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Half Yearly Report 2019

PORR

Key Data

in EUR m	1-6/2019	1-6/2018	Change
Operating data			
Production output	2,497	2,458	1.6%
Foreign share	57.7%	59.9%	-2.2PP
Order backlog	7,600	6,530	16.4%
Order intake	2,997	2,621	14.4%
Staffing level (average)	19,339	18,428	4.9%

	1-6/2019	1-6/2018	Change
Earnings indicators			
Revenue	2,181.6	2,223.2	-1.9%
EBITDA	95.4	72.4	31.8%
EBIT	17.4	14.7	18.5%
EBT	8.2	6.6	24.4%
Profit/loss for the period	6.0	5.6	7.2%

	30.6.2019	31.12.2018	Change
Financial position indicators			
Total assets	3,567	3,115	14.5%
Equity (incl. non-controlling interests)	576	618	-6.8%
Equity ratio	16.2%	19.9%	-3.7PP
Net debt[2]	830	349	>100.0%

	1-6/2019	1-6/2018	Change
Cash flow and investments			
Cash flow from operating activities	-318.1	-181.0	75.7%
Cash flow from investing activities	-81.2	-17.5	>100.0%
Cash flow from financing activities	215.4	-34.5	>100.0%
CAPEX[3]	132.2	75.2	75.8%
Depreciation/amortisation/impairment	-78.1	-57.8	35.1%

	1-6/2019	1-6/2018	Change
Key data regarding shares			
Number of shares (weighted average)	29,095,000	29,095,000	-
Market capitalisation as of 30 June (in EUR m)	564.4	837.9	-32.6%

[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 figures as of 31 December 2018 have been adjusted due to the first-time application of IFRS 16. Details can be found on page 35 of the notes to the interim consolidated financial statements.
[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.

H1 at a glance

Consolidation continues
Implementing measures

Construction demand remains high
Pressure on margins still strong

Record order backlog of EUR 7.6 bn
Disciplined bidding

Production output up by 1.6%
Unchanged strategic focus

EBT of EUR 8.2m surpasses previous year
Stable EPS of EUR 0.13

Guidance for 2019 production output confirmed
Moderate output increase in 2019

Contents

Highlights

150 years of PORR

“Allgemeine Österreichische Baugesellschaft” – today‘s PORR AG – has been listed on the Vienna Stock Exchange since 8 April 1869. It has been realising complex projects in building construction and civil engineering for 150 years. Today PORR and its workforce of around 20,000 is a European construction company with a leading position in every area of the construction industry’s value chain. What‘s more, as a technology leader it is committed to networked design-build solutions and proactively promoting the digital issues of the future.

Sustainability in practice

Springtime sees busy bee colonies moving back in to more than 400 hives at 40 international PORR locations. 20% (around two tonnes) of the honey they make goes to clients, business partners and employees, with the beekeepers left to enjoy the remainder. In order to secure a bright future for the bees, as of this year the PORR hives are now being used as a training resource for budding beekeepers. Novice apiarists and keen PORRians attend special courses offering practical training on how to handle the bees.

Aiming high in Poland

Two tower-construction projects represent the largest new orders in Poland in the first half of the year: PORR acquires the contract to build the SKYSAWA office complex as well as the 3T office park in Tricity. Taken together, the value of the two projects exceeds EUR 100m, while the gross floor area totals around 75,000m².

Living in the heart of Europe

Demand for housing remains consistently high in European cities. This is why PORR has acquired numerous residential construction projects in Austria, Germany and Switzerland. The largest project, the Wiener Wohngarten, will offer more than 680 residential units. Other attractive projects were acquired in cities such as Munich and Zurich.

First blast on the BBT

A ceremony to mark the start of construction works on the south-heading exploratory tunnel was held at the end of March at the construction site of the Brenner-Base Tunnel (BBT), lot H51. The drill-and-blast method is being used with shotcrete lining on a length of 5.6km. The breakthrough towards Italy should take about four years.

PORR forges connections

PORR acquires two infrastructure projects in Romania. It was awarded the contract to extend the railway line between Mogoșoaia and Balotești as well as for the new construction of the motorway between Sibiu and Pitești, thereby making a major contribution to modern infrastructure in the country. The road construction project is a design-build contract with a length of 13.2km and volume of around EUR 122m.

Civil engineering up north

PORR brings home two new large-scale projects in Norway: Winning the tender to build the 836m-long Minnevika Bridge at Eidsvoll is an impressive testament to its expertise in bridge building. The contract has a volume of EUR 93.9m. In addition, PORR is charged with the new construction of the E1 between Eggemoen and Åsbyda. This design-build contract includes a bridge with a length of 634m; the order is worth EUR 47.6m. On the construction of the Liafjellet Tunnel, currently underway, PORR has emerged as a role model in health and safety: Following 1,000 days working on the project, the PORRians on site celebrated the 1,000th incident-free day on 27 June 2019.

Sought-after tunnelling technology

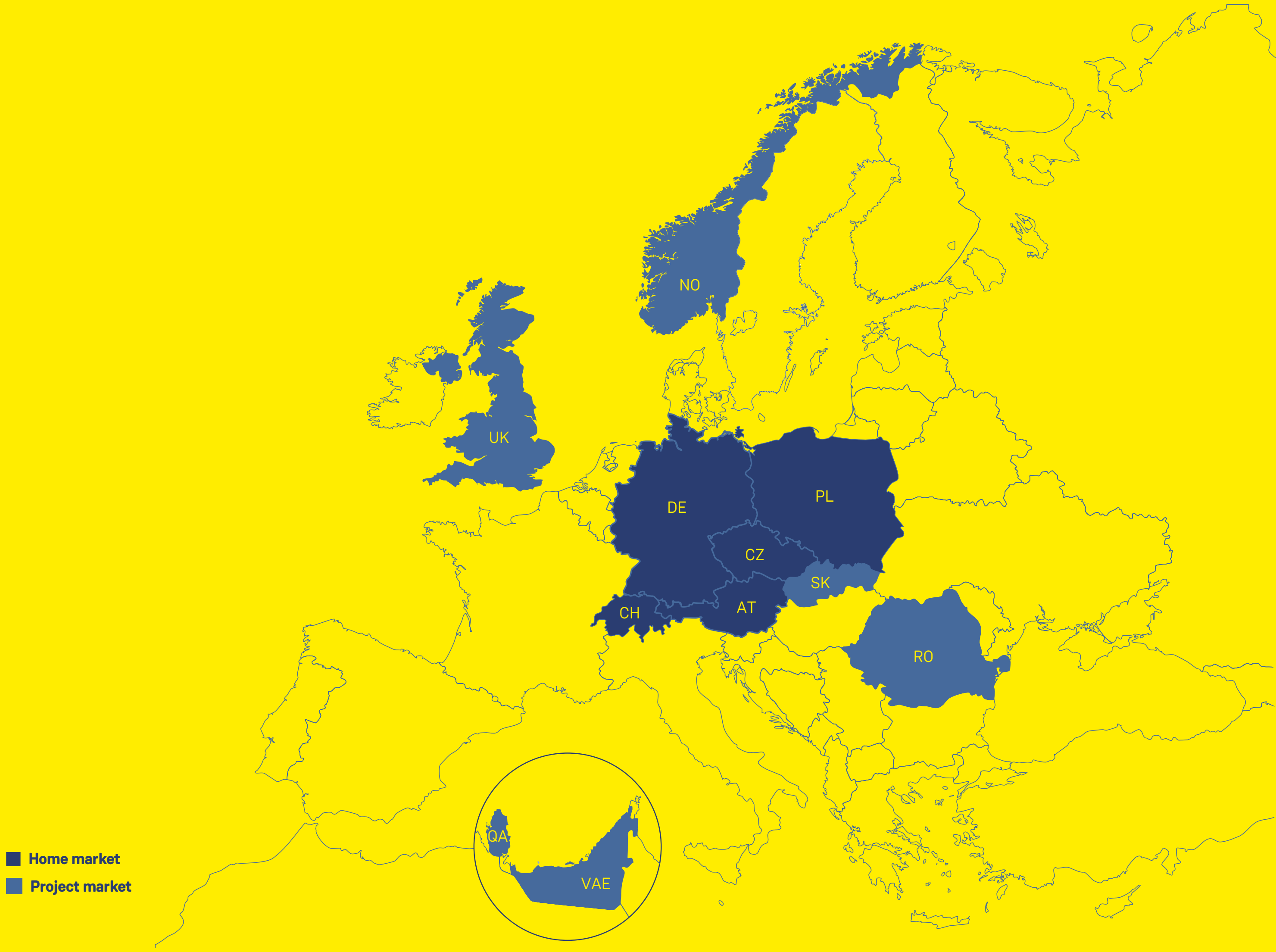
At the start of the year, PORR Infra GmbH together with a consortium won the tender for the electrical installations of the Hirschhagen Tunnel. The second-longest road tunnel in Germany is situated on the A44 near Kassel. PORR Infra GmbH is responsible for supplying, installing and commissioning all of the electrical equipment, fittings and components. The contract underlines PORR's expertise in tunnelling – from the initial design through to opening to traffic.

