# SPACES

Interim Report on the 1st Quarter 2021

PORR

# Key Data

| in EUR m | 1–3/2021 | 1–3/2020 | Change |
|---|---|---|---|
| **Operating data** | | | |
| Production output[1] | 1,002 | 942 | 6.3% |
| Foreign share | 55.6% | 62.0% | -6.4 PP |
| Order backlog[2] | 7,920 | 6,527 | 21.3% |
| Order intake[2] | 1,850 | 1,150 | 60.9% |
| Staffing level (average) | 19,033 | 18,688 | 1.8% |

| | 1–3/2021 | 1–3/2020 | Change |
|---|---|---|---|
| **Earnings indicators** | | | |
| Revenue | 968.4 | 912.4 | 6.1% |
| EBITDA | 38.6 | 21,2 | 82.2% |
| EBIT | -4.4 | -19.9 | -77.8% |
| EBT | -9.4 | -25.5 | -63.4% |
| Loss for the period | -7.2 | -21.0 | -65.8% |

| | 3/31/2021 | 12/31/2020 | Change |
|---|---|---|---|
| **Financial position indicators** | | | |
| Total assets | 3,512 | 3,509 | 0.1% |
| Equity (incl. non-controlling interests) | 634 | 651 | -2.6% |
| Equity ratio | 18.0% | 18.5% | -0.5 PP |
| Net debt | 306 | 137 | > 100.0% |

| | 1–3/2021 | 1–3/2020 | Change |
|---|---|---|---|
| **Cash flow and investments** | | | |
| Cash flow from operating activities | -99.5 | -238.9 | -58.4% |
| Cash flow from investing activities | -36.9 | -27.9 | 32.2% |
| Cash flow from financing activities | -9.5 | 98.0 | <-100.0% |
| CAPEX[3] | 70.5 | 39.6 | 78.0% |
| Depreciation/amortisation/impairment | 43.0 | 41,1 | 4.8% |

| | 1–3/2021 | 1–3/2020 | Change |
|---|---|---|---|
| **Key data regarding shares** | | | |
| Number of shares (weighted average) | 29,095,000 | 29,095,000 | - |
| Market capitalisation as of 31 Mar (in EUR m) | 453.9 | 438.2 | 3.6% |

[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 order backlog and the order intake have been adjusted for the projects A1 Leverkusen Bridge and H51 Pfons - Brenner. The comparative figures have been restated retrospectively.
[3] Investment in property, plant and equipment and intangible assets.

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

# At a glance

## Strong start to Q1

Record order books and
improved earnings

## Solid balance sheet

Low net debt and
high liquidity

## Skilful implementation of PORR 2025

Increased transparency and
cost savings

## On track to meet 2021 guidance

Positive outlook confirmed

# Contents

**Dear shareholders, dear stakeholders,**

The tailwind in the construction sector on our markets continues to hold. We have had a strong start to 2021 and are fully on track. We have once again managed to secure a record order backlog of EUR 7,920m. Not only are we optimistic about the current year, we are also convinced that we are well-equipped for the future. We have managed to increase our production output by 6.3% to EUR 1,002m. EBT improved to EUR -9.4m and has thereby returned to pre-coronavirus levels.

Despite the positive market environment, we continue to operate cautiously and with a selective strategy. With the future programme PORR 2025, we are taking the right strategic steps. And we are achieving additional milestones in climate protection. The focus is and will remain on PORR's sustainable earning power – for all of our stakeholders. We look forward to your ongoing support and thank you for the trust you have placed in us!

Vienna, May 2021

Sincerely,
The Executive Board

**Karl-Heinz Strauss**
Chairman of the Executive Board and CEO

**Andreas Sauer**
Executive Board Member and CFO

**Josef Pein**
Executive Board Member and COO

**Jürgen Raschendorfer**
Executive Board Member and COO

# Markets

| MARKET | POTENTIAL | STATUS QUO |
|---|---|---|
| Austria | strong | Stable, high capacity utilisation, leading market position |
| Germany | strong | High demand, realignment in structural engineering |
| Switzerland | strong | Stable demand in building construction and civil engineering, pressure on margins |
| Poland | strong | High demand, building construction projects delayed |
| Czech Republic/Slovakia | strong | Stable demand, expansion of permanent business |
| Romania | strong | High demand in building construction and civil engineering, expansion of permanent business |
| Norway | strong | Selective project acquisition in infrastructure sector |
| Qatar/UAE | neutral | Selective, project volumes reduced, stable demand |

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

Home markets
Project markets

# PORR 2025

The future programme PORR 2025 brings a focus on PORR's strengths in addition to optimising the efficiency of the organisation. To secure a foundation for profitable growth and position itself for the future, PORR will implement, intensify and accelerate far-reaching measures to adjust cost structures along with the organisation and the portfolio. In parallel, growth topics and digital technologies will be promoted in order to ensure the future viability of PORR.

| | STRATEGY | TARGETS |
|---|---|---|
| **Markets** | **Greater focus**<br>PORR remains convinced of the long-term potential of its seven European home markets. The goal is to safeguard and further expand this powerful market position in Europe with a focus on selective, results-oriented and sustainable growth. | • **Portfolio streamlining with the Heat Map:** Optimal positioning of the business fields on the individual markets<br>• **Growth that adds value as a design-build contractor:** Fully integrated value chain as USP<br>• **Build more sustainably** |
| **Organisation** | **Greater efficiency**<br>With the transformation currently underway, uniform standards should be secured across the entire Group along with connected processes. The rapidly changing market environment demands new flexibility and agile forms of organisation. | • **Streamlined and focused organisation:** Improve transparency and speed<br>• **Standardised risk management across the Group** |
| **Operational Analysis** | **Enhancing value**<br>The changing market backdrop and PORR's strong growth over the past few years have necessitated a review of cost structures at every level. | • **Improve the operating performance:** Optimise cost structures, digitalise purchasing and increase efficiency<br>• **Improve capital employed**<br>• **Maintain stable financial position:** Robust maturity structure, secure borrowings in the medium term, maintain adequate liquidity |
| **Digital Opportunities** | **Realising future potential**<br>Digital, connected solutions across the entire construction value chain and new, data-based business models open up a new dimension in terms of potential. | • **Continue to expand position as technology leader**<br>• **Harmonise IT across the entire Group**<br>• **Digitalise work flows:** In the areas of technology and commerce |

