annual Report there have been no significant changes to the Group's opportunity and risk profile that lead to a change in the assessment of the risk position for PORR. The description in the Risk Report of the 2018 Annual Report from page 61 onwards thereby remains valid.

Staff

In the reporting period, PORR employed 19,644 people on average. This represents an increase of 4.5% compared to the previous year, caused by several factors including last year's acquisition of Alpine Bau CZ a.s.

Forecast Report

Over the course of the year, numerous early economic indicators have dampened expectations for Europe. Trade conflicts, the weak global economy and the uncertainty surrounding Brexit hampered growth. Consequently, both the IMF and the OECD reduced their forecasts for the global economy (2.9%) and the eurozone (1.1%).

In terms of demand, experts forecast positive developments to continue on the construction markets in Europe where the majority of PORR's business activities are focused. Ongoing low interest rates, full order books in the industry and the acute need for investment in certain countries shows that the long-term trend remains intact.

Following PORR's strong growth in recent years, 2019 is a year of consolidation on a high level. The order backlog of EUR 7,358m contains quality orders and forms the basis for the Group's future earnings power. PORR has become more selective, whereby unprofitable projects and projects with capacity bottlenecks are strictly declined. Added to this is the point of securing subcontractors before submitting an offer. The consolidation phase is taking longer than expected. This confirms that the Group is on the right path by introducing the PORR 2025 transformation programme.

Economic forecasts for Austria remain very robust. As a leading construction company, PORR has a strong market position here and high capacity utilisation. Furthermore, it has a far-reaching capacity for inhouse value creation. As the Austrian market is experiencing stable growth, the biggest limiting factor is the lack of skilled labour. In Germany, PORR's second largest market, the construction sector is an economic growth driver – despite weaker economic forecasts overall. The 2030 Federal Transport Infrastructure Plan alone provides for further impetus in traffic infrastructure through investments. Switzerland offers a well-filled project pipeline in the medium term; here PORR is striving for growth consolidation at a high level.

In Central and Eastern Europe, the sector is likely to see above-average growth. The market in Poland does not yet show – contrary to the expectations of the Executive Board – any easing in the current high cost level for construction materials and subcontractor services. The prevailing lack of skilled labour and capacity bottlenecks also remain key issues. Norway may well offer opportunities in the infrastructure sector, but the market remains challenging and is currently in an analysis phase. The final decision on PORR's future approach should be made in the first quarter of 2020. In Qatar and the UAE, PORR is pursuing a reduced-risk strategy and thereby significantly lower project volumes.

Based on the previous business performance and the current view of the market, the Executive Board expects EBT for the business year 2019 to be around EUR 35m – assuming unchanged parameters. PORR is experiencing a year of consolidation and has an order backlog that will retain its value. On this basis, the Executive Board assumes a moderate increase in production output.

For the coming years, the Executive Board anticipates continuous improvements in the EBT margin.

Based on the aforementioned figures and as things stand today, the Executive Board expects to propose a dividend to the Annual General Meeting of around EUR 0.40 per share.

The actual business performance may, however, deviate from current forecasts due to external political and economic factors as well as the seasonal nature of the construction industry.

Segment Report

Business Unit 1 – Austria, Switzerland

Key data

in EUR m	1–9/2019	1–9/2018	Change
Production output	2,040	2,032	0.4%
Order backlog	2,433	2,164	12.4%
Order intake	2,351	2,146	9.5%
Staffing level (average)	9,526	9,120	4.5%

The segment Business Unit 1 – Austria, Switzerland (BU 1) covers PORR's permanent business on the two home markets of Austria and Switzerland. Here PORR is represented with its full range of services, whereby the primary focal points are residential and office construction, structural engineering, road construction and specialist civil engineering. The fields of environmental engineering and railway construction with the Slab Track Austria system are new additions as of 1 January 2019. Also integrated into BU 1 – alongside the existing equity interests (including IAT, BOMA and ÖBA) – are Prajo, TKDZ, Thorn, PWW and ALU-SOMMER. Furthermore, this segment includes German industrial construction as well as large-scale building construction projects on all international markets and the raw materials business.

In the period under review, BU 1 generated production output of EUR 2,040m and achieved a year-on-year increase of 0.4%. The performance of Carinthia and Upper Austria was particularly strong, as was superregional earthworks. The order backlog climbed by 12.4% and totalled EUR 2,433m. The order intake grew almost as strongly by 9.5% to EUR 2,351m. In addition to the residential construction projects in Vienna Wohngarten Geiselbergstraße and Handelskai, the largest new orders included construction of a building complex for the St. Pölten University Clinic.