Strategy Update

Markets

Market	Potential		PORR-specific
Austria	strong	🟢	High capacity utilisation, powerful market position
Germany	strong	🟢	Capacity bottlenecks, turnaround confirmed
Switzerland	strong	🟢	Stable demand
Poland	strong	🟢	High demand, capacity bottlenecks pressure on margins
Czech Rep./Slovakia	neutral	🟠	Expand permanent business, higher construction prices
Romania	strong	🟢	High demand, evolve stronger project market into home market
Qatar/UAE	neutral	🟠	Reduce project volumes and risk
UK	weak	🔴	Brexit uncertainty, withdraw from market
Norway	neutral	🟠	Potential infrastructure, demanding market

The table shows the current demand on the PORR markets.



PORR 2025

The PORR strategy remains unchanged and geared towards the long term. The record order backlog provides a basis for the consistent focus on consolidating the company's growth to date and on operational excellence. PORR has introduced a transformation programme named PORR 2025 and subjected its activities to a strategic review. The initiatives implemented are divided into the following four action fields: streamlining the organisation, analysing the market, analysing the operating business, and digital topics of the future. All of these measures are in pursuit of a single aim: PORR wants to create sustainable value long-term.

Organisation

Greater efficiency

Having already implemented a **structural realignment**, PORR has streamlined the number of its business units to just three – effective as of 1 January 2019. This has allowed it to bundle competencies and enhance its focus on the core business and on monitoring risks and costs. The introduction of a **new management model** has led to the optimisation of the central functions (Shared Service Center), the reduction of hierarchies and the prevention of redundancy. With the **newly established corporate culture** – based on the five Principles – PORR wants to position itself as an attractive employer and be ideally prepared for the digital future. These measures should result in greater efficiency and thereby lead to sustainable corporate success.

Market Analysis

Greater focus

In order to be ideally prepared to handle new challenges, PORR has conducted a comprehensive analysis of the markets on which it operates. The strategic focus on the existing home markets and core competencies remains valid. Added to this is the new home market of **Romania**. **Slovakia** will fall under the operating purview of the managers responsible for the **Czech Republic**. **Poland** is doing well and building on new orders with a better risk profile; that said, the pressure on margins remains high. No further projects will be undertaken in **Great Britain**, while project volumes are being significantly reduced in **Qatar**. **Norway** is currently in an analysis phase. This approach should sustainably enhance PORR's regional strengths in the individual markets and lead to an even more focused market profile.

Operational Analysis

Enhancing values

As part of the PORR 2025 transformation programme, PORR intends to increase **cost discipline** at every level. This should be achieved by **optimising key processes** such as procurement, investments and asset management. Furthermore, **non-core activities** will be scrutinised in order to streamline the focus on construction competencies. Assisted by a selective approach to tender acquisition, the PORR **portfolio structure** should represent a risk-aware selection coupled with a well-balanced mix of infrastructure projects and permanent business. Improvements in risk management and contract management are also being addressed.

Digital Opportunities

Realising future potential

The need for transformation in the construction sector has undergone a massive rise in terms of technology. The result is new, data-based business models. Digital networking across the entire construction value chain, coupled with the development of **new and advanced software solutions**, is set to change the competitive landscape in the medium term. PORR is investing heavily in new technologies such as BIM and Advanced Analytics and promotes methods such as LEAN Design and LEAN Construction. Significant investments and measures to **harmonise IT processes** throughout the Group have been initiated. Developing key topics in the digitalisation sphere holds enormous potential for PORR and should strengthen its competitiveness.

Dear shareholders,

Our focus in 2019 is on consolidation. We face a historically unique situation in the construction sector. On the one hand there is no end in sight to the strong demand; on the other, the cost of construction materials and logistics remains high, as does the lack of skilled labour. Under our PORR 2025 transformation programme we are working intensively on a range of strategic initiatives to allow us to exploit opportunities in the current market environment with great precision. The record order books with EUR 7,600m have secured us full capacity utilisation and allow us to be selective in our approach to new orders. At the same time, we are consistently evaluating our markets and activities and making adjustments in line with changing conditions wherever needed. We are also committed to combining tried-and-tested concepts and new, competitive initiatives and have increased our investment in future topics so we can better grasp the opportunities to come. This will sustainably strengthen PORR long-term.

Vienna, August 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

Positive mood on the stock exchanges

The international stock markets had a good start to 2019. That said, the deepening trade conflict between the USA and China interrupted the positive trend in May. The first signs of rapprochement in the trade disputes and signals sent by the central banks suggesting a more expansive money policy led to a recovery on the international stock exchanges at the end of the first half of 2019.

The leading US index Dow Jones Industrial (DJI) achieved growth of 14.0% in the first half of the year. The expectation of an imminent interest rate cut by the Federal Reserve contributed to this positive performance.

In Europe the leading eurozone index EURO STOXX 50 rose by 18.3% in the period under review. A significant factor was the performance of the German stock market, which benefited from better than expected corporate profits in the first quarter. The leading DAX index closed up 17.4% at the end of the first half, broadly recovering from its two-year-low at the start of the year.

The performance on the Vienna Stock Exchange mirrored those of the global markets. Following price decreases in the second quarter, the leading ATX index closed up 10.5% against year-end.

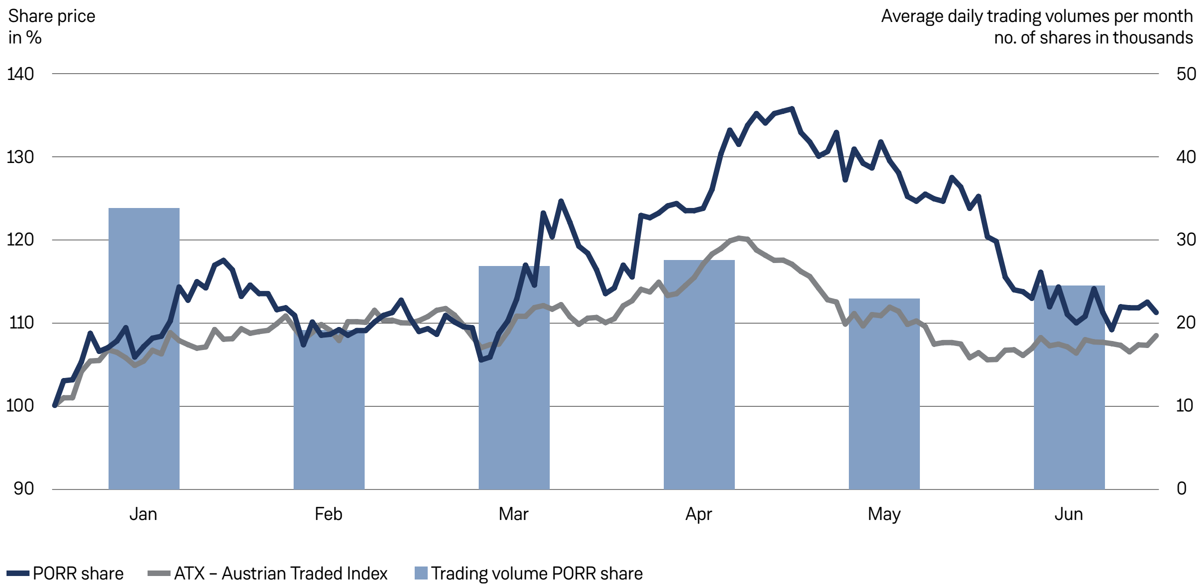
Good start for the PORR share

The PORR share performed well in the period under review. After starting the year at a low of EUR 17.96, it gathered momentum. This upward trend became even more pronounced with the publication of the preliminary figures for 2018 in March. The period-high of EUR 23.70 was reached on 30 April. This was followed by a decline – parallel to the performance of the international markets – that was interrupted in June when the share levelled off. At a price of EUR 19.40 as of 28 June, the share climbed by 11.2% overall against year-end 2018, thereby slightly outperforming the ATX. Market capitalisation stood at EUR 564.4m.