| | INDICATORS | MEASURES |
|---|---|---|
| Markets | · Increase profitability by 0.5 to 0.8% | · **Heat Map:**<br>Realign structural engineering, reorganise Stump-Franki, sell non-strategic equity interests, dissolve non-profitable areas<br><br>· **Selective growth:**<br>More projects as an all-in-one provider, selective acceptance of new projects, expand innovation |
| Organisation | · Permanent cost savings in the administrative areas of EUR 40m to 50m from 2022 | · **Reduction of material costs and indirect costs**:<br>Improve transparency, reduce hierarchies and interfaces, connect knowhow and capacities, expand digital processes<br><br>· **Merge technical and commercial controlling with risk management and contract management** |
| Operational Analysis | · Increase profitability by 0.8 to 1.0%<br><br>· CAPEX ~ 4% (3% excl. IFRS 16)<br><br>· Working capital intensity of 6 to 8%<br><br>· Reduce net debt by 2022<br><br>· Equity ratio of 20 to 25%<br><br>· Payout ratio unchanged at 30 to 50% | · **Procurement:**<br>Smart processes and promoting the use of purchasing platforms to optimise contracted volumes<br><br>· **Non-core activities:**<br>Evaluating non-core activities; focus remains on core competencies in construction |
| Digital Opportunities | · Current LEAN projects: 22<br><br>· Current BIM projects: 17 | · **BIM-based solutions with LEAN Project Management:**<br>Trailblazer on the path to a paperless construction site<br><br>· **Machine-to-machine communication in real time:**<br>Deep Soil with 360° digitalisation, management of construction phase<br><br>· **Group-wide IT harmonisation:**<br>Digitalisation, optimising and automating business processes |

# PORR on the Stock Exchange

## Optimistic start on international exchanges

The global trading centres had a positive start to 2021. Despite the ongoing restrictions caused by the coronavirus and some renewed rises in new cases, a friendly mood prevailed on the international stock exchanges. One supporting factor was the steady progress seen in national vaccination campaigns. Good economic data and business figures that exceeded expectations led to a significant upwards trend worldwide.

The US economy grew by 6.5% in the first quarter of 2021. The growth was driven by public investment, higher consumer spending and an increase in vaccinations. The leading US index Dow Jones Industrial Average even recorded growth of 7.8% against the previous year. The EURO STOXX 50 climbed by 10.3%, while the leading German DAX index was up 9.4% against year-end 2020. The heavier weighting of cyclical stocks caused the leading Austrian ATX index to achieve higher growth than the international average. It closed the first quarter of 2021 up by 13.6%.

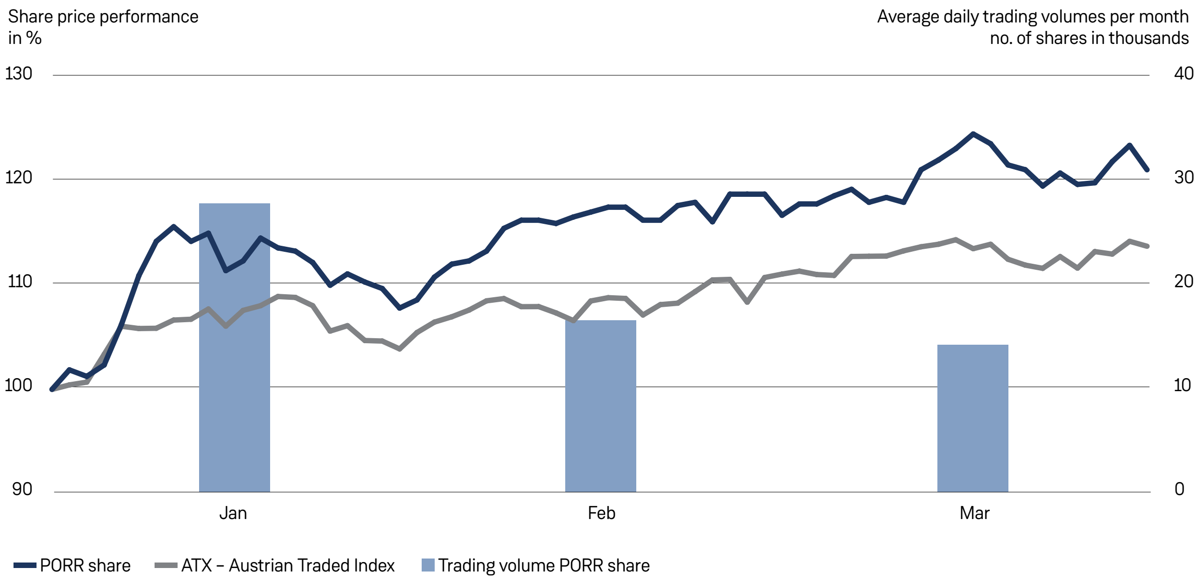
## PORR share above market level

In the first quarter of 2021, the PORR share resumed its recovery following the price slumps caused by the COVID-19 pandemic. After the quarterly low of EUR 13.06 on 5 January, a continuously positive trajectory set in. The comparative value from year-end 2020 was surpassed by 20.9% as of 31 March 2021. The share thereby ended the quarter at EUR 15.60. This pleasing performance was due to two main factors. One was the guidance for 2021, which was confirmed with the publication of the year-end figures for 2020. The other was that all indicators suggest a healthy recovery for the industry. At the end of the reporting period, the market capitalisation was EUR 453.9m.

## International investor base

The syndicate (Strauss Group, IGO Industries Group) holds the majority of shares outstanding, totalling 53.7%. The free float of 46.3% is primarily split among Austria (22.1%) and Great Britain (12.6%). Investors from Germany and the USA held around 6.9% and 6.1% respectively of the free float.

