SPACES

Half-Year Report 2021

Key Data

in EUR m	1–6/2021	1–6/2020	Change
Operating data			
Production output[1]	2,496	2,273	9.8%
Foreign share	53.5%	58.2%	-4.7 PP
Order backlog[2]	7,848	7,080	10.9%
Order intake[2]	3,271	3,016	8.4%
Staffing level (average)	19,808	19,658	0.8%

	1–6/2021	1–6/2020	Change
Earnings indicators			
Revenue	2,288.3	2,071.2	10.5%
EBITDA	114.0	65.8	73.3%
EBIT	21.2	-16.9	< -100.0%
EBT	11.5	-26.6	< -100.0%
Profit/loss for the period	8.6	-22.7	< -100.0%

	30.6.2021	31.12.2020	Change
Financial position indicators			
Total assets	3,620	3,509	3.1%
Equity (incl. non-controlling interests)	654	651	0.5%
Equity ratio	18.1%	18.5%	-0.4 PP
Net debt	310	137	> 100.0%

	1–6/2021	1–6/2020	Change
Cash flow and investments			
Cash flow from operating activities	-41.3	-148.9	-72.3%
Cash flow from investing activities	-80.3	-51.3	56.5%
Cash flow from financing activities	-57.0	61.4	< -100.0%
CAPEX[3]	130.8	85.1	53.7%
Depreciation/amortisation/impairment	-92.8	-82.8	12.2%

	1–6/2021	1–6/2020	Change
Key data regarding shares			
Number of shares (weighted average)	29,095,000	29,095,000	-
Market capitalisation as of 30 Jun (in EUR m)	465.5	428.3	8.7%

[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] Investments 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.

Contents

Highlights

Transport under expansion

Vienna's largest metro project is gathering pace. As part of a consortium, PORR has been awarded five lots for the extension of the U2/U5 metro lines. Four stations are being built with additional TBM support. The special challenge: around seven kilometres of tunnel needs to be driven under a densely populated area, requiring outstanding technical knowhow. Three kilometres of this will be built using the New Austrian Tunnelling Method pioneered by PORR.

Bridges on the move

Two 900 HP pusher boats, four floating pontoons and four modular vehicles – all of these and more were deployed this spring when the support structures of the New Danube bridge in Linz were spectacularly floated into position. Both of the bridge arches, each with a length of 120 metres and weight of 2,800 tonnes, were thereby slotted into their final position. In addition to relieving traffic for individual transport, the construction project is helping to expand public infrastructure.

Cities of tomorrow

Quarters as a living space and resource. Vienna, Berlin and Gdansk are just three of the cities in which PORR won major contracts in the first half of the year. In Vienna, more than 400 residential units are under construction in Gastgebgasse. In the German capital, an urban quarter consisting of seven buildings with up to seven floors each is taking shape in the form of Ferdinand's Garden. And in Gdansk, Poland, a residential complex with adjacent commercial space is being realised.

Pioneering spirit at the airport

The modernisation works at Bucharest airport were successfully completed in February. Runway number 2 now conforms to all technical specs regarding safety zones and lighting systems. More than 116,000 tonnes of asphalt were laid in under six months using 3D machine control and maximum process optimisation. There is now a follow-up contract to resurface all of the traffic areas on the airport's grounds.

Electricity from hydropower

The Limberg III pumped storage power plant is already PORR's third major project for the Kaprun power plant. From 2025, an additional 480 MW of electricity will be available – and it's both sustainable and efficient. What's more, surges in demand can be quickly offset with clean power safely stored. This project also draws on PORR's expertise in tunnelling and its experience in high Alpine terrain.

Connection through Poland

The S19 expressway is under construction in the east of Poland and will provide a north-south link between Belarus and Slovakia. In the first half of 2021, PORR won the design-build contracts for two sections of the expressway, with a total value of around EUR 130m. PORR is responsible for a total of 27 kilometres of road, located between Kuźnica and Sokółka and between Krynice and Dobrzyniewo.

Tunnel under water

The Wyspiarka tunnel boring machine can be found about 40 metres below the surface of the water. This is because the Świnoujście Tunnel will run directly under the Świna estuary, providing a fast link between the islands of Usedom and Wollin. The tunnel boring machine was installed at the end of February and half of the tunnel had already been driven by June. The drilling works will be completed in autumn when all of the prefab formwork elements will be installed.

Major projects on schedule

The Filstal Bridge, which is part of Stuttgart 21, and the S-Bahn rail tunnel Erdinger Ringschluss near Munich are making a sustainable contribution to the public railway network. While the final stone of the tunnel construction was already laid in May, when the last cubic metre of concrete was installed, the bridge building in Stuttgart was completed in June. The projects were handed over in ceremonies in June and July.

Forword by the Chairman of the Executive Board

Dear shareholders,

With a record first half and a high-quality order backlog, we have had a powerful start to 2021. The construction industry is experiencing a new boom. This is confirmed by our figures. The order backlog of EUR 7,848m is a powerful and important cushion as well as being higher than ever before. Our integrated business model and our “one-stop shop” approach have proven their value once again. We have generated production output of EUR 2,496m, marking a rise of 9.8%. EBT is again in the black and totalled EUR 11.5m, which not only surpasses the figure for 2020, but is also significantly higher than for the first half of 2019.

Rapid progress is being made with our transformation programme PORR 2025. We want to become even more efficient and focus on the right projects. We have already made our organisation faster and more effective. With clear goals such as sustainable savings of EUR 45m from 2022 and a target EBT margin of 3.0% from 2025, we are consistently working to drive up our profitability.

In the first half of 2021, we strategically evolved our clear view on climate change and our commitment to sustainability. Our future focus is **Green and Lean.** With a newly positioned PORR, we can utilise multiple opportunities and sustainably enter markets. We want to promote climate-neutral construction projects, smart technologies, and partnering models for holistic cooperation. And with Lean approaches in management coupled with LEAN Design and Construction, we have a modern and efficient way of handling things at project level. This also gives us a competitive advantage that will have a sustainable impact on the value of our company. Find out for yourself and thank you for the ongoing trust you have placed in us!

Vienna, August 2021

Sincerely,

Karl-Heinz Strauss
Chairman of the Executive Board and CEO

Green and Lean

Climate change and digitalisation are two of the most important challenges of this decade. For us as a company and for us as a society. Climate change is an existential risk, but it, together with digitalisation, also offers huge opportunities for our generation. In the EU (Green Deal), in the USA (Climate Plan), in China (14th Five-Year-Plan) and globally (Paris Agreement), an economic realignment towards ecological targets has already been laid out. And we want to proactively shape this transformation as one of Europe's leading construction companies. Because we are building change.

PORR has been around for 150 years and innovation and diversity have always been the building blocks of our success. And that will remain the case in future. We have developed the new strategy "Green and Lean" by applying our experience, the enormous knowledge base in the Group and the challenges of our time. It means the next step into the future.

What these three words "Green and Lean" – and yes, all three of them – mean in concrete terms:

We will change the way people build.

We will apply a holistic mindset and strive for a circular economy.

We will promote partnering models.

And we will be agile – with our lean management approach and in our operations with LEAN Design and Construction.

Green. means one thing first and foremost: responsibility. After all, we are not building for today and tomorrow, but for the day after that as well. We want to be the market leader for resource-efficient construction that fits within a circular economy. Our goal is to integrate construction processes into closed material cycles wherever possible. We want to increase the percentage of sustainable projects and strive for climate neutrality. This does not only relate to absorbing a significant part of the emissions already generated, but also using technologies of the future to reduce them. That is why, from design and planning, in the construction process and in operations, as well as for renovations, we apply solutions that deliver a climate-neutral future. This is not uncharted territory for PORR. We have long focused on conserving resources and on environmental awareness. With clear success: in July, the renowned ratings agency ISS awarded us a best-in-class ESG rating. With a C+, we have achieved Prime Status, simultaneously becoming number 1 in the industry on our home markets. This is also what distinguishes PORR: being a visionary and combining this foresight with outstanding skill in implementation.