International shareholder structure

The syndicate (Strauss Group, IGO-Ortner Group) held the majority of shares outstanding, totalling 53.7%. According to the most recent analysis in June, the free float of 46.3% is primarily split among Austria (25.5%) and Great Britain (13.4%). In addition, US investors held 11.1%, while 13.9% of free-float shares were held by investors from Germany and France.

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



Project Highlights

Danzermühl power plant

Turbine, power plant construction
Laakirchen | Austria
Annual power generation: 44.8 GWh
Construction period: 2017–2019

Fresenius Kabi

Industrial construction, high-bay warehouse
Werndorf | Austria
Height: 36m
Construction period: 2018–2019

Widok Towers

Office building
Warsaw | Poland
Gross floor area: 32,200m²
Construction period: 2017–2020

Filstal Bridge

Bridge construction
Mühlhaus im Täle | Germany
Length: 485m
Construction period: 2013–2021

Mönchhof wind park

Power plant construction
Mönchhof | Austria
Total output: 30,000 kW
Construction period: 2018–2020

Himberg Recycling Center

Recycling construction waste
Himberg | Austria
Output: 700,000t per year

D11

Road construction
Smiřice–Jaroměř | Czech Republic
Length: 7.4km
Construction period: 2018–2022

Humber Crossing

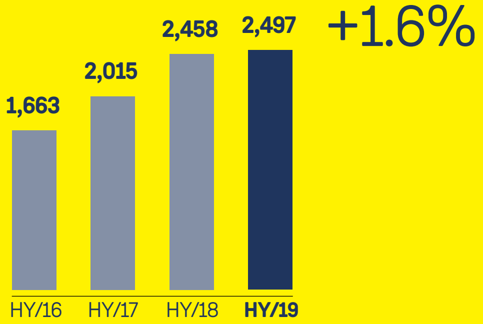
Pipeline construction
Goxhill | Great Britain
Tunnel length: 4,862m
Construction period: 2016–2020

Austrian Parliament

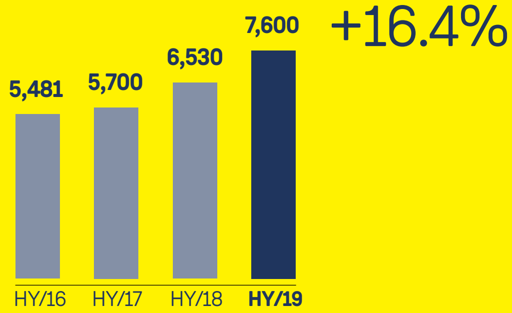
General refurbishment and extension
of the heritage-protected building
Vienna | Austria
Construction period: 2018–2021

Management Report

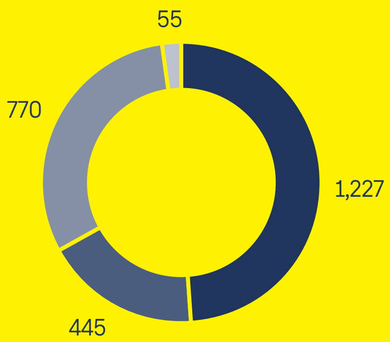
Production output[1]
(in EUR m)



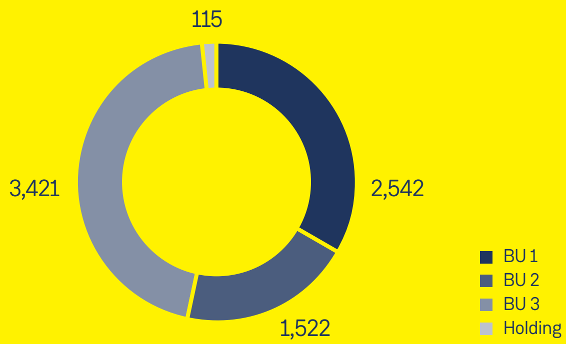
Order backlog
(in EUR m)



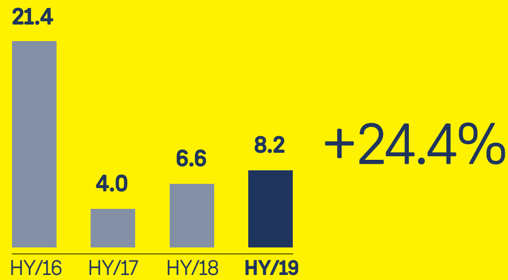
Production output[1] by segment
(in EUR m)



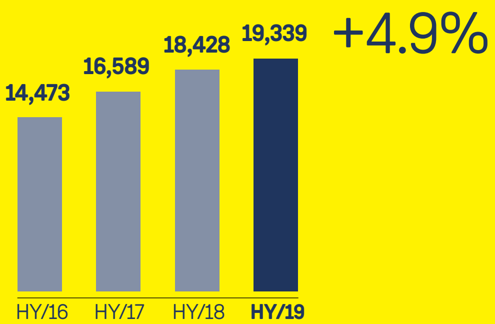
Order backlog by segment
(in EUR m)



EBT
(in EUR m)



Average staffing levels



[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

In line with expectations, the performance of the global economy was reticent in the first half of 2019. Both the International Monetary Fund (IMF) and the OECD made another slight downwards revision to their forecasts for 2019 to 3.2%. A gradual recovery of growth rates is expected in subsequent years.

Ongoing geopolitical tensions dampened expectations worldwide, a development that has continued beyond the first half of 2019. While the US economy continued to benefit from earlier economic policy measures, the US market nonetheless came under increasing pressure from lower exports. The Federal Reserve subsequently cut the benchmark rate to between 2.00% and 2.25% to counter the risk of an economic downturn. The IMF adjusted its forecasts for the USA to 2.6%.

Weak export demand and the ongoing international trade conflicts led to a slowdown in European economic growth. Subdued domestic demand and the Brexit debate additionally contributed to lowering expectations. Nonetheless, the OECD expects growth of 1.2% for the eurozone in 2019 as the European Central Bank (ECB) is maintaining its low interest-rate policy. A rate hike has been announced for 2020 at the earliest.

Germany had a comparatively strong start to 2019 – supported by steady consumer spending. That said, the business climate worsened significantly over the course of the year according to the ifo institute. Lower exports and a reduction in industrial production had a negative impact on the forecasts. The OECD experts have currently forecast global growth of 0.7% for 2019. A noticeable recovery is anticipated in 2020.

The Austrian economy was not fully able to sidestep the international economic weakness. The ongoing rise in consumer spending and the high gross fixed capital formation, which had a stabilising effect on GDP growth, acted as a counterbalance here. Austria's national bank, the OeNB, has forecast economic growth of 1.5% for 2019 based on the prevailing high employment levels and the correspondingly high domestic demand.

Developments in the construction industry

With growth of around 2% forecast in the Euroconstruct countries in 2019, the European construction sector is continuing its more-than-five-year growth streak. Experts expect a cumulative plus of 5.0% by 2021. Positive impacts continue to come from the low interest rate environment and the high demand for traffic and energy infrastructure.

While investments in renovations are growing in the building construction sector and moderate growth has been observed in non-residential building construction, new-build housing has lost momentum. Civil engineering has seen tangible dynamic growth. Significant factors here include the increased need for investment coupled with greater financing leeway from the public purse.

The expectations of Austrian construction companies are cautiously positive. According to WIFO, in the first half of 2019 growth in value added by the construction industry was around 2.8% higher than the previous year. Euroconstruct cited civil engineering as a driver, especially as regards road and rail construction. The German construction industry also reported ongoing strong demand in housing construction. The order intake of the entire construction industry remained consistently high, with the performance in revenue especially positive. In Poland and the Czech Republic, Euroconstruct experts have forecast an increase in production volumes of 8.9% and 4.1% respectively for 2019. Comprehensive financing from the EU Cohesion Fund is supporting the strong growth momentum on these markets.

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 half of 2019, PORR generated production output of EUR 2,497m, thereby building on the good start to the year. The moderate growth of 1.6% reflects PORR's strategic focus on consolidation in 2019. Structural engineering in Germany, along with Slovakia and the Czech Republic, made an especially strong contribution to the increase of EUR 39m. A significant factor in the output growth in the Czech Republic was the acquisition of Alpine Bau CZ a.s., which closed in the previous year.

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

In the first half of 2019, Business Unit 1 – Austria, Switzerland generated production output of EUR 1,227m. In addition to Switzerland, the rise of EUR 28m or 2.3% primarily came from the output increases in the Austrian federal provinces of Styria, Carinthia and Upper Austria.

With production output of EUR 445m, Business Unit 2 – Germany reported growth of EUR 9m or 2.1%. Structural engineering in Germany and building construction in the South region played a key part in this performance.