**Share price and trading volumes of the PORR share in the first quarter of 2021 (index)**



# Management Report

## Economic Environment

### Uncertainty continues to impact global economy

The recovery of the global economy following the slump caused by the coronavirus pandemic varied greatly by region and sector. While both industrial production and demand for investment goods already returned to their pre-crisis levels, improvements in the situation for the service sector were disproportionately slow. Extended lockdowns and new virus mutations in the first quarter of 2021 contrasted with a rapid increase in vaccination progress. Differences in the severity of restrictions on travel as well as in fiscal policy measures had a decisive impact on the momentum of each country's performance. The rapid improvement in the global economy led the International Monetary Fund (IMF) to revise its forecast upwards. The IMF experts predict GDP growth of 6.0% in 2021. The precondition for this is that the favourable financing environment continues along with the stimulus measures provided by governments.

The US government passed an additional stimulus package of EUR 1.9 tn in March 2021. At the same time, the Federal Reserve confirmed that the low interest-rate environment would continue. The IMF experts currently predict GDP growth of 6.4% for the USA in 2021.

In Europe the first quarter of 2021 was dominated by various lockdowns and sluggish progress with vaccines. That said, this contrasted with good economic data, which provided cause for significant optimism. This was supported both by the first payouts under Next Generation EU – the European Union's recovery package – and by the European Central Bank's accelerated bond-buying programme. The IMF also revised its forecast for the eurozone upwards and now anticipates GDP growth of 4.4%.

While the extended lockdown in Germany affected consumer spending in the first quarter of 2021, strong export demand boosted the economy. The industrial sector thereby remains optimistic despite GDP contracting by 1.7% in the first quarter of 2021 compared to the preceding quarter. Nevertheless, the IMF has forecast growth of 3.6% for the full year 2021.

The Austrian economy grew by 0.2% in the first quarter of 2021 against the preceding quarter, mainly due to the positive industrial growth and the performance of the construction sector. This stood in contrast to significant restrictions that affected both consumer spending and the service sector. For 2021 the IMF has forecast GDP growth of 3.5%.

PORR's Eastern European home markets are also set to develop at different paces in 2021 depending on the region. The experts of the Vienna Institute for International Economic Studies have forecast average growth for countries in Central, Eastern and South-eastern Europe of 3.8%.

### Construction industry as economic pillar

In the current phase of economic recovery, the construction industry is serving as a significant contributor to growth. In the whole of Europe, civil engineering is playing a particular role with growth of more than 4.0%. Multiple public-sector infrastructure investments are providing support. For example, in March the Connecting Europe Facility of EUR 33.7 bn was approved as part of the EU's multiannual financial plan, the full amount of which will go into transport, energy and digital infrastructure. Building construction is also set to grow by around 4.0%, whereby residential construction has been catching up first. Non-residential construction is also likely to experience positive momentum.

In the first quarter of 2021, the Austrian construction sector justified its optimistic forecasts with an increase in value added of 3.6% against the preceding quarter. That said, the significant rise in construction costs acted as a dampener. Depending on the construction sector, these costs were from 3.1% to 5.5% higher than the previous year. The planned investments by ÖBB (rail) and ASFINAG (highways) continue to mean a good demand situation. The experts of the European Construction Sector Observatory have forecast growth of 6.2%.

At the start of the year some catch-up effects were seen in the German construction industry, leading to a subsequent slight decrease in revenue. Nonetheless, order intakes continued to rise. The Hauptverband der Deutschen Bauindustrie (HDB) expects revenue to hold steady throughout the year, whereby residential construction in particular is set to contribute to sustainable stabilisation.

On PORR's Eastern European home markets, the construction industry remains a pillar of the overall economy. Additional positive impetus is expected from the European Recovery and Resilience Facility and from the Connecting Europe Facility.

## 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 quarter of 2021, PORR generated production output of EUR 1,002m, which was 6.3% higher than the level of the previous year, which was affected by the coronavirus lockdown. In addition to the increase in output in Austria, Polish infrastructure construction was a main factor in this growth.

The following reporting of output performance is based on the new organisational structure in place since 1 January 2021. More information can be found in the 2020 Annual Report on page 49. Earlier figures have been restated accordingly.

The segment AT / CH generated output of EUR 527m and was thereby up 21.8% against the previous year. Particularly strong increases were seen in the Austrian provinces of Styria and Vienna following the coronavirus-related slump in the previous year. In addition, German industrial construction, which is also included in the segment AT / CH, made a higher contribution to output.

The decrease of 21.8% to EUR 166m in the segment DE is due in particular to the completion of several large-scale projects, the cancellation of the A1 Leverkusen Bridge project and the lower output in traffic route construction because of bad weather. This is reflected in the reduced output in structural engineering and PORR Oevermann. In contrast, the area of Government Services achieved positive growth.

The segment PL contributed EUR 116m to total output. The increase of 23.9% was caused by the higher output in the infrastructure sector and in industrial construction.

The output of the segment CEE totalled EUR 55m and was thereby 24.6% below the previous year's value. The decrease mainly resulted from the completion of several large-scale infrastructure construction projects in the Czech Republic and Slovakia as well as in building construction in Romania.

The segment Infrastructure International expanded its output by 8.0% to EUR 119m. The areas Major Projects and Slab Track International played a key part in this achievement.

PORR's clear focus remains on the European home markets, which accounted for 94.6% of total output. With 44.4% of overall output, Austria is the most important market, followed by Germany with 27.4%. Poland was responsible for 12.2% of production output, while Switzerland brought in 5.1%. Slovakia and the Czech Republic together generated 4.0% while 1.5% of output came from Romania.

## Order Balance

As of 31 March, the order backlog totalled EUR 7,920m and thereby significantly exceeded the previous year's level by 21.3%. The orders for the A1 Leverkusen Bridge and H51 Pfons - Brenner are not included in either the order backlog or intake. The comparative figures have been restated retrospectively. The order intake totalled EUR 1,850m in the period under review and was thereby 60.9% higher than the previous year.