BU 1 remains confident about the full year 2019 on the basis of the good order situation. Although subdued economic growth is increasingly impacting the construction industry, demand for construction continues to rise – albeit at a slower pace. Both the Austrian Production Index for Construction and the Swiss Construction Index report clearly positive trends. Nonetheless, PORR will maintain its strategy of selective order acquisition with a focus on operational excellence.

Business Unit 2 – Germany

Key data

in EUR m	1–9/2019	1–9/2018	Change
Production output	714	688	3.8%
Order backlog	1,414	1,654	-14.5%
Order intake	528	799	-33.9%
Staffing level (average)	2,456	2,410	1.9%

The majority of PORR's activities in Germany are bundled in the segment Business Unit 2 – Germany (BU 2). On its second largest market, the company offers foundation and structural engineering in addition to building construction and civil engineering. The acquisitions of recent years have given PORR a strong presence on the infrastructure market with its own qualified, specialist staff. By bundling resources and knowhow along regional lines, building construction activities have become more efficient and customer-oriented.

In the first nine months of 2019, BU 2 generated production output of EUR 714m. The growth of 3.8% was primarily produced by structural engineering and foundation engineering. The order situation reflects the focus on selective project acquisition and consolidation. The order backlog decreased by 14.5% to EUR 1,414m and the order intake fell by 33.9% to EUR 528m. The office tower Q218 in Berlin was the largest new order acquired by BU 2 in the period under review.

The construction sector is currently the strongest driver in the tense market environment of the German economy. No end to this trend has yet been observed, whereby the central association of the German Construction Federation (ZDB) sees the greatest potential in public-sector construction. Limited tender activity in the past has led to an investment backlog that now needs to be cleared. The lack of skilled labour and capacity bottlenecks in the subcontractor area are once again factors limiting growth.

Slight cost easing for raw materials and construction materials is visible, although they will remain at a high level. Following the turnaround achieved in Germany in 2018, the focus continues to be on consistently consolidating activities.

Business Unit 3 – International

Key Data

in EUR m	1–9/2019	1–9/2018	Change
Production output	1,204	1,249	-3.7%
Order backlog	3,400	2,908	16.9%
Order intake	1,324	1,504	-12.0%
Staffing level (average)	5,874	5,634	4.3%

The segment Business Unit 3 – International (BU 3) focuses on the home markets of Poland, the Czech Republic, Slovakia and Romania, and on the project markets of Norway, Qatar and the UAE. PORR offers construction services in building construction and civil engineering on all of its home markets, complemented by foundation engineering in Poland. The competencies for international tunnelling, railway construction and bridge building are also bundled in BU 3, as are the areas of international large-scale projects and international use of the Slab Track Austria system.

In the period under review, the production output of BU 3 totalled EUR 1,204m and was thereby 3.7% lower than the comparable period. Despite this, Slovakia, the Czech Republic and the unit for international large-scale projects managed to increase their output. The order backlog rose sharply by 16.9% and stood at EUR 3,400m. The order intake underwent a decrease of 12.0% due to the one-off effect of the Brenner Base Tunnel from the previous year and totalled EUR 1,324m. Orders acquired by BU 3 included the design-build contract for the LK131 railway line in Poland and for the expressway between Sibiu and Piteşti in Romania, as well as for the construction of the Minnevika Bridge in Norway.

The business performance of BU 3 was dominated by major challenges in Poland and Norway. The strong capacity utilisation in **Poland** continues to be linked to high costs for construction materials and subcontractor services. No easing is currently in sight. Moreover, the growth prospects are limited by the ongoing lack of skilled labour. Nonetheless, demand for construction services remains obvious – Poland is the largest recipient of investment from the EU Cohesion Fund, continuing to 2022.

A revaluation carried out in the course of analysing the **Norway** market led to a one-off value adjustment. On the one hand, Norway offers great potential in the infrastructure sector; on the other, it remains a tough market. The market is currently in an analysis phase being conducted under the PORR 2025 transformation programme. A decision on the strategic approach will be made in the first quarter of 2020. These issues in Poland and Norway have had negative effects on earnings. Early measures have not been sufficient to offset these developments and in some cases their implementation has been delayed.

The integration of Alpine Bau CZ a.s. is currently underway in the **Czech Republic**. Coupled with opportunities in traffic and transport construction, the expansion of permanent business holds further potential. In **Qatar** and the **UAE**, PORR has significantly reduced its project volumes and is only active on a selective basis.