And. means more than the link between Green and Lean. After all, change can only occur when we join forces. That's why we engage in partnering models in the construction industry. This facilitates integration into the various stages of the construction value creation cycle and utilises the leveraging effect: Good and meaningful aspects multiply. The project is assessed over its entire lifecycle (design, construction, operations and renovations) and then everything is offered as a one-stop shop. The benefits are plain to see: maximum risk mitigation coupled with high security in terms of quality, deadlines and costs. We intend to strengthen this approach in future and apply it even more broadly. That's our "And": partnerships between everyone involved in a project, with common goals.

Lean. relates to the way our organisation is structured. Lean is seen in our management approaches and is applied in practice in our construction process with the help of LEAN Design and Construction. Lean may sound abstract, but it is already our reality at PORR – we have implemented a streamlined organisation with short decision-making chains this year. This includes digital efficiency and smart innovation. They are instruments we are using to expand our position as technology leaders. Digitalising value chains is more topical than ever before. And LEAN Design and Construction are our future for operational construction processes. This approach should be understood as an integrated, continuous process. Projects like BMW Freimann clearly demonstrate this – the new BMW complex is genuinely a collaborative achievement. The client as well as PORR and our subcontractor partners worked closely together in the form of a partnering model from the design right through to the turnkey realisation.

As this shows: Green and Lean is more than a vision, it is a milestone on the path to the future. It is the foundation of our future success and the basis on which we embrace our responsibility towards society as a big company. After all, intelligent building not only connects people, it also shapes our future.

Megatrends

Urbanisation

Shaping the city of the future.

55% of the world’s population live in urban areas.
Up to two thirds are expected to live in cities by 2030.
Demand for new living space and infrastructure.
The city as a resource.

Mobility

Climate-neutral infrastructure.

New urban mobility.
Smart with sharing economy or mobility hubs.
Structural change through new energy concepts.
Expanding infrastructure.

Sustainability

Green construction becomes a way of life.

Sustainable building that conserves resources.
Renewable energy as standard.
Reinventing old building material.
Circular economy in the value chain.

Digitalisation

Smart and digital with diversity.

Becoming more agile.
BIM and LEAN journeys essential.
Big data for people, materials and machines.
Paperless construction site.

Health

Quality of life is #1.

Good health as lifestyle.
“Win talents” with workplace health promotion.
Silver society – cross-generational concepts.
Diversity with mixed-age teams.

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** 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 • **Growth that adds value as a design-build contractor:** Fully integrated value chain as USP • **Build more sustainably**
Organisation	**Greater efficiency** 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 • **Standardised risk management across the Group**
Operational Analysis	**Enhancing value** 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 • **Improve capital employed** • **Maintain stable financial position:** Improved equity ratio, robust maturity structure, secure borrowings in the medium term, maintain adequate liquidity
Digital Opportunities	**Realising future potential** 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** • **Harmonise IT across the entire Group** • **Digitalise work flows:** In the areas of technology and commerce

	INDICATORS	MEASURES
Markets	· Increase profitability by 0.5 to 0.8%	· **Heat Map:** Realign structural engineering, reorganise Stump-Franki, sell non-strategic equity interests, dissolve non-profitable areas · **Selective growth:** 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**: Improve transparency, reduce hierarchies and interfaces, connect knowhow and capacities, expand digital processes · **Merge technical and commercial controlling with risk management and contract management**
Operational Analysis	· Increase profitability by 0.8 to 1.0% · CAPEX ~ 4% (3% excl. IFRS 16) · Working capital intensity of 6 to 8% · Reduce net debt by 2022 · Equity ratio of 20 to 25% · Payout ratio unchanged at 30 to 50%	· **Procurement:** Smart processes and promoting the use of purchasing platforms to optimise contracted volumes · **Non-core activities:** Evaluating non-core activities; focus remains on core competencies in construction
Digital Opportunities	· Current LEAN projects: 36 · Current BIM projects: 21	· **BIM-based solutions with LEAN Project Management:** Trailblazer on the path to a paperless construction site · **Machine-to-machine communication in real time:** Deep Soil with 360° digitalisation, management of construction phase · **Group-wide IT harmonisation:** Digitalisation, optimising and automating business processes

PORR on the Stock Exchange

Steady upward trend

The recovery that set in on the international stock markets at the start of the year continued in the second quarter 2021 in an equally positive way, albeit with slightly slower momentum. From April, the temporary global increase in inflation as well as uncertainty related to the future monetary policy of the Federal Reserve dampened growth. However, corporate figures that exceeded expectations combined with rising economic indicators created a friendly market environment in the second quarter. In addition, there was a slight decline in the high levels of volatility caused by the pandemic.

The leading US index Dow Jones Industrial Average ended the first half of 2021 up by 12.7% against year-end. The leading eurozone index EUROSTOXX 50 even managed growth of 14.4%. The European Central Bank is standing by its looser monetary policy long term. With an increase of 13.2%, the German DAX index closed down only slightly below the European average. The leading Austrian index ATX benefited from the heavier weighting of cyclical stocks in May in particular. At closing it was up by 22.4% against year-end 2020.

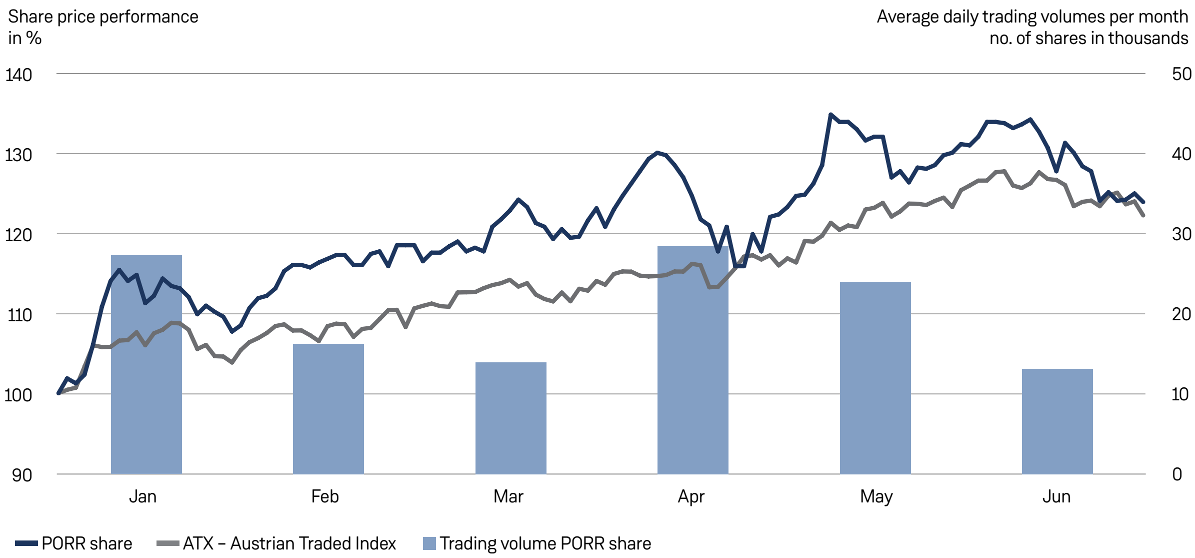
Positive performance for the PORR share

The PORR share continued its recovery in the second quarter of 2021. Following its year-low of EUR 13.06 on 5 January, the price began a clear upward climb. This welcome development was partly due to the confirmed guidance for 2021 and partly to the general economic recovery. The share reached its highest level of the first half of the year on 10 May at EUR 17.42. Rising uncertainty surrounding price and interest rate developments then led the price to decrease to EUR 16.00 as of 30 June 2021. This represents a price gain of 24.0% against year-end. As of the end of the reporting period, the market capitalisation was EUR 465.5m.

Stable shareholder structure

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 (26.8%) and Great Britain (10.8%). In addition, investors from the USA and Germany held 9.3% and 6.6% respectively. The percentage accounted for by other countries in Europe was 7.0%.