The growth in the order intake is due in particular to the major project for the new construction of the Vienna U2 underground railway line. In a consortium, PORR was awarded lots 17-21, involving boring a total of 7km of tunnels and building four stations. In civil engineering PORR's orders included the contract to build the Limberg III pumped-storage power plant in Kaprun and the design & build contract for the S19 expressway in Poland between Kuźnica and Sokółka Północ. In building construction, PORR enjoyed particular success with major projects in residential construction in Germany, Switzerland and Austria. These include the contract to build Schützengarten Dresden, for example, where a total of 479 new apartments will be created.

## Financial Performance

The construction industry is subject to seasonal fluctuations typical for the sector. The first quarter is traditionally the weakest of the year and generally reports negative earnings. The reason for this is the weaker construction output in the winter months that also affects earnings.

In the first quarter of 2021, PORR generated revenue of EUR 968.4m. The increase of 6.1% was mainly caused by the higher contribution from Austria. Earnings from companies accounted for under the equity method were in the black after being negative in Q1 last year and totalled EUR 9.9m. Significant factors here were the higher earnings from consortiums and the improved earnings from companies accounted for under the equity method.

In terms of expenditure, expenses for materials and other related production services rose more slowly than revenue, whereby this was achieved through savings in production services while material costs were adequate in relation to revenue. The rise in staff costs was slightly higher proportionally than the rise in revenue in the first quarter. Other operating expenses were at the level of the previous year in absolute terms due to savings in cost items resembling fixed costs (real estate, offices etc.).

The additional contribution to earnings caused by the rise in output led to significantly higher EBITDA in the period under review of EUR 38.6m. Depreciation, amortisation and impairment expense rose slightly by 4.8%. Despite a clear improvement in EBIT versus the first quarter of the previous year, it remained negative at EUR -4.4m as is typical for the season. The financial result climbed by 12.9% to EUR -4.9m (1-3/2020: EUR -5.7m). Overall, this led to EBT of EUR -9.4m (1-3/2020: EUR -25.5m).

Under consideration of the lower tax income of EUR 2.2m (1-3/2020: EUR 4.5m), PORR generated a result for the first quarter of 2021 of EUR -7.2m. This was a significant improvement (EUR +13.8m) on the value of the previous year (1-3/2020: EUR -21.0m)

## Financial Position

As of 31 March 2021, PORR's total assets stood at EUR 3,512.3m and were thereby at the same level as year-end 2020.

Seasonal factors led to an increase in trade receivables. This contrasted with a decrease in cash and cash equivalents. Overall, current assets contracted by EUR -27.6m, while non-current assets rose by a total of EUR 30.5m as a result of higher investments in property, plant and equipment compared to the previous year.

Under equity, the negative earnings for the period typical for the season were reflected along with the interest payout to holders of hybrid capital. As of the reporting date, equity stood at EUR 633.9m. The equity ratio was 18.0%, thereby slipping back by a mere 0.5 PP against year-end 2020.

Seasonal factors led to a rise in trade payables and in financial liabilities. Overall, liabilities totalled EUR 2,878.4m and were at the level of 31 December 2020 (EUR 2,858.9m).

Net debt climbed, as is typical for the season, by EUR 168.9m to EUR 305.7m against year-end (31 December 2020: EUR 136.7m)

## Cash Flows

The EUR 15.8m improvement in operating cash flow, which rose to EUR 33.9m resulted mainly from the higher earnings for the period in the first quarter of 2021.

Cash flow from operating activities of EUR -99.5m was EUR 139.4m higher than in the comparable period of 2020. This year-on-year improvement is mainly due to the significantly lower reduction in liabilities.

Cash flow from investing activities of EUR -36.9m was EUR -9.0m lower than the previous year because of higher investments in property, plant and equipment.

In the comparable period of the previous year cash flow from financing activities had a higher positive value of EUR 98.0m due to the increase of hybrid capital (EUR 121.5m). In contrast the value for the first quarter slipped into the negative zone at EUR -9.5m with almost identical loan financing, simply because of the payout of interest on hybrid capital.

As of 31 March 2021, cash and cash equivalents totalled EUR 436.5m (31 March 2020: EUR 406.0m). Under consideration of the investment certificates of EUR 40.0m, cash-like assets (total of cash and cash equivalents and investment certificates) stood at EUR 476.5m and were thereby EUR 70.5m higher than on 31 March 2020.

## Investments

In the first quarter of 2021 investments were made in a tunnel boring machine in Poland 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 significantly against the comparable period of the previous year by EUR 30.9m to EUR 70.5m. This results in a CAPEX ratio of 7.0% in relation to production output (1–3/2020: 4.2%).

## 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. That is why the aim of risk management is to identify risks as soon as possible and then minimise them while still maintaining the company's earnings potential.

In Austria investigations have been underway by the responsible authorities since the start of 2017 into a range of civil engineering companies, including PORR Bau GmbH, on suspicion of anti-competitive arrangements. The PORR AG Executive Board immediately launched an internal investigation into this issue. This investigation has not yet been concluded. In the meantime, the Federal Competition Authority filed an application with the Cartel Court on 19 April 2021 to impose a fine on companies in the PORR Group. Work is currently underway on processing this application. The company continues to cooperate fully with the authorities.

One current risk topic is the unusual shortage and subsequent price rise of raw materials. In addition, supply chains have been partially interrupted or limited. This mainly results from production plants being utilised at full capacity while still partially affected by shutdowns relating to COVID-19. Delays to various construction projects resulting from this cannot be ruled out in the coming quarters. This risk is mostly mitigated by medium and long-term framework agreements with key suppliers.

There have been no significant changes to the Group's opportunity and risk profile since the 2020 Annual Report that would lead to a change in the assessment of the risk position for PORR. The description in the Risk Report of the 2020 Annual Report from page 98 onwards thereby remains valid.

## Staff

In the first quarter of 2021, PORR employed 19,033 people on average. This corresponds to an increase of 1.8% against the comparable quarter of the previous year. The slight rise is attributable to changes in the project structure.