The production output of Business Unit 3 – International broadly held steady at EUR 770m. The completion of several large-scale projects led to a slight decrease in the first half of 2019 of EUR 1m or 0.2%. In addition to Slovakia and the Czech Republic, good progress was made on several large-scale projects in Poland such as the railway lines LK354 Poznan—Pila and E30 Kedzierzyn—Opole.

In the first half of 2019, around 90% of total production output was generated on PORR's five home markets – Austria, Germany, Switzerland, Poland and the Czech Republic. Austria remained the most important PORR market with a share of 42%, followed by Germany at 28%. Poland generated 12% of total output, while the Czech Republic and Switzerland each accounted for around 4%.

Order Balance

With a record level of EUR 7,600m, PORR managed to expand its order backlog once again. This represents an increase of 16.4% or EUR 1,070m against the second quarter of the previous year. The performance of the order intake was also positive. With growth of 14.4% or EUR 376m against the first half of the previous year, it stood at EUR 2,997m. PORR's focus remains on a selective approach to acquiring orders and on intelligent growth.

The largest new order in the first half of 2019 was the design-build contract for the construction of the Sibiu–Piteşti motorway in Romania. Another large-scale project is the 836m-long Minnevika Bridge near Eidsvoll in Norway. PORR acquired multiple new orders on its home market of Austria, including several in residential construction such as the Geiselbergstraße project in Vienna and Q6 Nord in Graz Reininghaus. In addition, the contract for the 64m-high residential tower Q218 was acquired in Berlin, while in Poland PORR won the tender for the office project SKYSAWA with a height of 155m.

Financial Performance

The construction industry is subject to seasonal fluctuations typical for the sector. The first half is traditionally weaker than the second and is thereby not necessarily indicative of the full year. The reason for this is the weaker construction output in the winter months that also affects earnings.

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 from page 34 of the notes to the interim consolidated financial statements as of 30 June 2019.

Revenue totalled EUR 2,181.6m in the first half of 2019, a slight decrease of 1.9% against the comparable period of 2018. On the other hand, the increase in earnings from companies accounted for under the equity method was positive at 25.3%. Expenses for materials and other related production services underwent a sharper decline than revenue, decreasing by 4.9%, in contrast to the change in staff costs, which rose by 9.2%. Own construction costs (total expenses for staff and materials) climbed by 3.4%, while purchased services decreased by 5.6%.

EBITDA improved by EUR 23.0m to EUR 95.4m, partly because of the effects of IFRS 16. Depreciation, amortisation and impairment expense rose in the first half of 2019 – also as a result of applying IFRS 16 – by EUR 20.3m to EUR 78.1m. EBIT increased by EUR 2.7m to total EUR 17.4m as of 30 June 2019.

Financing costs, which increased due to higher interest on leases – necessitated by IFRS 16 – led to a EUR 1.1m decrease in the financial result to EUR -9.1m (1–6/2018: EUR -8.0m). Overall, this resulted in a EUR 1.6m rise in EBT to EUR 8.2m.

The slight increase in tax expense led earnings for the period to stand at EUR 6.0m at the end of the first half of 2019, a rise of EUR 0.4m against the comparable period of the previous year (EUR 5.6m).

Financial Position and Cash Flows

As of 30 June 2019, total assets stood at EUR 3,567.1m, thereby increasing by EUR 452.3m against 31 December 2018.

Property, plant and equipment climbed to EUR 917.0m, largely because of the first-time application of IFRS 16. This resulted in non-current assets of EUR 1,356.3m. The 10.0% increase in current assets partially reflects the seasonal effects on trade receivables.

Equity decreased in the first half of 2019, mainly because of the dividend payout and the adjusted interest rates when calculating social capital requirements. As of 30 June 2019, the equity ratio stood at 16.2% (12/2018: 19.9%).

The first-time application of IFRS 16 and the issues of Schuldscheindarlehen were behind a EUR 417.5m increase in non-current liabilities to EUR 991.2m. Current liabilities rose slightly by EUR 76.6m to EUR 1,999.5m.

Seasonal factors coupled with the additional effects from the first-time application of IFRS 16 caused net debt to climb to EUR 829.9m as of 30 June 2019 (06/18: EUR 613.8m). Under application of IFRS 16, net debt as of 31 December 2018 retrospectively stood at EUR 349.1m. Further details on IFRS 16 can be found in the notes to the interim consolidated financial statements from page 34.

The EUR 34.9m year-on-year increase in operating cash flow of EUR 85.2m mainly arose from the rise in depreciation, amortisation and impairment expense triggered by applying IFRS 16. Cash flow from operating activities of EUR -318.1m was EUR 137.1m below the comparable period of 2018, as the surplus liquidity in the first half of 2019 was used to settle liabilities to suppliers in order to safeguard relationships with suppliers long term.

Higher expenses for property, plant and equipment and investment property led to a EUR 63.7m decrease in cash flow from investing activities. In addition, there was an extraordinary influx in the comparable period from the repayment of a financial investment, which had a positive impact on cash flow from investing activities.

The sharp influx from increasing the Schuldscheindarlehen (EUR 203.0m) and rolling over credit financing was reflected in cash flow from financing activities.

As of 30 June 2019, cash and cash equivalents stood at EUR 136.8m.

Investments

In the first half of 2019 investments were made in drilling equipment in addition to the usual high investments to replace machinery and construction site equipment and to buy new equipment and property.

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 57.0m. As of the 2019 business year, CAPEX includes all investments financed by leases (1–6/2019: EUR 42m), due to the first-time application of IFRS 16, while in the prior period it only contained investments involving finance leases (1–6/2018: EUR 19m). This resulted in a CAPEX ratio – partially caused by high investments in a storage site and construction equipment along with the strong growth achieved in the previous year – of 5.3% in relation to production output (1–6/2018: 3.1%).

The investment needs of the whole 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. 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 would result in new or amended risks for PORR. The description in the Risk Report of the 2018 Annual Report from page 61 onwards thereby remains valid.

Staff

In the first half of 2019 PORR employed 19,339 people on average. This represents an increase of 4.9% compared to the first half of the previous year, caused by the growth in output and the current order backlog.

Forecast Report

Both the IMF and the OECD have forecast weaker year-on-year growth for the global economy (3.2%) and the eurozone (1.2%) against a challenging backdrop dominated by uncertainty.

On the basis of current forecasts for the construction markets in Europe, on which the majority of PORR's business activities are focused, the company expects broadly stable growth, albeit with regional variation.

Austria and **Germany** – PORR's largest home markets – will remain at a high level, although they are partially limited by capacity bottlenecks. The construction industry in **Switzerland** is stable, with both civil engineering and commercial construction serving as key drivers.

The sector is set to continue to experience above-average growth in **Central and Eastern Europe**. Especially in **Poland**, however, the indicators do not suggest any easing up on issues such as the lack of skilled labour, subcontractor bottlenecks and the price levels of construction materials and wages. The pressure on margins will remain high in this competitive market as well as being hard to estimate.

In the **UK**, general economic uncertainty has led to weak construction activity. **Norway** promises bright opportunities in the infrastructure sector through its 2029 Investment Plan; that said, the market is extremely tough. In **Qatar** and the **UAE**, PORR is pursing a lower-risk strategy and thereby lower project volumes. Final negotiations on completed projects in Qatar are currently underway.

Strengthened by the high order backlog, PORR's strategy of intelligent growth remains in place unchanged. Its focus on the home markets is on selective order acquisition and operational excellence. On the basis of the aforementioned assumptions related to the home markets and the high order backlog, the Executive Board expects to achieve a moderate increase for the 2019 business year on the previous year's high output of EUR 5,593m.

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	1-6/2019	1-6/2018	Change
Production output	1,227	1,199	2.3%
EBT	17.9	13.7	29.9%
Order backlog	2,542	2,381	6.7%
Order intake	1,647	1,531	7.6%
Average staffing levels	9,200	8,735	5.3%

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 and 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 first half of 2019, BU 1 generated production output of EUR 1,227m and thereby achieved an increase of EUR 28m or 2.3%. Particularly positive contributions came from the federal provinces of Styria, Carinthia and Upper Austria. The performance in Switzerland was favourable as well. The order backlog climbed by 6.7% against the previous year to EUR 2,542m, while the order intake also rose by 7.6% to EUR 1,647m. The largest new orders in the first half of 2019 included numerous residential construction projects such as Geiselbergstraße in Vienna or Q6 Nord in Graz Reininghaus. In addition, PORR won the tender to extend the S31 expressway in Burgenland.