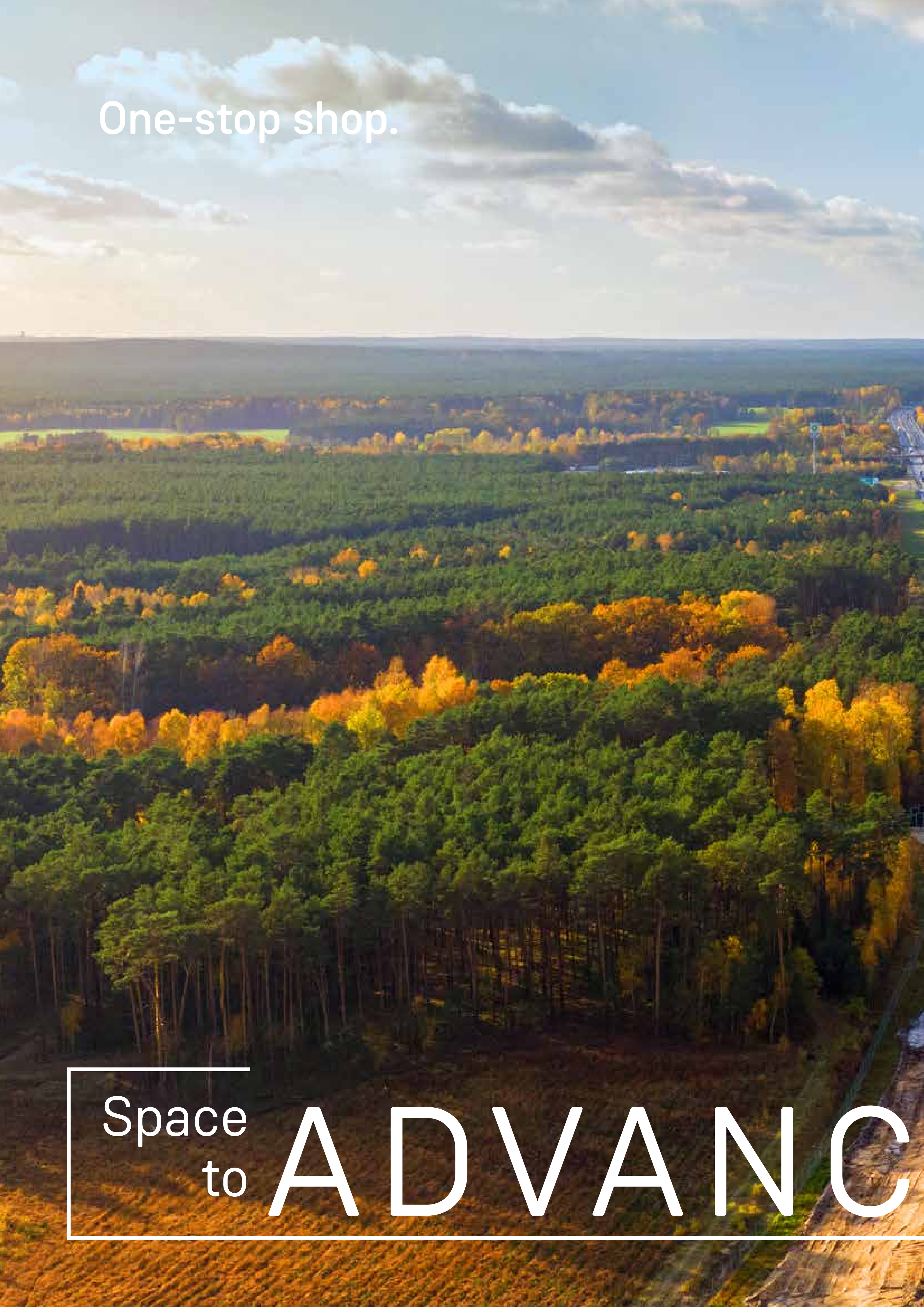
Share price and trading volumes of the PORR share in the first half of 2021 (index)



Corporate Responsibility Update

	ASPECT & MEASURE	HIGHLIGHT
Economy	**Contributing to the local economy** · Expanding the good sustainability rating scores	**Top league in construction industry with ESG Prime Rating** With a C+ from ratings agency ISS ESG, PORR climbs to the top of the industry's sustainability rankings and achieves Prime Status. This makes PORR the most sustainable construction company on its home markets, especially Austria and Germany.
Environment	**Material consumption and recycling** · Further increase the reuse and recycling of construction materials	**From cradle to cradle** In Düsseldorf a wood-hybrid office building called "The Cradle" is taking shape. Almost all of the utilised construction materials can be reused at the end of the building's useful life. A far-reaching and consistent circular economy is thereby applied in line with the Cradle-to-Cradle® principle. What's more, the deconstructable facade made of wood and glass is a genuine eyecatcher.
Social	**Health and safety** · Workplace health promotion with complete coverage	**Be safe, stay healthy** PORR is one of the first big companies in Austria to have vaccinated its workforce against COVID-19. Here the inhouse logistics and infrastructure used for the antigen tests was quickly expanded. Around 80% of the entire workforce was fully vaccinated in the first half of 2021. A comprehensive set of COVID-19 measures remains in place as part of the workplace health promotion policy.

One-stop shop.



Space to ADVANC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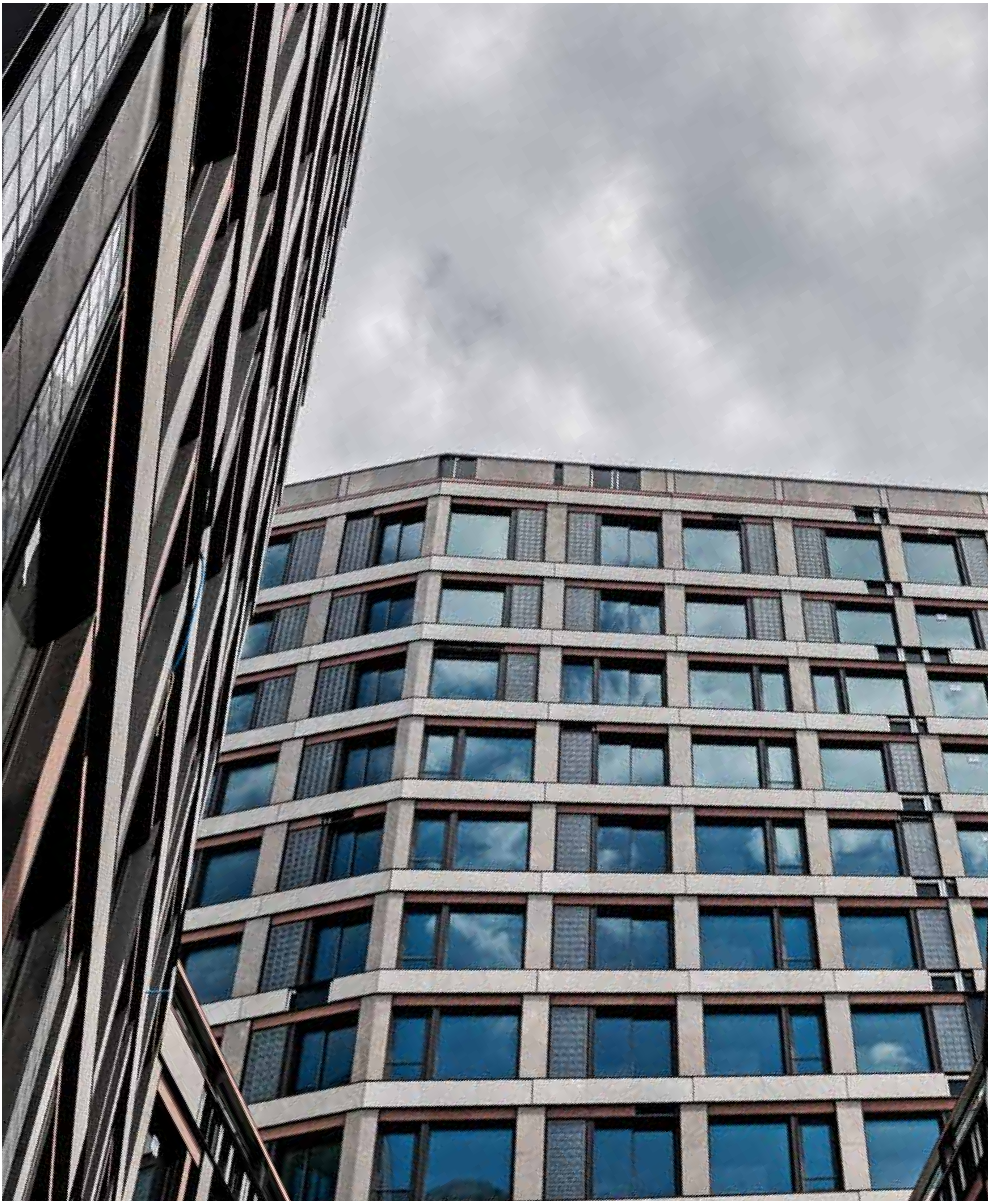


Europaallee
Europaallee in Zurich is one of Switzerland’s most important urban development projects. Directly beside the Central Station, it provides space for 400 apartments, 170 hotel beds, 8,000 employees and 4,800 students. And PORR SUISSE played a key part in shaping this new city quarter. On three of the eight lots, the Gleisarena and Gleistribüne were built along with the entrance to Europaallee and the Velostation, while the Post Bridge was removed.