## Forecast Report

A general economic recovery has been observed since the start of 2021 following the pandemic-related slump last year. Experts from the International Monetary Fund (IMF) have forecast a significant improvement in global GDP of 6.0% and growth in Europe of 4.4%. Against this backdrop, powerful momentum is expected in investments in real estate and infrastructure. The degree to which this will actually occur depends on how the pandemic develops and especially on the success of global vaccinations.

The assessment of future business performance is based on the current goals in the individual sectors as well as the opportunities and risks that currently exist in the respective markets. Material risk topics prevailing for the current business year are the supply situation with subcontractors and price changes on the international raw materials markets. In contrast, the demand for construction services is unwaveringly high. After all, the fundamentals of the construction industry remain positive for the medium and long term.

At the end of the first quarter of 2021, the PORR order backlog is at a record high of EUR 7,920m. On the basis of this pipeline, which has improved in terms of both risk and margins, PORR is confident that it can meet its profitability targets. Assisting this is the transformation implemented as part of the future programme PORR 2025, under which the first results have already been seen in cost savings, the portfolio and the organisation. Measures to preserve liquidity will remain a priority. In parallel, PORR is promoting growth topics such as sustainable and digital technologies in order to be fit for future challenges. The goal remains to sustainably strengthen PORR's earning power and its market position on its home markets.

As a leading company in the construction industry, PORR has a strong market position in Austria and a high degree of capacity utilisation. Furthermore, it is capable of consistent proprietary value creation. In Germany, PORR's second largest market, the construction sector is traditionally an economic driver – despite weaker macroeconomic forecasts. For residential construction in particular, as well as for public-sector construction, the outlook of the Hauptverband der Deutschen Bauindustrie (HDB) remains positive. In addition, the 2030 Federal Transport Infrastructure Plan provides for further stimulus in the coming years through investments in traffic infrastructure. Switzerland offers a well-filled project pipeline in the medium term. Here PORR is striving for growth consolidation at a high level.

The sector should continue to offer potential in Central and Eastern Europe. 2021 began in Poland with a very high order backlog in construction. In the Czech Republic and Slovakia, opportunities are expected to arise in traffic construction via EU funding, while permanent business offers added potential in the Czech Republic and Romania. On the home market of Romania further opportunities are expected in the infrastructure sector. In general, the EU multiannual financial framework 2021-2027 and the temporary Recovery and Resilience Facility should continue to provide positive investment stimulus in civil engineering on PORR's Eastern European home markets.

In Norway PORR has a very selective focus on the infrastructure sector, a segment with a comprehensive pipeline. In Qatar and the UAE, PORR is pursuing a risk-reduced strategy with lower project volumes.

The forecast for the current business year is based on the steady normalisation of the economies on the PORR markets. For 2021 the Executive Board continues to assume production output of approximately EUR 5.3 bn to EUR 5.5 bn and a positive EBT margin of +1.3% to +1.5%. The Executive Board is optimistic that the measures implemented will improve earning power and sustainably return it to the level it was at before the coronavirus pandemic. This guidance is based on the assumption that the negative impacts of the COVID-19 pandemic can be overcome in the first half of 2021.

# Segment Report

## Segment AT / CH

### Key data

| in EUR m | 1-3/2021 | 1-3/2020 | Change |
|---|---|---|---|
| Production output | 527 | 433 | 21.8% |
| Order backlog | 3,196 | 2,371 | 34.8% |
| Order intake | 1,070 | 634 | 68.7% |
| Average staffing levels | 9,233 | 9,116 | 1.3% |

The segment AT / CH covers PORR's permanent business on the two home markets of Austria and Switzerland as well as Porr Industriebau. 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. This segment also includes the fields of environmental engineering and railway construction with Slab Track Austria for Europe. Equity interests such as IAT, ÖBA, Prajo, TKDZ, PWW and ALU-SOMMER are also integrated here. Furthermore, this segment includes German industrial construction, large-scale building construction projects on all international markets and the raw materials business.

The production output of the segment AT / CH totalled EUR 527m in the first quarter of 2021. This exceeded the significantly lower output generated the previous year as a result of the lockdown by 21.8%. All Austrian federal provinces contributed here. The area of German industrial construction also achieved a positive performance. The order backlog of the segment AT / CH experienced a clear rise of 34.8% to EUR 3,196m. The performance of the order intake was just as pleasing, increasing by 68.7% against the previous year to EUR 1,070m in the period under review.  The largest new order came from Vienna. As part of a consortium, PORR was charged with the new construction of the U2 underground railway line. Another major order was for modernising the Zettling – Weitendorf route. In building construction PORR was especially successful in residential construction, whereby multiple significant projects were acquired in Switzerland and in Vienna.

While the Austrian construction industry initially had a restrained start to 2021, momentum picked up over the course of the first quarter. This resulted in an increase in value added by the construction sector of 3.6% versus the preceding quarter. By the end of 2021, the experts of the European Construction Sector Observatory have forecast growth of 6.2%, whereby residential construction should remain a key growth driver. Significant cost increases were observed across every construction segment in the first quarter of 2021. The costs for residential and housing construction had climbed by 5.5% in March against the previous year and by an average of 5.2% for bridge and road construction. Despite a decrease in the order intake in building construction in Switzerland, the country saw revenue growth in both building construction and civil engineering. For the full year, the Schweizer Baumeisterverband has forecast growth of 1.5%.

## Segment DE

### Key data

| in EUR m | 1-3/2021 | 1-3/2020 | Change |
|---|---|---|---|
| Production output | 166 | 212 | -21.8% |
| Order backlog | 1,152 | 1,158 | -0.4% |
| Order intake | 195 | 169 | 15.0% |
| Average staffing levels | 2,260 | 2,428 | -6.9% |

The majority of PORR's activities in Germany are bundled in the segment DE. On its second largest market, the company offers building construction, specialist civil engineering and infrastructure services provided by highly qualified experts employed by the company to facilitate high levels of in-depth value creation. By bundling resources and knowhow along regional lines, building construction activities are optimally organised to facilitate customer proximity: South (via Munich), East (via Berlin), West (coverage by PORR Oevermann) and North (via Hamburg). The entire value chain in specialist civil engineering is provided by Stump-Franki Spezialtiefbau GmbH with complete coverage across the country. The segment DE has a strong position on the German infrastructure market with its discrete areas of structural engineering, tunnelling, and traffic route construction.