The good order situation gives BU 1 a reason to be positive about the 2019 business year. Despite the market situation becoming more challenging – also because of economic performance – both **Austria** and **Switzerland** report high levels of construction investment. The Austrian Federal Guild of Construction (Bundesinnung Bau) and the Swiss Construction Industry Employers' Association (Baumeisterverband) have reported an increase in order intakes for the first half of 2019. PORR is resolutely pursuing its strategy of selective order acquisition and its focus on operational excellence.

Business Unit 2 – Germany

Key data

in EUR m	1-6/2019	1-6/2018	Change
Production output	445	436	2.1%
EBT	2.1	-8.1	>100.0%
Order backlog	1,522	1,637	-7.0%
Order intake	368	530	-30.7%
Average staffing levels	2,441	2,388	2.2%

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. PORR Oevermann gives PORR a particularly strong market presence in permanent business in the West region. By bundling building construction resources and knowhow along regional lines, activities have become more efficient and customer-oriented since 2018.

In the first half of 2019, BU 2 generated production output of EUR 445m. This corresponds to a slight increase of EUR 9m or 2.1%, whereby the growth was triggered in particular by German structural engineering. The selective approach to acquisitions is reflected in the lower order backlog, which decreased by EUR 115m or 7.0% to EUR 1,522m. The order intake fell to EUR 368m. This represents a decline of 30.7% or EUR 162m. The largest new order in the first half was the residential tower Q218 in Berlin.

Production output in the main German construction business grew by around 7.0% in the first half of the year. Demand for residential construction in particular remained high. Additional growth drivers in road and rail construction are expected in the medium term – especially from the 2030 Federal Transport Infrastructure Plan. The shortage of skilled labour and subcontractor bottlenecks continue to be factors limiting growth. Price pressure remains high both in terms of labour and for raw materials and construction resources.

Despite the challenging market environment, the previously announced turnaround in **Germany** is underway. Here PORR deliberately only accepts orders that reflect the current market conditions and for which it has secure project teams already in mind. The focus in 2019 will remain on consolidating activities in order to guarantee a healthy performance that is also sustainable.

Business Unit 3 – International

Key data

in EUR m	1–6/2019	1–6/2018	Change
Production output	770	771	-0.2%
EBT	-9.5	-1.9	>100.0%
Order backlog	3,421	2,439	40.3%
Order intake	910	556	63.8%
Average staffing levels	5,890	5,686	3.6%

The segment Business Unit 3 – International (BU 3) focuses on the home markets of Poland and the Czech Republic and on the project markets of Norway, Qatar, the UAE, Slovakia, Romania and Great Britain. In Poland and Romania PORR offers construction services in building construction and civil engineering, 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 first half of 2019, BU 3 generated production output of EUR 770m, thereby holding steady compared to the previous year. Slovakia and the Czech Republic in particular made strong output gains. The order backlog of BU 3 also developed well. The order backlog climbed by 40.3% or EUR 982m to EUR 3,421m – partly because of the large-scale order for the Brenner Base Tunnel. The order intake rose even more rapidly in relative terms and stood at EUR 910m at the end of the period. This represents an increase of EUR 354m or 63.8%.

BU 3 acquired the largest new order in the first half of 2019: The design-build contract to extend the motorway in Romania between Sibiu and Piteşti by a length of around 13.2 km. Additional success was achieved in Norway: the contract for the Minnevika Bridge and the construction of the E1 between Eggemoen and Åsbygda. New orders in Poland included the contract for the SKYSAWA office project in Warsaw.

The acquisition of Alpine Bau CZ a.s. in 2018 has opened up opportunities in traffic and transport construction in the **Czech Republic** as well as the chance to further expand permanent business there.

Poland remains BU 3's biggest challenge. In terms of demand, the EU Cohesion Fund serves as a positive driver and is facilitating a solid pipeline with new orders. At the same time, costs for construction materials subcontractor services and labour are at an all-time high. Any relief to the situation is not yet in sight.

Norway is planning to increase investment in infrastructure by 2029. That said, the market remains exceptionally tough. PORR has significantly reduced its project volumes in **Qatar** and the **UAE** and is now only involved on a very selective basis.

Interim Consolidated Financial Statements as of 30 June 2019

Consolidated Income Statement

in TEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018
Revenue	2,181,645	2,223,238	1,236,197	1,315,663
Own work capitalised in non-current assets	2,526	815	1,149	-208
Income from companies accounted for under the equity method	30,984	24,718	18,247	16,761
Other operating income	109,029	95,404	57,662	48,703
Cost of materials and other related production services	-1,424,810	-1,498,906	-801,696	-890,174
Staff expenses	-607,411	-556,052	-341,849	-317,870
Other operating expenses	-196,549	-216,804	-105,950	-120,454
EBITDA	**95,414**	**72,413**	**63,760**	**52,421**
Depreciation, amortisation and impairment expense	-78,054	-57,762	-40,108	-29,548
EBIT	**17,360**	**14,651**	**23,652**	**22,873**
Income from financial investments and other current financial assets	7,416	4,828	4,674	2,977
Finance costs	-16,563	-12,874	-8,271	-6,202
EBT	**8,213**	**6,605**	**20,055**	**19,648**
Income tax expense	-2,254	-1,045	-4,966	-4,321
Profit/loss for the period	**5,959**	**5,560**	**15,089**	**15,327**
of which attributable to shareholders of parent	3,791	3,904	14,139	14,396
of which attributable to holders of profit-participation rights	1,332	1,332	666	666
of which attributable to non-controlling interests	836	324	284	265
Basic (diluted) earnings per share, total (in EUR)	0.13	0.14	0.49	0.50

Statement of Comprehensive Income

in TEUR	1-6/2019	1-6/2018	4-6/2019	4-6/2018
Profit/loss for the period	**5,959**	**5,560**	**15,089**	**15,327**
Other comprehensive income				
Remeasurement from defined benefit obligations	-12,269	-	-12,269	-
Measurement of equity instruments	133	-1,365	-40	-1,289
Income tax expense (income) on other comprehensive income	3,114	341	3,157	322
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**-9,022**	**-1,024**	**-9,152**	**-967**
Exchange differences	1,006	-380	916	659
Gains/losses from cash flow hedges				
in the year under review	-307	-181	-154	-197
Income tax expense (income) on other comprehensive income	77	45	39	49
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**776**	**-516**	**801**	**511**
Other comprehensive income	**-8,246**	**-1,540**	**-8,351**	**-456**
Total comprehensive income for the period	**-2,287**	**4,020**	**6,738**	**14,871**
of which attributable to non-controlling interests	822	292	272	241
Share attributable to shareholders of the parent and holders of profit-participation rights	**-3,109**	**3,728**	**6,466**	**14,630**
of which attributable to holders of profit-participation rights	1,332	1,332	666	666
Share attributable to shareholders of the parent	**-4,441**	**2,396**	**5,800**	**13,964**

Consolidated Cash Flow Statement

in TEUR	1-6/2019	1-6/2018
Profit/loss for the period	5,959	5,560
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	77,864	58,009
Interest income/expense	9,919	9,326
Income from companies accounted for under the equity method	-7,372	-2,650
Dividends from companies accounted for under the equity method	5,852	1,976
Profits from the disposal of fixed assets	-8,187	-6,955
Increase/decrease in long-term provisions	1,777	-3,576
Deferred income tax	-623	-11,446
Operating cash flow	**85,189**	**50,244**
Increase in short-term provisions	19,080	1,498
Decrease/increase in tax provisions	-5,587	10,902
Increase in inventories	-13,850	-20,375
Increase in receivables	-362,107	-348,512
Decrease/increase in payables (excluding banks)	-33,773	118,662
Interest received	6,105	7,538
Interest paid	-11,581	-5,905
Other non-cash transactions	-1,568	4,917
Cash flow from operating activities	**-318,092**	**-181,031**
Proceeds from the disposal of intangible assets	14	34
Proceeds from sale of property, plant and equipment and disposal of investment property	13,473	11,012
Proceeds from the sale of financial assets	12,558	2,012
Proceeds from repayment of loans	2,741	789
Investments in intangible assets	-1,407	-961
Investments in property, plant and equipment and investment property	-93,359	-61,809
Investment in financial assets	-92	-16,659
Investment in loans	-3,410	-3,297
Repayment of other financial assets	-	50,000
Proceeds from the sale of consolidated companies less cash and cash equivalents	-5,388	1,392
Payouts for the purchase of subsidiaries less cash and cash equivalents	-6,316	30
Cash flow from investing activities	**-81,186**	**-17,457**
Dividends	-41,305	-41,305
Payouts to non-controlling interests	-1,033	-630
Proceeds from Schuldscheindarlehen	203,000	-
Repayment of Schuldscheindarlehen	-40,000	-
Obtaining loans and other financing	257,079	189,747
Redeeming loans and other financing	-165,069	-182,176
Capital increase of non-controlling interests	2,681	-
Acquisition of non-controlling interests	-	-115
Cash flow from financing activities	**215,353**	**-34,479**
Cash flow from operating activities	**-318,092**	**-181,031**
Cash flow from investing activities	**-81,186**	**-17,457**
Cash flow from financing activities	**215,353**	**-34,479**
Change to cash and cash equivalents	**-183,925**	**-232,967**
Cash and cash equivalents as of 1 Jan	319,674	358,707
Currency differences	1,076	-3,594
Cash and cash equivalents as of 30 Jun	**136,825**	**122,146**
Tax paid	8,465	1,535