FAIR
In Darmstadt, PORR is realising the project FAIR North, one of the world's largest and most complex construction projects for cutting-edge international research – a particle accelerator. PORR is responsible for a 1.1-kilometre acceleration tunnel along with the sections of buildings above, an intersectional building with underground transfer hall, and the adjoining main supply building. From the design through to realisation, a total of up to 550 employees from pde Integrale Planung, Stump-Franki Spezialtiefbau and PORR structural engineering have been involved.

In Świnoujście, Poland, near the German border, the Świna estuary separates the islands of Usedom and Wollin from the mainland. Until now, the only way to cross was by ferry. With the 1,220-metre-long Świnoujście Tunnel, of which 560 metres is under water, PORR and Gülermak are providing a direct connection to the islands and cutting journey time to mere minutes. The Świnoujście Tunnel is set to open in September 2022. Building Information Modeling, BIM for short, allows everyone involved in the project to work with a virtual model. This means that all of the data, which is gathered especially quickly with the help of drones, is available to everyone at all times and that all of the processes are transparent.

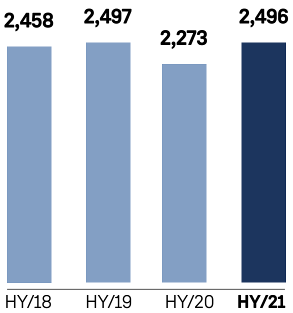
The Porosły junction is one of the biggest and most important road investments in Białystok. At the exit towards Warsaw, a traffic junction has been built on the S8. The contract included crossings, points, overpasses and new service roads. Climate change has meant that flooding is expected to occur more frequently in future. And that's why the Albern harbour in Vienna needs modern protection: the harbour gate, which separates the harbour basin from the Danube during floods, weighs 250 tonnes. The construction pit for the huge steel sliding gate is 52 metres long, 5 metres wide and between 10 and 16 metres deep. The entire construction site where the excavation pit is located has a length of around 450 metres.

Tunnelling is one of the most demanding and exciting construction technology disciplines. And it's a core competency of PORR – whether with conventional or TBM tunnelling technology. The latter involves tunnel boring machines with lengths of 200 metres and weighing over 1,000 tonnes digging through various types of rock with a diameter of between 2.5 and 13 metres. They can drive approximately 1.7 metres per hour. Drilling is also underway on the Hel Peninsula. The popular holiday destination in Poland is at risk of simply disappearing due to erosion. PORR is installing an extensive system of coastal piles between Władysławowo and Kuźnica in order to protect the beach and slow the erosion process. Thousands of wooden piles will be driven into the seabed for this purpose over a stretch of more than 12 kilometres.

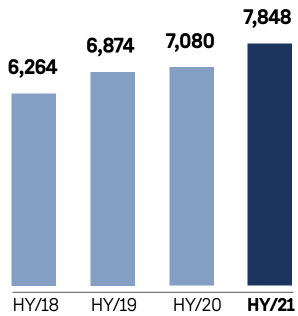
Under the leadership of PORR, the Filder Tunnel has been built as part of the major project Stuttgart 21. The final breakthrough – direct to Stuttgart's future central station – took place back in May 2020. Now it's time for the Slab Track Austria technology developed by PORR and ÖBB – a modular slab track railway system. Once complete, the tunnel will cut the journey time to the airport from almost half an hour to just eight minutes. Henri Coandă Airport, formerly known as Bucharest-Otopeni, is one of Romania's largest and most popular airports. Here PORR Construct was responsible for the design, planning and execution of the renovation of the 980-metre-long Delta runway including all of the installations for system lighting. The works were completed while the airport was operational, with works also taking place during nights and weekends under the strictest safety standards and with special access requirements.

Management Report

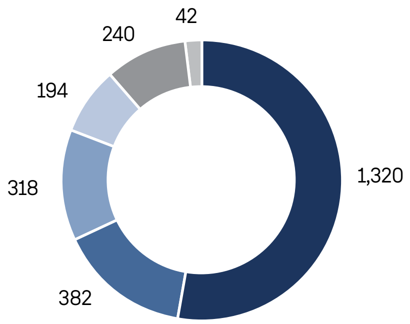
Production output[1]
(in EUR m)



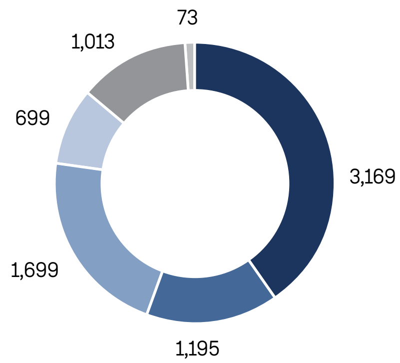
Order backlog[2]
(in EUR m)



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

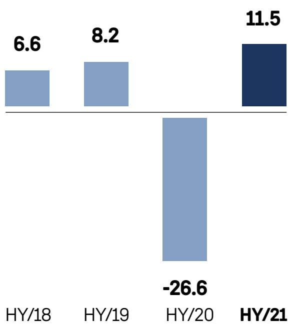


Order backlog[2] by segment
(in EUR m)

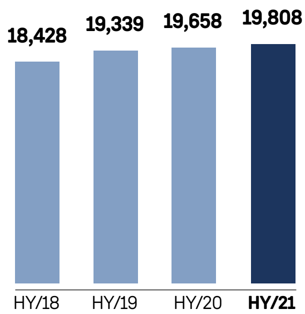


- AT / CH
- DE
- PL
- CEE
- Infrastructure International
- Holding

EBT (in EUR m)



Average staffing levels



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Markets and Performance

Economic Environment

The global economy is currently in a distinct phase of recovery. In the first half of 2021, this received support in particular from the acceleration in national vaccination campaigns. That said, the variation in processes and speeds has meant that the normalisation of economic life varies greatly from region to region. In addition, the first half of 2021 was affected by temporary increases in inflation rates. These resulted from pandemic-related base effects as well as sharp differences in the supply and demand of certain raw materials and commodities. The experts from the International Monetary Fund (IMF) as well as those from the US Federal Reserve (the Fed) and the European Central Bank (ECB) all expect inflation rates to normalise from 2022 at the latest. In the second quarter of 2021, the spread of the Delta variant – a mutation of the COVID-19 virus – led to uncertainty. For the full year, the IMF experts have forecast GDP growth of 6.0% thanks to steady progress in vaccinations and the economic recovery. For the following year 2022 they have revised their forecasts upwards and now assume growth of 4.9%.[1]

The recovery of the US economy is comparatively advanced. In addition to the EUR 1.9 trillion stimulus package announced in March, the sharp rise in consumer spending and declining unemployment have boosted the economy. This contrasts with the Fed's announcement to taper its bond-buying program and thereby slowly pull back from its looser monetary policy approach. That said, a change in the current interest rate level is not expected before 2022. For 2021 the IMF has forecast GDP growth of 7.0%. For 2022 it assumes growth of 4.9%.[2]