In the period under review, the segment DE generated production output of EUR 166m and was thereby 21.8% below the high level of the previous year. The decrease was caused by the end of several major projects – especially in structural engineering – as well as the cancellation of the A1 Leverkusen Bridge project. In addition, unfavourable weather led to output decreases in traffic route construction and specialist civil engineering. The order backlog was EUR 1,152m at the end of the period and was thereby almost at the same level as the previous year, declining by -0.4%. The order intake increased by 15.0% to EUR 195m. The largest new orders included the Schützengarten project in Dresden, where more than 450 new apartments will be built, as well as the Abraham project in Oldenburg – a five-storey building with residential and commercial units.

In the German construction industry the anticipated catch-up effects from the cut in VAT were reflected in lower revenue levels in January and February. At the same time, order intakes increased – the Federal Transport Infrastructure Plan 2030 continues to mean stable demand. Overall, the experts of the Hauptverband der deutschen Bauindustrie (HDB) expect revenues to hold steady. The current financing environment favours residential construction – and revenue rises of 3.0% are expected here. Federal financial support for municipalities continues to support demand in public-sector construction. Furthermore, as of 1 January 2021, Autobahn GmbH started its activities as the operator of federal highways, whereby a positive impact on infrastructure investment is anticipated. In economic civil engineering, spending by Deutsche Bahn remains at the level of the previous year. That said, the HDB experts have forecast a slight decrease in public-sector and commercial construction for the full year 2021.

## Segment PL

### Key data

| in EUR m | **1-3/2021** | **1-3/2020** | **Change** |
|---|---|---|---|
| Production output | 116 | 94 | 23.9% |
| Order backlog | 1,700 | 1,351 | 25.9% |
| Order intake | 172 | 174 | -0.7% |
| Average staffing levels | 2,411 | 2,452 | -1.7% |

The segment PL focuses on the third largest home market of Poland. Here PORR provides construction services in building construction and civil engineering. In civil engineering PORR is one of the leading providers in the fields of road, infrastructure and rail construction as well as specialised civil engineering. In building construction, the focus is on office, industrial and hotel construction as well as on buildings and facilities for the public sector.

The segment PL generated production output of EUR 116m. The increase of 23.9% is due to the infrastructure and industrial construction segments, in which multiple major projects are currently moving from the design to the build phase. The order backlog grew by 25.9% to EUR 1,700m as a result of the higher level in infrastructure and industrial construction. The segment PL thereby started from a solid foundation. The order intake has remained practically unchanged against the previous year, moving by -0.7% to EUR 172m. In addition to the design & build tender for the S19 expressway between Kuźnica and Sokółka Północ, the largest new orders of the first quarter include several building construction contracts. One of these is the general contractor contract to build Horizon Gdansk Letnica, a residential building in Gdansk with commercial areas.

In Poland the construction industry has emerged from the crisis comparatively better than other business sectors. The expansive ongoing monetary and fiscal policy stimulates investment in the construction and real estate sectors. Additional funding is being provided by the EU multiannual financial framework 2021-2027 and the Recovery and Resilience Facility. In 2021 there is a total of around EUR 12.5 bn available for Poland to invest in infrastructure. The Polish General Directorate for National Roads and Highways assumes an investment volume of EUR 4.2 bn for 2021.

## Segment CEE

### Key data

| in EUR m | 1-3/2021 | 1-3/2020 | Change |
|---|---|---|---|
| Production output | 55 | 72 | -24.6% |
| Order backlog | 696 | 678 | 2.7% |
| Order intake | 111 | 39 | > 100.0% |
| Average staffing levels | 2,122 | 2,001 | 6.0% |

The segment CEE comprises the home markets of the Czech Republic, Slovakia and Romania. Here PORR offers construction services in building construction and civil engineering, whereby the goal is to provide complete coverage of permanent business in the Czech Republic and Romania. Selected major projects in the infrastructure sector are also undertaken.

In the period under review, the production output of the segment CEE totalled EUR 55m, which was 24.6% below the previous year's level. The decrease was the result of completing several major infrastructure projects in the Czech Republic and Slovakia, while building construction in Romania was another factor here. Building construction in the Czech Republic and Slovakia reported growth. The order backlog was practically unchanged with an increase of 2.7% to EUR 696m. The order intake rose sharply to EUR 111m. The largest new orders were in infrastructure construction in the Czech Republic and Slovakia and in civil engineering in Romania. Here PORR won tenders to modernize road and rail infrastructure.

The Czech Republic, Slovakia and Romania are set to benefit from funding from the EU multiannual financial framework 2021-2027 and the Recovery and Resilience Facility. In Romania, the construction sector remains a key pillar of the overall economy. However, the extended lockdown means that a sustainable recovery post-coronavirus is not expected to take hold until the second quarter of 2021.

## Segment Infrastructure International

### Key data

| in EUR m | 1-3/2021 | 1-3/2020 | Change |
|---|---|---|---|
| Production output | 119 | 110 | 8.0% |
| Order backlog | 1,095 | 770 | 42.2% |
| Order intake | 294 | 102 | > 100.0% |
| Average staffing levels | 1,406 | 1,092 | 28.8% |

The segment Infrastructure International is home to PORR's expertise in international tunnelling, railway construction and specialist civil engineering as well as the areas Major Projects and Slab Track International. It is also responsible for the project markets of Norway, Qatar and the United Arab Emirates (UAE), where PORR focuses on contracts in infrastructure construction and on cooperation with local partners.