Consolidated Statement of Financial Position

in TEUR	30.6.2019	31.12.2018
Assets		
Non-current assets		
Intangible assets	158,301	148,212
Property, plant and equipment	916,980	666,758
Investment property	68,684	65,971
Shareholdings in companies accounted for under the equity method	79,420	93,200
Loans	50,121	48,802
Other financial assets	42,150	41,576
Other non-current financial assets	19,381	25,026
Deferred tax assets	21,244	14,557
	1,356,281	**1,104,102**
Current assets		
Inventories	96,901	82,798
Trade receivables	1,815,595	1,461,729
Other financial assets	114,064	97,188
Other receivables and current assets	47,379	49,220
Cash and cash equivalents	136,825	319,674
Assets held for sale	26	25
	2,210,790	**2,010,634**
Total assets	**3,567,071**	**3,114,736**

Equity and liabilities		
Equity		
Share capital	29,095	29,095
Capital reserve	251,287	251,287
Hybrid capital	152,661	155,290
Other reserves	94,713	135,974
Equity attributable to shareholders of parent	**527,756**	**571,646**
Profit-participation rights	41,292	42,624
Non-controlling interests	7,391	3,964
	576,439	**618,234**
Non-current liabilities		
Bonds and Schuldscheindarlehen	338,306	175,586
Provisions	165,913	149,150
Non-current financial liabilities	424,185	188,142
Other non-current financial liabilities	1,838	3,079
Deferred tax liabilities	60,935	57,688
	991,177	**573,645**
Current liabilities		
Bonds and Schuldscheindarlehen	56,337	56,290
Provisions	153,297	133,757
Current financial liabilities	147,851	49,840
Trade payables	1,140,206	1,154,351
Other current financial liabilities	44,530	41,257
Other current liabilities	424,457	449,098
Tax payables	32,777	38,264
	1,999,455	**1,922,857**
Total equity and liabilities	**3,567,071**	**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	-	-	-	-	-32	-633
Total income for the period	-	-	-	-	-32	-633
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 Jun 2018	**29,095**	**251,287**	**7,723**	**-27,286**	**-32**	**607**
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	-	-	-	-9,083	100	1,098
Profit/loss for the period	**-**	**-**	**-**	**-9,083**	**100**	**1,098**
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 Jun 2019	**29,095**	**251,287**	**6,736**	**-39,920**	**71**	**5,407**

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**
-	-	4,218	-314	3,904	1,332	324	5,560
-	-136	-	-707	-1,508	-	-32	-1,540
-	-136	4,218	-1,021	2,396	1,332	292	4,020
-	-	-6,875	-31,766	-38,641	-2,664	-630	-41,935
-	-	-	1,387	1,387	-	-	1,387
-	-	-	-	-	-	1,194	1,194
-	-	-	-184	-184	-	-78	-262
-	**-765**	**152,661**	**100,221**	**513,511**	**41,292**	**4,026**	**558,829**
-	**-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**
-	-	4,246	-455	3,791	1,332	836	5,959
-	-230	-	-117	-8,232	-	-14	-8,246
-	**-230**	**4,246**	**-572**	**-4,441**	**1,332**	**822**	**-2,287**
-	-	-6,875	-31,766	-38,641	-2,664	-1,033	-42,338
-	-	-	2,052	2,052	-	-	2,052
-	-	-	-	-	-	2,681	2,681
-	-	-	-	-	-	967	967
-	**-1,269**	**152,661**	**123,688**	**527,756**	**41,292**	**7,391**	**576,439**

Notes to the Interim Consolidated Financial Statements as of 30 June 2019

1. General Information

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

These interim consolidated financial statements of the PORR Group have been published in accordance with IAS 34 Interim Financial Reporting, using the standards of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRSs) adopted by the European Union, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in addition to standards applicable for the first time as of 1 January 2019, especially IFRS 16. The impact of the first-time application of the new standards is described in item 3.

In accordance with IAS 34, these interim consolidated financial statements do not contain every comprehensive entry that is obligatory in the annual financial statements and therefore this interim report should be read in conjunction with the Annual Report of the PORR Group as of 31 December 2018. As per IAS 34, the consolidated results of the interim consolidated financial statements are not necessarily indicative of the annual results.

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

2. Consolidated Group and Acquisitions

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

Because of acquisitions	**Date of initial consolidation**
Rumpelnig Immobilien GmbH	1.1.2019
ISHAP Gebäudedokumentations GmbH	5.3.2019
Reisinger Gesellschaft mbH	9.4.2019
Spenglerei Hangl Christof GmbH	8.5.2019
Alea GmbH	14.5.2019

For two companies the number of shares sold meant that only significant influence remains and these were accounted for under the equity method. One company was eliminated through an intra-Group merger, while two companies were sold off in full and two companies were liquidated. The assets and liabilities where control was lost break down as follows:

in TEUR	2019
Non-current assets	
Property, plant and equipment	270
Deferred tax assets	68
Current assets	
Inventories	11
Trade receivables	990
Other financial assets	1,007
Other receivables and current assets	63
Cash and cash equivalents	7,377
Non-current liabilities	
Provisions	-18
Non-current financial liabilities	-179
Deferred tax liabilities	-48
Current liabilities	
Current financial liabilities	-48
Trade payables	-800
Other current financial liabilities	-235
Other current liabilities	-7,124
Tax payables	-8

Gains on sale amounting to TEUR 35 were recognised in income/expenses from financial assets. The fair value measurement of the remaining equity stake led to a gain of TEUR 62 and is recognised in companies accounted for under the equity method.

TEUR 109 was used to purchase a 100% stake in Rumpelnig Immobilien GmbH. The purchase price was settled in cash and provisionally allocated to the Group's liabilities and assets as follows:

in TEUR	2019
Non-current assets	
Deferred tax assets	5
Current assets	
Trade receivables	123
Other receivables and current assets	2
Cash and cash equivalents	16
Non-current liabilities	
Deferred tax liabilities	-31
Current liabilities	
Trade payables	-2
Other current liabilities	-4
Purchase price	**109**

TEUR 1,112 was used to purchase 100% in Reisinger Gesellschaft mbH, of which TEUR 1,000 was settled in cash. The purchase price was allocated to the Group's liabilities and assets as follows:

in TEUR	2019
Non-current assets	
Other intangible assets	3
Property, plant and equipment	1,359
Other financial assets	2
Deferred tax assets	150
Current assets	
Inventories	206
Trade receivables	529
Other financial assets	13
Other receivables and current assets	10
Cash and cash equivalents	30
Non-current liabilities	
Provisions	-37
Deferred tax liabilities	-174
Current liabilities	
Provisions	-71
Current financial liabilities	-401
Trade payables	-49
Other current liabilities	-225
Tax payables	-8
Bargain purchase	**-225**
Purchase price	**1,112**

The acquisition contributed TEUR 225, which was recognised in other operating income. A reassessment was carried out prior to recognising the bargain purchase.