In the first half of 2021, the European economy found itself in the tense phase of taking steps to reopen after lockdowns and the rise in prices resulting from the scarcity of resources. The rapid recovery in consumer spending stood in contrast to delays in production, which led to significant price hikes in consumer goods and in the industry. The EU's Recovery and Resilience Plan together with the European Green Deal continue to act as a stimulus for growth. Therefore the European Commission has forecast GDP growth for 2021 of 4.8%. In 2022 the experts anticipate a rise of 4.3%.[3]

The recovery of the German economy first took hold in the second quarter of 2021. A rapid increase in consumer spending and in public investments continue to provide positive momentum. Export demand is expected to provide significant support as well through the European Union stimulus packages. The European Commission experts have thereby forecast GDP growth of 3.6% for 2021. The delay in growth is reflected in the forecast for 2022 – when GDP is set to rise by 4.1%.[4]

Consumer spending and high export demand played a part in the economic recovery in Switzerland. The OECD experts have thereby forecast GDP growth of 3.2% this year and 2.9% next year.[5]

The picture is broadly similar in Austria. In the second quarter of 2021, the rapid progress in vaccinations and the reopening steps taken led to a rapid rise in economic activity. The recovery in international demand provided additional support to this development. The experts from Austria's national bank, the OeNB, have forecast GDP growth of 3.9% for 2021. In 2022 they expect growth of 4.2%.[6]

The economic recovery varied greatly from region to region in Central and Eastern Europe. While Romania and Poland recorded economic growth as early as the first quarter of 2021, the Czech Republic and Slovakia only saw a significant recovery later in the year. Both consumer spending as well as public and private investments – boosted too by the European Recovery and Resilience Plan – are likely to provide further impetus until the end of the year. For Romania growth of 7.4% has been forecast, while the growth rate in Poland is expected to reach 4.8% for 2021. Czech and Slovak GDP is set to grow by 3.9% and 4.9% respectively.[7]

[1] IMF, July 2021
[2] OECD, May 2021; IMF, July 2021
[3] EC, July 2021
[4] ibidem
[5] OECD, May 2021
[6] OeNB, June 2021
[7] EC, July 2021

Developments in the Construction Industry

The European construction industry is an important pillar in its economic recovery. Construction volumes in both civil engineering and in building construction have recovered comparatively quickly. Pre-crisis levels were already surpassed in the first half of 2021.[1]

For building construction on PORR's home markets, the experts from KPMG made a forecast in August 2021 citing average annual growth of 6.3% to 2025. Here,the largest contributor is residential construction with an increase of 6.9%. In non-residential construction, commercial construction is set to see the sharpest rise of 5.8%. The investment and stimulus programmes of the European Union are providing particular support here. Additional impetus is coming with the European Green Deal providing enhanced EU targets to achieve climate neutrality. In Addition, the European Investment Bank has earmarked subsidies of EUR 372 bn for renovations that improve emissions and energy efficiency as part of InvestEU.[2]

In civil engineering, the annual growth rate is set to average 3.9% until 2025. In contrast to building construction, this area has been less affected by the impacts of the COVID-19 pandemic. The European Union is supporting civil engineering with a range of measures such as guarantees and subsidies. As part of the multiannual EU financial framework, the Connecting Europe Facility worth EUR 33.7 bn was also approved in March. What's more, national governments are providing additional investments in infrastructure to stimulate economic recovery in their countries. In line with this, the growth drivers in civil engineering are road and rail construction with average annual growth rates of around 4.0% each to 2025.[3]

In Austria, both the production index and the order intake index for construction rose sharply in the first half of 2021 compared to the previous year. Even versus pre-crisis levels, there was a significant improvement in the indices averaging 8.6% and 28.6% respectively. At the same time, construction costs climbed. Year on year, residential and housing construction became more expensive by 7.2% on average, while the costs in road construction increased by 4.8%. Demand for residential construction and public infrastructure construction – supported by the investment programmes of ÖBB (rail) and ASFINAG (highways) – is set to remain stable.[4]

While the German construction industry did see an increase in new orders in the first half of the year, revenues remained at the level of the previous year. The reasons for this include partial delays due to a lack of materials, pull-forward effects from the previous year, as well as adverse weather conditions at the start of the year. The experts from the Hauptverband der Deutschen Bauindustrie (HDB) have thereby forecast stable revenue for the full year 2021.[5]

Construction activity in Central and Eastern Europe remains at a high level. It is also supported by the European Union's stimulus programmes in civil engineering. Rising construction costs and a lack of skilled labour continue to be decisive topics. In contrast, ongoing strong demand in residential construction is having a stabilising effect.[6]

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 2021, PORR generated production output of EUR 2,496m. The 9.8% growth resulted from the absence of the one-off impact of the coronavirus in the previous year as well as from the rebound of the construction industry. Polish infrastructure construction also made a significant contribution to this increase.

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 1,320m and was thereby up by 19.2% against the previous year. Particularly strong increases were seen in the Austrian provinces of Vienna and Styria. German industrial construction, which is also integrated in this segment, played a significant part in this rise as well.

[1] Eurostat, August 2021
[2] KPMG, August 2021
[3] EC, August 2021; KPMG, August 2021
[4] Statistics Austria, August 2021
[5] HDB, July 2021
[6] KPMG, August 2021

The segment DE recorded output of EUR 382m. The decrease of 15.7% year-on-year is mainly due to the targeted reduction in output in structural engineering. The lower output caused by adverse weather at the start of the year affecting PORR Oevermann and building construction in the North region also had an impact. This contrasted with the positive development in Government Services.

In the segment PL, the infrastructure sector and industrial construction were the main contributors to the increase in output of 28.3%. Overall, the segment PL generated production output of EUR 318m.

With a decrease of 7.6%, the segment CEE was responsible for production output of EUR 194m. While a clear reduction was seen in building construction in Romania, it increased sharply in the Czech Republic and Slovakia.

The segment Infrastructure International contributed EUR 240m to total output. The 10.3% rise came from the output expansion in tunnelling and from the areas of Major Projects and Slab Track International.

PORR continues to focus on the seven European home markets that accounted for 95.6% of the Group's total output. Austria remained the most important market with 46.5% of output, followed by Germany with 23.9%. 13.5% of output came from Poland, while the Czech Republic and Slovakia together accounted for approximately 5.7%. Switzerland and Romania generated 3.9% and 2.1% of total output respectively.

Order Balance

As of 30 June 2021, the order backlog stood at EUR 7,848m, thereby exceeding the high level of the previous year by 10.9%. 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 3,271m in the period under review and was thereby 8.4% higher than the previous year.

The growth in the order backlog is attributable to several factors including the major new project for the expansion of the Vienna underground railway network. In a consortium, PORR was awarded lots 17–21 and is responsible for building four underground railway stations and seven kilometres of rail tunnels.

In building construction, numerous large-scale contracts were acquired in Germany, Switzerland, Austria and Poland. For example, PORR is responsible for building the Schützengarten complex in Dresden with more than 470 residential units. In Neuchâtel, Switzerland, the new construction of Bella Vista is taking shape with seven buildings and around 300 apartments. In Poland, PORR is responsible for the Horizon residential complex in Gdansk in its role as general contractor. The largest residential construction project of the first half in Austria is the complex in Vienna's Gastgebgasse with over 400 residential units.

Other major orders in the reporting period came from the Polish infrastructure sector, where two sections of the S19 expressway were acquired. PORR's in-depth expertise is particularly in demand on the Limberg III pumped-storage power plant, where tunnelling meets high-Alpine conditions. With the contract to fit out the railway technology for the Koralm Tunnel, PORR has acquired yet another key project using its patented Slab Track Austria system.

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. In addition, the first half of 2020, the comparative period, was more severely affected by the impacts of the COVID-19 pandemic than the first half of 2021.

In the first half of 2021, PORR generated revenue of EUR 2,288.3m. The 10.5% growth is mainly attributable to the higher output in Austria. Earnings from companies accounted for under the equity method rose significantly to EUR 27.6m. The higher earnings from consortiums and the improved earnings from companies accounted for under the equity method contributed here.