The segment Infrastructure International generated production output of EUR 119m and thereby grew by 8.0%. This was primarily due to the rise in output by Major Projects and Slab Track International. The situation with orders was just as pleasing. Climbing by 42.2%, the order backlog stood at EUR 1,095m on 31 March 2021. The order intake also increased significantly to EUR 294m. Two major projects proved decisive here. The new build of the U2 underground railway line is one of the City of Vienna's largest infrastructure projects. In addition, PORR won the tender to build the Limberg III pumped-storage power plant in Kaprun.

In Norway PORR will retain its focus on infrastructure construction. A highly selective approach will be applied to emergent opportunities in traffic-route construction.

Project volumes have been reduced considerably in Qatar and the UAE. A consistent lower-risk strategy is being applied here.

In the areas of Major Projects and Slab Track International, the focus is on the international markets. The tunnelling project pipeline is well filled on both the home markets and the project markets. The expansion of the Trans-European Networks in particular is ensuring stable demand.

# Interim Consolidated Financial Statements as of 31 March 2021

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 2020 and the standards applicable for the first time since 1 January 2021. 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 | 1-3/2021 | 1-3/2020 |
|---|---|---|
| Revenue | 968,354 | 912,366 |
| Own work capitalised in non-current assets | 878 | 213 |
| Income from companies accounted for under the equity method | 9,871 | -1,246 |
| Other operating income | 36,789 | 46,914 |
| Cost of materials and other related production services | -600,925 | -577,821 |
| Staff expenses | -278,757 | -260,760 |
| Other operating expenses | -97,595 | -98,471 |
| **EBITDA** | **38,615** | **21,195** |
| Depreciation, amortisation and impairment expense | -43,028 | -41,057 |
| **EBIT** | **-4,413** | **-19,862** |
| Income from financial investments and other current financial assets | 976 | 1,167 |
| Finance costs | -5,916 | -6,836 |
| **EBT** | **-9,353** | **-25,531** |
| Income tax expense | 2,168 | 4,508 |
| | | |
| **Loss for the period** | **-7,185** | **-21,023** |
| of which attributable to shareholders of parent | -11,794 | -27,766 |
| of which attributable to holders of profit-participation rights/hybrid capital | 4,312 | 4,756 |
| of which attributable to non-controlling interests | 297 | 1,987 |
| | | |
| Basic earnings per share, total (in EUR) | -0.41 | -0.96 |
| Diluted earnings per share, total (in EUR) | -0.41 | -0.96 |

# Statement of Comprehensive Income

| in TEUR | 1-3/2021 | 1-3/2020 |
|---|---|---|
| **Loss for the period** | **-7,185** | **-21,023** |
| **Other comprehensive income** | | |
| Remeasurement from defined benefit obligations | 1,451 | 247 |
| Measurement of equity instruments | 38 | -1,213 |
| Income tax expense (income) on other comprehensive income | -356 | 254 |
| **Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)** | **1,133** | **-712** |
| Exchange rate differences | -528 | -8,843 |
| Gains/losses from cash flow hedges | | |
| in the year under review | 137 | 83 |
| Income tax expense (income) on other comprehensive income | -34 | -21 |
| **Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)** | **-425** | **-8,781** |
| **Other comprehensive income** | **708** | **-9,493** |
| **Total loss for the period** | **-6,477** | **-30,516** |
| of which attributable to shareholders of parent | -11,047 | -37,086 |
| of which attributable to holders of profit-participation rights/hybrid capital | 4,312 | 4,756 |
| of which attributable to non-controlling interests | 258 | 1,814 |

# Consolidated Cash Flow Statement

| in TEUR | 1-3/2021 | 1-3/2020 |
|---|---|---|
| Loss for the period | -7,185 | -21,023 |
| Depreciation, impairment and reversals of impairment on fixed assets and financial assets | 43,410 | 41,690 |
| Interest income/expense | 4,654 | 5,030 |
| Income from companies accounted for under the equity method | -1,083 | 3,896 |
| Dividends from companies accounted for under the equity method | 2,997 | - |
| Profits from the disposal of fixed assets | -3,034 | -2,663 |
| Decrease in long-term provisions | -1,288 | -1,730 |
| Deferred income tax | -4,603 | -7,169 |
| **Operating cash flow** | **33,868** | **18,031** |
| Increase/decrease in short-term provisions | 168 | -3,722 |
| Increase in tax liabilities | 971 | 2,226 |
| Increase in inventories | -4,268 | -6,491 |
| Increase in receivables | -128,638 | -35,148 |
| Increase/decrease in payables (excluding banks) | 6,319 | -211,836 |
| Interest received | 557 | 667 |
| Interest paid | -6,965 | -7,770 |
| Other non-cash transactions | -1,473 | 5,187 |
| **Cash flow from operating activities** | **-99,461** | **-238,856** |
| | | |
| Proceeds from the disposal of intangible assets | - | 8 |
| Proceeds from sale of property, plant and equipment and disposal of investment property | 10,809 | 3,241 |
| Proceeds from repayment of loans | 252 | 974 |
| Investments in intangible assets | -4,473 | -2,223 |
| Investments in property, plant and equipment and investment property | -42,946 | -28,194 |
| Investment in financial assets | -275 | - |
| Investment in loans | -304 | -254 |
| Payouts for the purchase of subsidiaries less cash and cash equivalents | - | -1,482 |
| **Cash flow from investing activities** | **-36,937** | **-27,930** |
| | | |
| Dividends | -13,524 | -7,839 |
| Proceeds from profit-participation rights/hybrid capital | - | 121,539 |
| Obtaining loans and other financing | 31,774 | 19,309 |
| Redeeming loans and other financing | -27,769 | -35,039 |
| **Cash flow from financing activities** | **-9,519** | **97,970** |
| | | |
| **Cash flow from operating activities** | **-99,461** | **-238,856** |
| **Cash flow from investing activities** | **-36,937** | **-27,930** |
| **Cash flow from financing activities** | **-9,519** | **97,970** |
| | | |
| **Change to cash and cash equivalents** | **-145,917** | **-168,816** |
| Cash and cash equivalents as of 1 Jan | 582,545 | 581,890 |
| Currency differences | -156 | -7,084 |
| **Cash and cash equivalents as of 31 Mar** | **436,472** | **405,990** |
| | | |
| Tax paid | 1,464 | 435 |