TEUR 40 was used to purchase 100% in Spenglerei Hangl Christof GmbH. The purchase price was settled in cash and allocated to the Group's assets and liabilities as follows:

in TEUR	2019
Non-current assets	
Goodwill	41
Other intangible assets	1
Property, plant and equipment	90
Other financial assets	5
Deferred tax assets	7
Current assets	
Inventories	56
Trade receivables	481
Other financial assets	81
Other receivables and current assets	19
Non-current liabilities	
Non-current financial liabilities	-105
Deferred tax liabilities	-7
Current liabilities	
Current financial liabilities	-97
Trade payables	-289
Other current financial liabilities	-148
Other current liabilities	-95
Purchase price	**40**

TEUR 3,109 was used to purchase 100% in Alea GmbH. The purchase price was settled in cash and allocated to the Group's assets and liabilities as follows:

in TEUR	2019
Non-current assets	
Goodwill	1,256
Other intangible assets	9
Property, plant and equipment	128
Other financial assets	197
Other non-current financial assets	34
Deferred tax assets	32
Current assets	
Inventories	2
Trade receivables	1,725
Other financial assets	26
Other receivables and current assets	14
Cash and cash equivalents	1,112
Non-current liabilities	
Provisions	-142
Non-current financial liabilities	-39
Deferred tax liabilities	-274
Current liabilities	
Current financial liabilities	-38
Trade payables	-114
Other current liabilities	-819
Purchase price	**3,109**

TEUR 4,000 was used to purchase a further 50% stake in ISHAP Gebäudedokumentations GmbH. The purchase price was settled in cash and allocated to the Group's assets and liabilities as follows:

in TEUR	2019
Non-current assets	
Other intangible assets	9,776
Property, plant and equipment	28
Current assets	
Trade receivables	198
Other financial assets	2
Cash and cash equivalents	791
Non-current liabilities	
Deferred tax liabilities	-2,444
Current liabilities	
Provisions	-16
Trade payables	-10
Other current financial liabilities	-75
Other current liabilities	-65
Tax payables	-185
Fair value of the equity interest already held	-3,000
Non-controlling interests	-1,000
Purchase price	**4,000**

The acquisition contributed TEUR 2,544, which was recognised in income from companies accounted for under the equity method.

The companies consolidated for the first time contributed TEUR -790 to earnings before taxes for the period and TEUR 2,002 to revenue.

A total of 48 (previous year: 44) domestic and 35 (previous year: 35) foreign associates and joint ventures were valued using the equity method.

3. Accounting and Valuation Methods

The accounting and valuation methods applied in the consolidated financial statements of 31 December 2018, which are presented in the notes to the consolidated annual financial statements, have been used, unmodified, in the interim report with the exception of the following standards and interpretations applied for the first time, whereby it is only the first-time application of IFRS 16 Leases that has had a significant impact:

New standard or amendment	Date of publication by IASB	Date of adoption into EU law	Date of initial application
IFRS 16 Leases	13.1.2016	9.11.2017	1.1.2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	12.10.2017	22.3.2018	1.1.2019
IFRIC 23 Uncertainty over Income Tax Treatments	7.6.2017	23.10.2018	1.1.2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	12.1.2017	8.2.2019	1.1.2019
Annual Improvements to IFRSs 2015-2017 Cycle	12.12.2017	14.3.2019	1.1.2019
Amendments to IAS 19 Plan Amendments, Curtailments or Settlements	7.2.2018	13.3.2019	1.1.2019

IFRS 16 Leases

The standard specifies how to recognise, measure, present and disclose leases. IFRS 16 replaces the previous standard IAS 17 and three interpretations related to leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value (option to choose). On initial recognition the liability is discounted and in subsequent years it decreases through lease payments, while also increasing through unwinding. At the same time, a right of use (ROU) in the amount of the present value of future lease payments is capitalised and subsequently written down using the straight-line method. The previous differentiation between operating leases and finance leases is thereby no longer applicable. The standard was published in January 2016 and its application is obligatory for reporting periods beginning on or after 1 January 2019. IFRS 16 features different transition options. PORR has decided against early adoption and chosen the modified retrospective approach.

When applying IFRS 16 for the first time, PORR exercised its right to apply the expedients in accordance with IFRS 16.C10:

- Portfolio application could be applied to discount rates for leases with similar assets, similar remaining terms and similar economic conditions.
- No onerous leases were identified as of the changeover date and therefore no adjustment to ROU assets was required.
- Initial direct costs were not considered.
- Options for extension or cancellation were assessed at the point in time IFRS 16 was first applied.

As of 30 June 2019 the average interest rate was 2.02%.

The following table shows the impact as of 1 January 2019 on the items in the statement of financial position from the first-time application of IFRS 16:

in TEUR	Consolidated statement of financial position as of 1.1.2019	Adjustment through first-time application of IFRS 16	Consolidated statement of financial position as of 31.12.2018 without adjustments for IFRS 16
Assets			
Property, plant and equipment	862,819	196,061	666,758
Non-current assets	**1,300,163**	**196,061**	**1,104,102**
Total assets	**3,310,797**	**196,061**	**3,114,736**
Equity and liabilities			
Other reserves	133,089	-2,885	135,974
Equity	**615,349**	**-2,885**	**618,234**
Non-current financial liabilities	361,672	173,530	188,142
Non-current liabilities	**744,290**	**170,645**	**573,645**
Current financial liabilities	75,256	25,416	49,840
Current financial liabilities	**1,948,273**	**25,416**	**1,922,857**
Total equity and liabilities	**3,310,797**	**196,061**	**3,114,736**

As of 30 June 2019, the application of IFRS 16 led to the recognition of TEUR 336,185 in property, plant and equipment, TEUR 2,065 in investment property and TEUR 321,673 in financial liabilities.

No other standards and interpretations were published or adopted into EU law since the preparation of the consolidated financial statements as of 31 December 2018.

The interim consolidated financial statements of 30 June 2019 use the same consolidation methods and basis for currency exchange as were used in the annual financial statements as of 31 December 2018.

4. Estimates and Assumptions

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

5. Seasonal Influence

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

6. Revenue

in TEUR 1–6/2019	BU 1 – Austria, Switzerland	BU 2 – Germany	BU 3 – International	Holding	Group
Revenue					
Building construction					
Commercial/office construction	82,781	25,570	35,446	-	143,797
Industrial engineering	71,969	656	4,341	-	76,966
Miscellaneous building construction	172,011	78,248	60,447	2,248	312,954
Residential construction	203,337	59,583	19,726	-	282,646
Civil engineering					
Railway construction	29,445	-	71,848	-	101,293
Bridge/overpass construction	30,847	45,280	71,984	-	148,111
Miscellaneous civil engineering	183,541	119,922	37,724	5,250	346,437
Road construction	146,670	42,880	134,331	-	323,881
Tunnelling	61	51,477	149,232	-	200,770
Other sectors	147,195	31,335	28,662	37,598	244,790
Revenue	**1,067,857**	**454,951**	**613,741**	**45,096**	**2,181,645**
Revenue recognised over time	996,053	451,832	613,291	42,722	2,103,898
Revenue recognised at a point of time	71,804	3,119	450	2,374	77,747

in TEUR 1–6/2018	BU 1 – Austria, Switzerland	BU 2 – Germany	BU 3 – International	Holding	Group
Revenue					
Building construction					
Commercial/office construction	87,492	63,616	58,621	-	209,729
Industrial engineering	72,168	9,088	13,650	-	94,906
Miscellaneous building construction	157,908	60,678	35,884	6,269	260,739
Residential construction	257,421	34,080	12,655	-	304,156
Civil engineering					
Railway construction	10,600	210	110,392	-	121,202
Bridge/overpass construction	34,967	36,352	79,557	-	150,876
Miscellaneous civil engineering	173,128	113,362	49,540	2,194	338,224
Road construction	149,271	67,914	127,980	-	345,165
Tunnelling	-	21,784	131,477	-	153,261
Other sectors	137,982	32,795	33,734	40,469	244,980
Revenue	**1,080,937**	**439,879**	**653,490**	**48,932**	**2,223,238**
Revenue recognised over time	1,017,112	436,074	653,490	47,540	2,154,216
Revenue recognised at a point of time	63,825	3,805	-	1,392	69,022

7. Earnings per Share

in TEUR	1–6/2019	1–6/2018
Proportion of annual surplus relating to shareholders of parent	3,791	3,904
Weighted average number of issued shares and capital share certificates	28,878,505	28,878,505
Basic earnings per share = diluted earnings per share in EUR	**0.13**	**0.14**

8. Share Capital

	No. 2019	EUR 2019	No. 2018	EUR 2018
Ordinary bearer shares	29,095,000	29,095,000	29,095,000	29,095,000
Total share capital	**29,095,000**	**29,095,000**	**29,095,000**	**29,095,000**

As proposed by the Executive Board and the Supervisory Board, the Annual General Meeting of PORR AG passed a resolution on 29 May 2019 to pay out a dividend of EUR 1.10 per share entitled to dividends as a result of the earnings for the business year 2018.