Overall, expenses for materials and other related production services rose less sharply than revenue, climbing by 9.0%. That said, the material costs increased by 15.6%, reflecting the impact of price increases in the raw materials sector. In contrast, it was possible to secure savings in relation to revenue in expenses for purchased services, which rose by 6.2% and were thereby significantly lower than the growth in revenue. With an increase of 9.0%, staff costs also stayed below the revenue expansion.

The growth in other operating expenses of EUR 16.8m (+26.5%) to EUR 80.2m primarily resulted from higher charges passed on (staff, materials etc.) to consortiums, joint ventures and companies accounted for under the equity method.

While savings were made in expenses resembling fixed costs that fall under other operating expenses, this item saw a disproportionate rise in project-related provisions, especially those for damage claims.

The additional contribution to earnings caused by the rise in output – alongside lower expenses because of COVID-19 and an increase in productivity as well as improved earnings contributions from projects – led to a significant 73.3% increase in EBITDA in the period under review to EUR 114.0m. Depreciation, amortisation and impairment expense rose by 12.2% as a result of the higher investment expenditure in previous years. This led to EBIT of EUR 21.1m. The financial result remained stable at EUR -9.7m (1–6/2020: EUR -9.6m). EBT thereby went from red to black and totalled EUR 11.5m (1–6/2020: EUR -26.6m).

Under consideration of the tax result of EUR -2.8m (1–6/2020: EUR 3.9m), PORR generated a profit for the period of EUR 8.6m (1–6/2020: EUR -22.7m).

Financial Position

As of 30 June 2021, PORR's total assets stood at EUR 3,619.8m and were thereby 3.1% above the end of the previous year.

Seasonal factors caused current assets to climb by EUR 81.3m. This is due to the increase in trade receivables, while cash and cash equivalents decreased. In particular, higher investments in property, plant and equipment led to a rise in non-current assets of EUR 29.0m.

Equity reflects the good result for the period compared to the previous year. At the end of the reporting period, equity totalled EUR 654.1m and was thereby higher than at year-end 2020. The equity ratio stood at 18.1%.

Liabilities reflected the seasonal nature of the construction business, with an increase in trade payables of 12.2%. This resulted in various impacts including an increase in borrowed capital of EUR 106.8m.

As is typical for the season, net debt stood at EUR 310.1m and was up EUR 173.4m against year-end (31 December 2020: EUR 136.7m). That said, it decreased against the comparable value of the previous year by EUR 159.8m(30 June 2020: EUR 469.9m).

Cash Flows

The EUR 43.6m improvement in operating cash flow of EUR 108.5m broadly resulted from the improved working capital management together with the better profit for the period in the first half of 2021.

Cash flow from operating activities of EUR -41.3m was EUR 107.6m higher than in the comparable period of 2020. The revenue-related increase in receivables was partly offset by the rise in liabilities, which was also due to seasonal factors. In addition, there was an improvement in working capital management.

Cash flow from investing activities totalled EUR -80.3m because of the higher investments in property, plant and equipment and was up by EUR -29.0m against the comparable value from the previous year.

In the first half of the previous year, cash flow from financing activities was firmly in the black due to an increase in hybrid capital (EUR 121.5m) and stood at EUR 61.4m. In contrast, the value for the first half of 2021 slipped into the negative zone at EUR -57.0m because of the higher repayments of loans.

As of 30 June 2021, cash and cash equivalents totalled EUR 407.0m (31 December 2020: EUR 582.5m). 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 447.0m and were thereby lower, as is typical for the season, by EUR 175.5m compared to 31 December 2020.

Investments

In the first half of 2021 a major investment was 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 45.7m to EUR 130.8m. This rise resulted from the use of the government investment bonus as well as from catch-up effects from the previous year. This leads to a CAPEX ratio of 5.2% in relation to production output (1–6/2020: 3.7%). The target remains a CAPEX ratio of around 4.0%.

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 May 2017 into a range of construction 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. PORR is now looking to find a unanimous and timely solution with the Federal Competition Authority in the form of a settlement. The company continues to cooperate fully with all authorities.

One current risk topic is the unusual shortage and subsequent price rise of raw materials. Delays to various construction projects resulting from this cannot be entirely ruled out in the coming quarters although they are considered highly improbable. Linking up all of the purchasing organisations in the different countries has allowed substitutions to be found and has meant that any kind of interruption to work on construction sites has been prevented until now. In addition, this risk is 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 half of 2021, PORR employed 19,808 people on average. The staffing levels thereby remained broadly stable against the previous year with a slight increase of 0.8%.

Forecast Report

Following 2020, a year dominated by COVID-19, the experts of the International Monetary Fund (IMF) have forecast growth of 6.0% for the global economy in 2021. For the eurozone they have revised the forecasts upwards slightly to 4.6%. This development is largely tied to the current progress of vaccination campaigns and scenarios for reopening. Both the IMF and the European central banks have clearly spoken out in favour of continuing the expansive monetary and fiscal policy in 2021.[1]

The investment and stimulus programmes by governments, which involve the expansion of infrastructure and efforts to boost the shift towards climate neutrality, remain encouraging. While the market displayed highly dynamic demand for construction services again in the second quarter of 2021, the sector saw shortages of most construction materials and severely spanning price increases.[2]

Green and Lean is the motto that sums up PORR's new strategy in three words. PORR focuses on sustainable construction with a holistic approach and strives for a circular economy. We will promote partnering models. And we will be agile – both in our management approach and in our operations with LEAN Design and Construction. This new alignment will enable PORR to exploit a range of opportunities and proactively shape the path to climate neutrality.

The positive business performance in the past six months has proven that PORR's strategic focus is correct. The first half of 2021 registered record figures and prove the sustainability efforts of recent years. The record order backlog of EUR 7,848m confirms a solid foundation and shows a pipeline that has been optimised in terms of both risks and margins. PORR considers its strategic position to be strong and anticipates demand for construction services to remain intact on its home markets. This trend is set to continue unabated in the medium to long term due to topics such as urbanisation, mobility, sustainability, digitalisation, and health. The future programme PORR 2025 is also ensuring that the company can successfully continue along its profitable path. The assessment of the future development of the business is based on the current targets in the individual areas as well as the opportunities and risks currently prevailing on the respective markets.

In addition to a comfortable liquidity cushion of EUR 407.0m, PORR also has a diversified financing portfolio of hybrid bonds, bonded loans (Schuldscheindarlehen), leases and bank loans. The goal is to minimise any refinancing risks as far as possible. The short-term refinancing demand, especially the 2014 hybrid bond with the first call date in October 2021 and the 2017 hybrid bond with the first call date in February 2022 and with an outstanding nominal value totalling EUR 123.3m, is adequately covered by the current liquidity level.

On the basis of the good earnings development in the first half of 2021, the Executive Board continues to forecast production output for the full-year 2021 of 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 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 have been overcome in the first half of 2021.

In the medium term, PORR is striving for a target EBT margin of 3.0% for the Group as a whole. Broken down by segment, the forecasts are as follows: AT / CH over 3.0%; DE 2.3% to 2.8%; PL 2.8% to 3.2%; CEE 3.0% to 3.2%; Infrastructure International 2.8% to 3.3%.

The positive outlook for 2021 is closely linked to the outcome of the cartel case in Austria. The Federal Competition Authority has accused PORR and numerous other construction companies of anti-competitive arrangements. On 19 April 2021, the Federal Competition Authority filed an application with the Cartel Court to impose a fine on companies in the PORR Group. Provisions have been formed for this fine in the course of recent years based on the best possible estimates, although there is no guarantee that these provisions will prove sufficient. PORR is now looking to find a unanimous and timely solution with the Federal Competition Authority in the form of a settlement. The forecast for the full-year 2021 thereby also depends on the outcome of these efforts.

[1] IMF, July 2021
[2] KPMG, August 2021


K1

Segment Report

Segment AT / CH

Key data

in EUR m	1-6/2021	1-6/2020	Change
Production output	1,320	1,108	19.2%
EBT	14.6	-5.9	< -100.0%
Order backlog	3,169	2,691	17.8%
Order intake	1,837	1,627	12.9%
Average staffing levels	9,960	9,859	1.0%

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.