Interim Consolidated Financial Statements as of 30 September 2019

These interim consolidated financial statements of the PORR Group have been prepared under application of the accounting and measurement methods used in the consolidated statements as of 31 December 2018 and the standards applicable for the first time since 1 January 2019, especially IFRS 16. They consist respectively of a condensed statement of financial position, an income statement, a statement of comprehensive income, a cash flow statement and a condensed statement of changes in Group equity.

Consolidated Income Statement

in TEUR	1–9/2019	1–9/2018	7–9/2019	7–9/2018
Revenue	3,519,830	3,644,443	1,338,185	1,421,205
Own work capitalised in non-current assets	3,439	2,783	913	1,968
Income from companies accounted for under the equity method	58,401	56,831	27,417	32,113
Other operating income	135,717	136,702	26,688	41,298
Cost of materials and other related production services	-2,360,395	-2,548,054	-935,585	-1,049,148
Staff expenses	-939,326	-874,602	-331,915	-318,550
Other operating expenses	-271,688	-287,789	-75,139	-70,985
EBITDA	**145,978**	**130,314**	**50,564**	**57,901**
Depreciation, amortisation and impairment expense	-118,720	-87,687	-40,666	-29,925
EBIT	**27,258**	**42,627**	**9,898**	**27,976**
Income from financial investments and other current financial assets	11,039	6,282	3,623	1,454
Finance costs	-23,876	-17,714	-7,313	-4,840
EBT	**14,421**	**31,195**	**6,208**	**24,590**
Income tax expense	-4,635	-7,908	-2,381	-6,863
Profit/loss for the period	**9,786**	**23,287**	**3,827**	**17,727**
of which attributable to shareholders of parent	6,268	20,518	2,477	16,614
of which attributable to holders of profit-participation rights	1,998	1,998	666	666
of which attributable to non-controlling interests	1,520	771	684	447
Basic (diluted) earnings per share, total (in EUR)	0.22	0.71	0.09	0.57

Statement of Comprehensive Income

in TEUR	1–9/2019	1–9/2018	7–9/2019	7–9/2018
Profit/loss for the period	**9,786**	**23,287**	**3,827**	**17,727**
Other comprehensive income				
Remeasurement from defined benefit obligations	-21,116	-	-8,847	-
Measurement of equity instruments	292	-1,274	159	91
Income tax expense (income) on other comprehensive income	5,640	319	2,526	-22
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**-15,184**	**-955**	**-6,162**	**69**
Exchange differences	963	1,567	-43	1,947
Gains/losses from cash flow hedges				
in the year under review	-331	48	-24	229
Income tax expense (income) on other comprehensive income	83	-12	6	-57
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**715**	**1,603**	**-61**	**2,119**
Other comprehensive income	**-14,469**	**648**	**-6,223**	**2,188**
Total income for the period	**-4,683**	**23,935**	**-2,396**	**19,915**
of which attributable to non-controlling interests	1,395	753	573	461
Share attributable to shareholders of the parent and holders of profit-participation rights	**-6,078**	**23,182**	**-2,969**	**19,454**
of which attributable to holders of profit-participation rights	1,998	1,998	666	666
Share attributable to shareholders of the parent	**-8,076**	**21,184**	**-3,635**	**18,788**