# Consolidated Statement of Financial Position

| in TEUR | 31.3.2021 | 31.12.2020 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets | 151,075 | 147,919 |
| Property, plant and equipment | 943,760 | 926,815 |
| Investment property | 31,350 | 31,357 |
| Shareholdings in companies accounted for under the equity method | 90,243 | 92,233 |
| Loans | 32,156 | 31,806 |
| Other financial assets | 36,208 | 36,076 |
| Other non-current financial assets | 18,787 | 9,107 |
| Deferred tax assets | 10,747 | 8,535 |
| | **1,314,326** | **1,283,848** |
| **Current assets** | | |
| Inventories | 79,024 | 74,756 |
| Trade receivables | 1,438,978 | 1,333,327 |
| Other financial assets | 174,404 | 172,039 |
| Other receivables and current assets | 55,510 | 48,329 |
| Cash and cash equivalents | 436,472 | 582,545 |
| Assets held for sale | 13,600 | 14,619 |
| | **2,197,988** | **2,225,615** |
| **Total assets** | **3,512,314** | **3,509,463** |

| | | |
|---|---|---|
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | 29,095 | 29,095 |
| Capital reserve | 251,287 | 251,287 |
| Profit-participation rights/hybrid capital | 316,642 | 325,854 |
| Other reserves | 22,083 | 29,749 |
| **Equity attributable to shareholders of parent** | **619,107** | **635,985** |
| Non-controlling interests | 14,822 | 14,564 |
| | **633,929** | **650,549** |
| **Non-current liabilities** | | |
| Bonds and bonded loans (Schuldscheindarlehen) | 264,659 | 294,604 |
| Provisions | 169,364 | 171,629 |
| Non-current financial liabilities | 343,624 | 327,200 |
| Other non-current financial liabilities | 3,114 | 3,237 |
| Deferred tax liabilities | 16,562 | 22,631 |
| | **797,323** | **819,301** |
| **Current liabilities** | | |
| Bonds and bonded loans (Schuldscheindarlehen) | 71,966 | 41,977 |
| Provisions | 195,255 | 195,203 |
| Current financial liabilities | 101,928 | 95,534 |
| Trade payables | 994,805 | 973,100 |
| Other current financial liabilities | 52,518 | 46,617 |
| Other current liabilities | 632,318 | 655,881 |
| Tax payables | 32,272 | 31,301 |
| | **2,081,062** | **2,039,613** |
| **Total equity and liabilities** | **3,512,314** | **3,509,463** |

# 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 2019** | **29,095** | **251,287** | **7,341** | **-46,125** | **508** | **7,131** |
| Total loss/profit for the period | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | 198 | -910 | -8,661 |
| **Total loss/profit for the period** | **-** | **-** | **-** | **198** | **-910** | **-8,661** |
| Dividend payout | - | - | - | - | - | - |
| Profit-participation rights/hybrid capital | - | - | - | - | - | - |
| Income tax on interest of holders of profit-participation rights/hybrid capital | - | - | - | - | - | - |
| Changes to the consolidated group/ acquisition of non-controlling interests | - | - | - | - | - | - |
| **Balance as of 31 Mar 2020** | **29,095** | **251,287** | **7,341** | **-45,927** | **-402** | **-1,530** |
| | | | | | | |
| **Balance as of 31 Dec 2020** | **29,095** | **251,287** | **7,622** | **-47,918** | **114** | **-7,778** |
| Total loss/profit for the period | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | 1,102 | 29 | -742 |
| **Total loss/profit for the period** | **-** | **-** | **-** | **1,102** | **29** | **-742** |
| Dividend payout | - | - | - | - | - | - |
| Income tax on interest of holders of profit-participation rights/hybrid capital | - | - | - | - | - | - |
| **Balance as of 31 Mar 2021** | **29,095** | **251,287** | **7,622** | **-46,816** | **143** | **-8,520** |

| Reserve for cash flow hedges | Profit-partici-pation rights/ hybrid capital | Retained earnings and non-retained profit | Equity at-tributable to shareholders of parent | Non-controlling interests | Total |
|---|---|---|---|---|---|
| **-1,117** | **197,914** | **141,047** | **587,081** | **11,957** | **599,038** |
| - | 4,756 | -27,766 | -23,010 | 1,987 | -21,023 |
| 62 | - | -9 | -9,320 | -173 | -9,493 |
| **62** | **4,756** | **-27,775** | **-32,330** | **1,814** | **-30,516** |
| - | -7,839 | - | -7,839 | - | -7,839 |
| - | 121,957 | - | 121,957 | - | 121,957 |
| - | - | 1,966 | 1,966 | - | 1,966 |
| - | - | 70 | 70 | -70 | - |
| **-1,055** | **316,788** | **115,308** | **670,905** | **13,701** | **684,606** |
| | | | | | |
| **-688** | **325,854** | **78,397** | **635,985** | **14,564** | **650,549** |
| - | 4,312 | -11,794 | -7,482 | 297 | -7,185 |
| 103 | - | 255 | 747 | -39 | 708 |
| **103** | **4,312** | **-11,539** | **-6,735** | **258** | **-6,477** |
| - | -13,524 | - | -13,524 | - | -13,524 |
| - | - | 3,381 | 3,381 | - | 3,381 |
| **-585** | **316,642** | **70,239** | **619,107** | **14,822** | **633,929** |

# Financial Calendar 2021

| | |
|---|---|
| 27.5.2021 | **141st Annual General Meeting** |
| 26.8.2021 | **Publication** half-year report 2021 |
| 28.10.2021 | **Interest payment** PORR Corporate Bond 2014/2 (hybrid bond) |
| 29.11.2021 | **Publication** report on the 3rd quarter 2021 |

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Every care has been taken to ensure that all information contained in every part of this quarterly report is accurate and complete. The figures have been rounded off using the compensated summation method. We regret that we cannot rule out possible round-off, typesetting and printing errors.

This report is a translation into English of the quarterly 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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