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

9. Financial Instruments

The carrying amount of the financial instruments as per IFRS 9 corresponds to the fair value, with the exception of bonds subject to fixed interest rates (fair value hierarchy level 1), Schuldscheindarlehen subject to fixed interest rates (fair value hierarchy level 3), deposits from banks subject to fixed interest rates (fair value hierarchy level 3), and other financial liabilities subject to fixed interest rates (fair value hierarchy level 3).

in TEUR	Measurement category	Carrying amount as of 30.06.2019	Measured at amortised cost	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value as of 30.6.2019
Assets							
Loans	AC	28,353	28,353				
Loans	FVTPL	22,194			22,194	Level 3	22,194
Other financial assets	FVTOCI	29,835		29,835		Level 3	29,835
Other financial assets	FVTPL	1,088			1,088	Level 3	1,088
Other financial assets	FVTPL	11,227			11,227	Level 1	11,227
Trade receivables	AC	978,560	978,560				
Other financial assets	AC	131,551	131,551				
Other financial assets	FVTPL	107			107	Level 1	107
Derivatives (without hedges)	FVTPL	1,362			1,362	Level 2	1,362
Cash and cash equivalents		136,825	136,825				
Liabilities							
Bonds							
at fixed interest rates	AC	55,337	55,337			Level 1	55,757
Schuldscheindarlehen							
at fixed interest rates	AC	101,797	101,797			Level 3	96,327
at variable interest rates	AC	237,509	237,509				
Deposits from banks							
at fixed interest rates	AC	58,827	58,827			Level 3	61,788
at variable interest rates	AC	188,551	188,551				
Lease obligations [1]		321,673	321,673				
Other financial liabilities							
at fixed interest rates	AC	166	166			Level 3	168
Trade payables	AC	1,140,206	1,140,206				
Other financial liabilities	AC	46,368	46,368				
Derivatives (without hedges)	FVTPL	756			756	Level 2	756
Derivatives (with hedges)		2,063		2,063		Level 2	2,063
by category							
Financial assets at amortised cost	AC	1,138,464	1,138,464				
Cash and cash equivalents		136,825	136,825				
Fair value through profit & loss	FVTPL	35,222			35,222		
Fair value through OCI	FVTOCI	29,835		29,835			
Financial liabilities at amortised cost	AC	1,828,761	1,828,761				

in TEUR	Measurement category	Carrying amount as of 31.12.2018	Measured at amortised cost	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value as of 31.12.2018
Assets							
Loans	AC	26,665	26,665				
Loans	FVTPL	22,224			22,224	Level 3	22,224
Other financial assets	FVTOCI	29,692		29,692		Level 3	29,692
Other financial assets	FVTPL	1,088			1,088	Level 3	1,088
Other financial assets	FVTPL	10,796			10,796	Level 1	10,796
Trade receivables	AC	853,476	853,476				
Other financial assets	AC	119,600	119,600				
Other financial assets	FVTPL	102			102	Level 1	102
Derivatives (without hedges)	FVTPL	2,424			2,424	Level 2	2,424
Cash and cash equivalents		319,674	319,674				
Liabilities							
Bonds							
at fixed interest rates	AC	55,291	55,291			Level 1	56,614
Schuldscheindarlehen							
at fixed interest rates	AC	53,876	53,876			Level 3	54,454
at variable interest rates	AC	122,709	122,709				
Deposits from banks							
at fixed interest rates	AC	46,026	46,026			Level 3	49,428
at variable interest rates	AC	76,749	76,749				
Lease obligations [2]		113,160	113,160				
Other financial liabilities							
at fixed interest rates	AC	45	45			Level 3	44
Trade payables	AC	1,154,351	1,154,351				
Other financial liabilities	AC	44,336	44,336				
Derivatives (without hedges)	FVTPL	246			246	Level 2	246
Derivatives (with hedges)		1,756		1,756		Level 2	1,756
by category							
Financial assets at amortised cost	AC	999,741	999,741				
Cash and cash equivalents		319,674	319,674				
Fair value through profit & loss	FVTPL	36,388			36,388		
Fair value through OCI	FVTOCI	29,692		29,692			
Financial liabilities at amortised cost	AC	1,553,383	1,553,383				

[1] Lease obligations fall under the scope of IFRS 16.
[2] Lease obligations fall under the scope of IAS 17 and IFRS 7.

Details on the fair value of financial instruments of Level 3

For the valuation of the hybrid capital of TEUR 25,330 for UBM Development AG, the following input factors (pricing criteria) were applied:

- Mid swap
- Credit spread UBM-bond (Z spread)
- Hybrid spread

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

As a second step, the current pricing and contractually agreed coupon were compared, thereby determining the necessary surcharges/discounts.

- If the current market pricing is higher than the contractually agreed coupon, then a discount is applied to the nominal amount.
- If the current market pricing is lower than the contractually agreed coupon, then a surcharge is applied to the nominal amount.

This resulted in the following valuation as of 30 June 2019:

	Mid swap	Credit spread	Hybrid spread	Hybrid coupon in %
Balance as of 30 Jun 2019	-23.5	262.09	368	6.07
Balance as of 31 Dec 2018	19.6	271.57	368	6.6

	Hybrid capital
Total 1 Jan 2019	25,179
Disposals	-
Surcharges/discounts	133
Total 30 Jun 2019	**25,312**

Sensitivities and interrelationships

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

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

Future expected cash flows were applied for the fair value valuation of a loan of TEUR 22,194, whereby the EUR zero-coupon curve was used for discounting the cash flows (as of 30 June 2019: -0.25423%).

10. Segment Report

The segment report has been adjusted in line with the new internal reporting structure. Comparative figures have been retrospectively amended to the new structure.

Segment BU 4 – Environmental Engineering, Healthcare & Services has been split. PORR Umwelttechnik GmbH, PRAJO, TKDZ, Thorn, PWW and ALU-SOMMER are now part of BU 1 – Austria, Switzerland. The equity interests PORREAL, STRAUSS Property Management and hospitals are part of the holding, as are activities in the PPP sector.

Railway construction with the Slab Track Austria System – within Europe – has moved from BU 3 – International to BU 1 – Austria, Switzerland; the Czech Republic has moved from BU 1 – Austria, Switzerland to BU 3 – International.

in TEUR 1–6/2019	BU 1 – Austria, Switzerland	BU 2 – Germany	BU 3 – International	Holding	Group
Production output (Group)	1,226,743	445,102	769,679	55,191	2,496,715
Segment revenue	1,067,857	454,951	613,741	45,096	2,181,645
Intersegment revenue	21,388	3,908	344	62,432	
EBT (Earnings before tax = segment earnings)	17,853	2,095	-9,483	-2,252	8,213

in TEUR 1–6/2018	BU 1 – Austria, Switzerland	BU 2 – Germany	BU 3 – International	Holding	Group
Production output (Group)	1,199,308	435,819	771,184	51,473	2,457,784
Segment revenue	1,080,937	439,879	653,490	48,932	2,223,238
Intersegment revenue	20,925	2,963	561	56,974	
EBT (Earnings before tax = segment earnings)	13,747	-8,074	-1,890	2,822	6,605

11. Related Party Disclosures

There have been no significant changes in relationships between related companies, or any resultant obligations or guarantees, since 31 December 2018.

Transactions in the business year between companies included in the PORR Group's consolidated financial statements and the UBM Group companies primarily relate to construction services. Furthermore, interest for the hybrid capital of TEUR 1,520 has been paid to PORR AG in the business year 2019.

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

12. Audit Disclosure

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

13. Events after the End of the Reporting Period

No events subject to disclosure occurred after the end of the reporting period.

Vienna, 29 August 2019

The Executive Board
Karl-Heinz Strauss
Andreas Sauer
Thomas Stiegler
J. Johannes Wenkenbach

Statement of all Legal Representatives

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

August 2019, Vienna

Karl-Heinz Strauss
Chairman of the Executive Board and CEO

Andreas Sauer
Executive Board member and CFO

J. Johannes Wenkenbach
Executive Board member and COO

Thomas Stiegler
Executive Board member and COO

Financial Calendar 2019

28.10.2019	**Interest payment and redemption** PORR Corporate Bond 2014/1 (senior bond)
28.10.2019	**Interest payment** PORR Corporate Bond 2014/2 (hybrid bond)
28.11.2019	**Publication** Report on the 3rd Quarter 2019

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The 2019 Half-Year Report can be obtained free of charge from the company at 1100 Vienna, Absberggasse 47, and may be downloaded from the website **https://porr-group.com/en/investor-relations/reporting/group-reports/**.

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Disclaimer

This half-year report also contains statements relating to the future which are based on estimates and assumptions which are made by managerial staff to the best of their current knowledge. Future-related statements may be identified as such by expressions such as “expected”, “target” or similar constructions. Forecasts related to the future development of the Group take the form of estimates based on information available at the time of the interim report going to press. Actual results may differ from the forecast if they are shown to be based on inaccurate assumptions or are subject to unforeseen risks.

Every care has been taken to ensure that all information contained in every part of this half-year 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 half-year 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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