Consolidated Cash Flow Statement

in TEUR	1–9/2019	1–9/2018
Profit/loss for the period	9,786	23,287
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	118,472	87,968
Interest income/expense	15,180	12,947
Income from companies accounted for under the equity method	-12,194	-11,854
Dividends from companies accounted for under the equity method	12,808	7,399
Profits from the disposal of fixed assets	-12,668	-12,320
Increase/decrease in long-term provisions	1,527	-4,733
Deferred income tax	559	-12,072
Operating cash flow	**133,470**	**90,622**
Increase in short-term provisions	1,423	-16,071
Decrease/increase in tax provisions	-19,389	17,322
Increase in inventories	-213	-11,768
Increase in receivables	-413,364	-544,841
Decrease/increase in payables (excluding banks)	74,461	275,963
Interest received	7,630	8,370
Interest paid	-19,352	-10,145
Other non-cash transactions	723	1,592
Cash flow from operating activities	**-234,611**	**-188,956**
Proceeds from the disposal of intangible assets	32	38
Proceeds from sale of property, plant and equipment and disposal of investment property	23,170	21,177
Proceeds from the sale of financial assets	21,315	2,011
Proceeds from repayment of loans	3,276	802
Investments in intangible assets	-2,130	-693
Investments in property, plant and equipment and investment property	-130,522	-80,957
Investment in financial assets	-1,257	-17,658
Investment in loans	-4,341	-3,434
Repayment of other financial assets	-	50,000
Proceeds from the sale of consolidated companies less cash and cash equivalents	-4,459	1,392
Payouts for the purchase of subsidiaries less cash and cash equivalents	-6,428	-970
Cash flow from investing activities	**-101,344**	**-28,292**
Dividends	-41,305	-41,305
Payouts to non-controlling interests	-1,651	-1,160
Proceeds from Schuldscheindarlehen	225,000	40,000
Repayment of Schuldscheindarlehen	-41,000	-63,000
Obtaining loans and other financing	374,055	347,153
Redeeming loans and other financing	-314,580	-259,926
Capital increase of non-controlling interests	2,681	-
Acquisition of non-controlling interests	-	-115
Cash flow from financing activities	**203,200**	**21,647**
Cash flow from operating activities	**-234,611**	**-188,956**
Cash flow from investing activities	**-101,344**	**-28,292**
Cash flow from financing activities	**203,200**	**21,647**
Change to cash and cash equivalents	**-132,755**	**-195,601**
Cash and cash equivalents as of 1 Jan	319,674	358,707
Currency differences	-17	-1,173
Changes to cash and cash equivalents resulting from changes to the consolidated group	-	2,315
Cash and cash equivalents as of 30 Sep	**186,902**	**164,248**
Tax paid	23,465	2,589

Consolidated Statement of Financial Position

in TEUR	30.9.2019	31.12.2018
Assets		
Non-current assets		
Intangible assets	157,235	148,212
Property, plant and equipment	921,245	666,758
Investment property	70,604	65,971
Shareholdings in companies accounted for under the equity method	76,663	93,200
Loans	73,609	48,802
Other financial assets	36,400	41,576
Other non-current financial assets	19,364	25,026
Deferred tax assets	24,748	14,557
	1,379,868	**1,104,102**
Current assets		
Inventories	83,264	82,798
Trade receivables	1,826,877	1,461,729
Other financial assets	128,205	97,188
Other receivables and current assets	50,597	49,220
Cash and cash equivalents	186,902	319,674
Assets held for sale	-	25
	2,275,845	**2,010,634**
Total assets	**3,655,713**	**3,114,736**

Equity and liabilities		
Equity		
Share capital	29,095	29,095
Capital reserve	251,287	251,287
Hybrid capital	154,819	155,290
Other reserves	89,086	135,974
Equity attributable to shareholders of parent	**524,287**	**571,646**
Profit-participation rights	41,958	42,624
Non-controlling interests	7,346	3,964
	573,591	**618,234**
Non-current liabilities		
Bonds and Schuldscheindarlehen	331,384	175,586
Provisions	175,410	149,150
Non-current financial liabilities	441,780	188,142
Other non-current financial liabilities	2,944	3,079
Deferred tax liabilities	62,933	57,688
	1,014,451	**573,645**
Current liabilities		
Bonds and Schuldscheindarlehen	84,333	56,290
Provisions	135,640	133,757
Current financial liabilities	114,887	49,840
Trade payables	1,189,774	1,154,351
Other current financial liabilities	39,387	41,257
Other current liabilities	484,654	449,098
Tax payables	18,996	38,264
	2,067,671	**1,922,857**
Total equity and liabilities	**3,655,713**	**3,114,736**

Statement of Changes in Group Equity

in TEUR	Share capital	Capital reserve	Revaluation reserve	Remeasurement from defined benefit obligations	Measurement of equity instruments	Foreign currency translation reserves
Balance as of 31 Dec 2017	**29,095**	**251,287**	**7,723**	**-27,286**	**-**	**1,240**
Restatement from the first-time application of IFRS 9	-	-	-	-	-	-
Restatement from the first-time application of IFRS 15	-	-	-	-	-	-
Balance as of 1 Jan 2018	**29,095**	**251,287**	**7,723**	**-27,286**	**-**	**1,240**
Total profit/loss of the year	-	-	-	-	-	-
Other comprehensive income	-	-	94	-	37	1,370
Total income for the period	**-**	**-**	**94**	**-**	**37**	**1,370**
Dividend payout	-	-	-	-	-	-
Income tax on interest of holders of hybrid/mezzanine capital	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-
Changes to the consolidated group/ acquisition of non-controlling interests	-	-	-	-	-	-
Balance as of 30 Sep 2018	**29,095**	**251,287**	**7,817**	**-27,286**	**37**	**2,610**
Balance as of 31 Dec 2018	**29,095**	**251,287**	**6,736**	**-30,837**	**-29**	**4,309**
Restatement from the first-time application of IFRS 16	-	-	-	-	-	-
Balance as of 1 Jan 2019	**29,095**	**251,287**	**6,736**	**-30,837**	**-29**	**4,309**
Total profit/loss of the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-15,343	219	1,132
Profit/loss for the period	**-**	**-**	**-**	**-15,343**	**219**	**1,132**
Dividend payout	-	-	-	-	-	-
Income tax on interest of holders of hybrid/mezzanine capital	-	-	-	-	-	-
Capital increase of non-controlling interests	-	-	-	-	-	-
Changes to the consolidated group/ acquisition of non-controlling interests	-	-	-	-	-	-
Balance as of 30 Sep 2019	**29,095**	**251,287**	**6,736**	**-46,180**	**190**	**5,441**