In the first half of 2021, the segment AT / CH generated production output of EUR 1,320m. It thereby surpassed the previous year, which was affected by COVID-19, by 19.2%. Every federal province contributed to this significant increase in output. Furthermore industrial construction Germany reflected a highly positive development. The strong output and cost savings achieved led EBT for the segment AT / CH to rise from EUR -5.9m to EUR 14.6m. The order backlog of the segment AT / CH increased by 17.8% to EUR 3,169m. German industrial construction in particular achieved clear growth. The order intake climbed by 12.9% and totalled EUR 1,837m.

The largest new orders of the segment AT / CH included – in addition to the lots related to the expansion of the Vienna underground railway U2 line – several major projects in residential construction such as the new build of the Bella Vista in Neuchâtel. This will give Switzerland a new urban living quarter consisting of residential and commercial space with landscaped terraces and multipurpose outdoor grounds. In Vienna, PORR also acquired multiple major residential construction projects in the form of the Gastgebgasse residential complex, the VIO Plaza – a generous living quarter with commercial and office space – as well as the housing complexes Wiegelestraße 51-53 and Nordbahnhof 7.1+7.2. New orders in railway construction included the project for the railway technology of the Koralm Tunnel.

On its most important home market of Austria, PORR is engaged in permanent business in both building construction and civil engineering. Both construction segments reported significant growth in the production output index and order intake index in the first half of 2021. With a rise in output of 18.3% and growth in order bookings of 44.9% year-on-year, civil engineering is the clear growth driver. The situation with construction materials remains challenging, with price hikes and scarcity of materials still key issues. The construction cost index for residential construction climbed by 12.4% in June, while the index for road construction was up by 9.5% against the previous year. The ongoing stable demand in residential construction coupled with increased infrastructure investment in road and rail construction has led KPMG to forecast average annual growth in construction volumes of 6.0% to 2025.[1]

In Switzerland civil engineering is currently the most important growth driver. In addition, commercial construction recently saw an increase in order bookings, while the level in residential construction moved sideways. Overall, KPMG expects construction volumes to grow by an average of 4.0% per year to 2025.[2]

[1] Statistics Austria, August 2021; KPMG, August 2021
[2] Schweizerischer Baumeisterverband, May 2021; KPMG, August 2021

Segment DE

Key data

in EUR m	1–6/2021	1–6/2020	Change
Production output	382	453	-15.7%
EBT	-9.9	0.5	< -100.0%
Order backlog	1,195	1,115	7.1%
Order intake	456	363	25.6%
Average staffing levels	2,246	2,384	-5.8%

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 first half of 2021, the segment DE generated production output of EUR 382m. In addition to the impact of adverse weather conditions on construction activity in the north and the west of the country, structural engineering saw a targeted reduction in output due to the completion of several major projects. The lower output, restructuring in structural engineering and the expenses incurred as a result of the insolvency of a subcontractor on a major project led the segment DE to report EBT of EUR -9.9m in the first half of 2021. The order backlog rose by 7.1% to EUR 1,195m. Here the East region experienced especially strong growth. The order intake totalled EUR 456m, climbing by 25.6% against the previous year.

The largest new orders in this segment include multiple major orders in residential construction such as the Schützengarten project in Dresden and the Baltique complex at Travemünde fishing harbour.

Over the course of the year so far, German construction industry revenues have remained at the high level of the previous year despite adverse weather conditions, price rises for construction materials, supply bottlenecks for construction materials, and pre-emptive effects from the previous year. The order intake was up by 5.8% in May.[1]

Favoured by the low interest-rate environment, the most important growth driver is residential construction, whereby stable demand is visible especially in densely populated urban areas. The experts of the Hauptverband der Deutschen Bauindustrie (HDB) have forecast revenue growth here of 3.0% in the current year.[1]

In public-sector construction, investment activity is closely tied to the financing power of the municipalities. Demand for renovating and maintaining public buildings and roads is unwaveringly high and thereby supports the good order situation that is set to continue. Added to this is the Federal Transport Infrastructure Plan 2030, which is expected to provide further impetus to investments. In addition, the state has announced its plans to invest around EUR 800m in the road network in 2021.[2]

In commercial construction, Deutsche Bahn recently announced that it would maintain its high investment level from the previous year. Furthermore, it will receive support from the federal government of EUR 14.4 bn in 2021 in the form of capital injections and capital increases.[3]

The KPMG experts see German construction volumes to grow by around 6.0% per year to 2025.[4]

[1] HDB, July 2021
[2] HDB, July 2021
[3] HDB, July 2021
[4] KPMG, August 2021

Segment PL

Key data

in EUR m	1–6/2021	1–6/2020	Change
Production output	318	248	28.3%
EBT	4.1	-0.7	< -100.0%
Order backlog	1,699	1,684	0.9%
Order intake	373	661	-43.5%
Average staffing levels	2,452	2,458	-0.2%

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 production output of the segment PL totalled EUR 318m. The sharp rise of 28.3% came mainly from the infrastructure segment. Here, several major projects passed from the design to the build phase. Industrial construction also recorded a powerful increase in output. The growth in output and higher contract margins led to a turnaround for the segment PL. With EBT of EUR 4.1m, an EBT margin of 1.3% was already achieved in the first half of 2021. The order backlog broadly held steady with a slight increase of 0.9% to reach EUR 1,699m. The order intake stood at EUR 373m. The 43.5% reduction against the previous year is due to the selective acquisition approach in the infrastructure and industrial construction sectors.

In addition to two sections on the S19 expressway – with a total length of around 27 kilometres of road – PORR also acquired several major projects in residential construction. These included the general contractor order to build the Horizon residential complex in Gdansk as well as the Apartment Plus project in Wrocław, where around 470 residential units will be built.

The increase in construction permits in Poland has led to a significant increase in building construction volumes. In addition, a targeted subsidy programme is boosting social housing construction. The need for modernisation and expansion in road and rail construction remains high. To this end, investments of EUR 3.8 bn have been planned for the rail network and EUR 4.2 bn for road infrastructure in 2021.[1]

Following the COVID-19 crisis, the Polish construction industry is profiting from financing from the European Union. Subsidies and investments under the Connecting Europe Facility, for example, will also secure future demand for traffic infrastructure. The favourable interest environment is also providing stable demand for new housing options. This contrasts with the growing pressure from price rises related to a lack of resources and subcontractor bottlenecks. An exacerbated shortage of skilled labour has also been observed.[2]

Nevertheless, the KPMG experts have forecast average annual growth of 7.0% to 2025. Here, they see building construction as the main growth driver.[3]

[1] Germany Trade & Invest, August 2021
[2] KPMG, August 2021
[3] KPMG, August 2021

Segment CEE

Key data

in EUR m	1–6/2021	1–6/2020	Change
Production output	194	210	-7.6%
EBT	0.0	-13.1	< -100.0%
Order backlog	699	676	3.4%
Order intake	254	174	45.4%
Average staffing levels	2,172	2,025	7.3%

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 first half of 2021, the segment CEE generated production output of EUR 194m. The decrease of 7.6% mainly resulted from the completion of several major building construction projects in Romania. This stood in contrast to a significant increase in output in building construction in the Czech Republic and Slovakia. The EBT reflected the impacts of the strategic focus. Changes in the service portfolio and the removal of expenses for a major project led to the welcome development of break-even EBT. The order backlog for the segment CEE totalled EUR 699m, climbing slightly by 3.4%. The increase in the order intake of 45.4% was primarily due to the growth in new orders in Romania.

The most important new orders in the segment CEE include several civil engineering contracts on the home markets of Romania, Slovakia and the Czech Republic. Following the new build of the PDA2 runway, PORR has been awarded a framework contract to resurface all of the traffic areas at the international airport Bucharest-Otopeni. In the Czech Republic, the building construction order for the new build of the football stadium in Pardubice was acquired.