Debt securities available for sale – fair value reserve	**Reserve for cash flow hedges**	**Hybrid capital**	**Retained earnings and non-retained profit**	**Equity attributable to shareholders of parent**	**Profit-participation rights**	**Non-controlling interests**	**Total**
1,737	**-629**	**155,318**	**132,681**	**551,166**	**42,624**	**3,248**	**597,038**
-1,737	-	-	1,737	-	-	-	-
-	-	-	-2,613	-2,613	-	-	-2,613
-	**-629**	**155,318**	**131,805**	**548,553**	**42,624**	**3,248**	**594,425**
-	-	6,376	14,142	20,518	1,998	771	23,287
-	36	-	-871	666	-	-18	648
-	**36**	**6,376**	**13,271**	**21,184**	**1,998**	**753**	**23,935**
-	-	-6,875	-31,766	-38,641	-2,664	-1,160	-42,465
-	-	-	2,093	2,093	-	-	2,093
-	-	-	-	-	-	1,194	1,194
-	-	-	-241	-241	-	-78	-319
-	**-593**	**154,819**	**115,162**	**532,948**	**41,958**	**3,957**	**578,863**
-	**-1,039**	**155,290**	**156,834**	**571,646**	**42,624**	**3,964**	**618,234**
-	-	-	-2,860	-2,860	-	-10	-2,870
-	**-1,039**	**155,290**	**153,974**	**568,786**	**42,624**	**3,954**	**615,364**
-	-	6,404	-136	6,268	1,998	1,520	9,786
-	-248	-	-104	-14,344	-	-125	-14,469
-	**-248**	**6,404**	**-240**	**-8,076**	**1,998**	**1,395**	**-4,683**
-	-	-6,875	-31,766	-38,641	-2,664	-1,651	-42,956
-	-	-	2,218	2,218	-	-	2,218
-	-	-	-	-	-	2,681	2,681
-	-	-	-	-	-	967	967
-	**-1,287**	**154,819**	**124,186**	**524,287**	**41,958**	**7,346**	**573,591**

Financial Calendar 2020

6.2.2020	**Interest payment** hybrid bond 2017
27.4.2020	**Publication** 2019 Annual Report
27.4.2020	**Press conference** on the 2019 Annual Report
18.5.2020	**Record date** for attending the 140th Annual General Meeting
27.5.2020	**Publication** report on the 1st quarter 2020
28.5.2020	**140th Annual General Meeting**
3.6.2020	**Ex-dividend trading** on the Vienna Stock Exchange
4.6.2020	**Dividend record date**
5.6.2020	**Dividend payout day** for the 2019 business year
26.8.2020	**Publication** report in the 1st half 2020
28.10.2020	**Interest payment** PORR Corporate Bond 2014/2 (hybrid bond)
26.11.2020	**Publication** report on the 3rd quarter 2020

Contact

Investor Relations and Strategy
ir@porr-group.com

Group Communications & Marketing
comms@porr-group.com

The 2019 interim report on the third quarter can be obtained free of charge from the company at 1100 Vienna, Absberggasse 47, and downloaded from the website https:**//porr-group.com/en/investor-relations/reporting/group-reports/.**

Acknowledgements

Media proprietor
PORR AG
1100 Vienna, Absberggasse 47
T +43 50 626-0
office@porr-group.com
porr-group.com

Concept, text, design and editing
PORR AG
Investor Relations and Strategy
be.public Corporate & Financial Communications, Vienna

Produced with ns.publish by Multimedia Solutions AG, Zurich.

Photo
Astrid Knie

Translation
Collet Ltd

Disclaimer

g.master.pieces.
er.pieces.building
.building.master

PORR AG
Absberggasse 47
1100 Vienna
T +43 50 626-0
porr-group.com