The construction industry in the Czech Republic, Slovakia and Romania continues to benefit from funding from the European Union. Positive impetus is expected from both the Connecting Europe Facility and the EU Recovery and Resilience Facility. Demand in civil engineering, especially in the area of transport infrastructure, thereby remains stable at a high level. While civil engineering is the most important growth driver in Slovakia and Romania, the high demand for housing in particular is creating even more powerful momentum in the Czech Republic. In non-residential construction, there is a mixed picture on the home markets of the segment CEE. In every market, robust demand contrasts with the lack of qualified, skilled workers as well as a sharp rise in construction costs. Added to this in the Czech Republic is the slow approval process for building permits.[1]

Overall, the KPMG experts anticipate ongoing growth in all three countries. In Romania they are assuming average annual growth of 7.0% to 2025. In the Czech Republic and Slovakia, they have forecast annualised growth rates of 6.0% and 5.0% respectively for the same time period.[2]

[1] KPMG, August 2021
[2] KPMG, August 2021

Segment Infrastructure International

Key data

in EUR m	1–6/2021	1–6/2020	Change
Production output	240	217	10.3%
EBT	0.7	-5.2	< -100.0%
Order backlog	1,013	751	34.8%
Order intake	329	180	82.8%
Average staffing levels	1,386	1,299	6.7%

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 production output of the Infrastructure International segment totalled EUR 240m and was thereby 10.3% higher than the previous year. The increase was mainly driven by the areas of tunnelling, Major Projects and Slab Track International. The increase in output and cost savings achieved led to positive EBT of EUR 0.7m. The order backlog grew by 34.8% to EUR 1,013m. The increase in the order intake of 82.8% to EUR 329m was primarily caused by the acquisition of two major projects in Austria.

The largest new order for the segment Infrastructure International is the new construction of the U2 underground railway line in Vienna. This is one of the city's largest infrastructure projects. PORR is part of a consortium that will build seven kilometres of tunnel and several underground railway stations. The order is being executed together with the segment AT / CH. In addition, PORR acquired an additional pumped-storage power station in the form of Limberg III, which will expand the power plant in Kaprun.

On the project market of Norway, PORR continues to focus on infrastructure construction. Here, unabated high growth rates are expected in transport infrastructure despite price increases and budgetary restrictions of the government. In addition, policymakers are prioritising investments in environmentally sound public transport. The experts from KPMG have thereby forecast average annual growth for civil engineering of 3.0% to 2025. PORR continues to apply a highly selective approach to emergent opportunities in traffic-route construction.[1]

There has been a sharp reduction in project volumes in Qatar and the UAE. Here, infrastructure construction makes an important contribution to overall economic growth by providing average annual growth of 3.0% and 5.0% until 2025 respectively. Investments are expected in public transport in particular. PORR is consistently applying a lower-risk strategy on these markets.[2]

On the international markets, PORR offers its services in the areas of Major Projects and Slab Track International. Here PORR takes a highly selective approach with its export products in tunnelling, rail construction and civil engineering (special and large-scale projects).

The expansion of the TEN-T Trans-European Network is ensuring stable demand. With this, the project pipeline on PORR's home and project markets is well filled.[3]

[1] KPMG, August 2021
[2] KPMG, August 2021
[3] KPMG, August 2021

Interim Consolidated Financial Statements as of 30 June 2021

Consolidated Income Statement

in TEUR	1–6/2021	1–6/2020 unaudited/ unreviewed	4–6/2021 unaudited/ unreviewed	4–6/2020 unaudited/ unreviewed
Revenue	2,288,262	2,071,222	1,319,908	1,158,856
Own work capitalised in non-current assets	1,905	788	1,027	575
Income from companies accounted for under the equity method	27,643	10,600	17,772	11,846
Other operating income	80,200	63,380	43,411	16,466
Cost of materials and other related production services	-1,461,103	-1,340,092	-860,178	-762,271
Staff expenses	-621,409	-570,016	-342,652	-309,256
Other operating expenses	-201,492	-170,078	-103,897	-71,607
EBITDA	**114,006**	**65,804**	**75,391**	**44,609**
Depreciation, amortisation and impairment expense	-92,820	-82,753	-49,792	-41,696
EBIT	**21,186**	**-16,949**	**25,599**	**2,913**
Income from financial investments and other current financial assets	1,955	3,787	979	2,620
Finance costs	-11,690	-13,418	-5,774	-6,582
EBT	**11,451**	**-26,580**	**20,804**	**-1,049**
Income tax expense	-2,840	3,882	-5,008	-626
Profit/loss for the period	**8,611**	**-22,698**	**15,796**	**-1,675**
of which attributable to shareholders of parent	-2,973	-33,599	8,821	-5,833
of which attributable to holders of profit-participation rights/hybrid capital	8,688	9,214	4,376	4,458
of which attributable to non-controlling interests	2,896	1,687	2,599	-300
Basic earnings per share, total (in EUR)	-0.10	-1.16	0.31	-0.20
Diluted earnings per share, total (in EUR)	-0.10	-1.16	0.31	-0.20

Statement of Comprehensive Income

in TEUR	1–6/2021	1–6/2020 unaudited/ unreviewed	4–6/2021 unaudited/ unreviewed	4–6/2020 unaudited/ unreviewed
Profit/loss for the period	**8,611**	**-22,698**	**15,796**	**-1,675**
Other comprehensive income				
Remeasurement from defined benefit obligations	5,706	-2,065	4,255	-2,312
Measurement of equity instruments	48	-481	10	732
Income tax expense (income) on other comprehensive income	-1,464	665	-1,108	411
Other comprehensive income which cannot be reclassified to profit or loss (non-recyclable)	**4,290**	**-1,881**	**3,157**	**-1,169**
Exchange rate differences	3,851	-7,558	4,379	1,285
Gains/losses from cash flow hedges				
in the period under review	65	152	-72	69
Income tax expense (income) on other comprehensive income	-16	-38	18	-17
Other comprehensive income which can subsequently be reclassified to profit or loss (recyclable)	**3,900**	**-7,444**	**4,325**	**1,337**
Other comprehensive income	**8,190**	**-9,325**	**7,482**	**168**
Total income for the period	**16,801**	**-32,023**	**23,278**	**-1,507**
of which attributable to shareholders of parent	5,110	-42,907	16,157	-5,821
of which attributable to holders of profit-participation rights/hybrid capital	8,688	9,214	4,376	4,458
of which attributable to non-controlling interests	3,003	1,670	2,745	-144

Consolidated Cash Flow Statement

in TEUR	1–6/2021	1–6/2020 unaudited/ unreviewed
Profit/loss for the period	8,611	-22,698
Depreciation, impairment and reversals of impairment on fixed assets and financial assets	93,513	83,237
Interest income/expense	8,650	9,603
Income from companies accounted for under the equity method	-948	4,759
Dividends from companies accounted for under the equity method	6,231	1,529
Profits from the disposal of fixed assets	-6,465	-3,835
Decrease in long-term provisions	-2,282	-1,519
Deferred income tax	1,223	-6,150
Operating cash flow	**108,533**	**64,926**
Increase/decrease in short-term provisions	6,528	-11,679
Increase in tax liabilities	-	1,930
Increase in inventories	-12,475	-16,113
Increase in receivables	-244,716	-153,458
Increase/decrease in payables (excluding banks)	111,924	-28,388
Interest received	2,839	3,046
Interest paid	-10,422	-11,923
Other non-cash transactions	-3,483	2,755
Cash flow from operating activities	**-41,272**	**-148,904**
Proceeds from sale of property, plant and equipment and disposal of investment property	16,814	8,198
Proceeds from the sale of financial assets	-	925
Proceeds from repayment of loans	679	1,801
Investments in intangible assets	-8,045	-3,684
Investments in property, plant and equipment and investment property	-86,359	-55,759
Investment in financial assets	-1,794	-345
Investment in loans	-1,555	-930
Payouts for the purchase of subsidiaries less cash and cash equivalents	-	-1,495
Cash flow from investing activities	**-80,260**	**-51,289**
Dividends	-16,188	-10,503
Payouts to non-controlling interests	-1,127	-574
Proceeds from profit-participation rights/hybrid capital	-	150,000
Repayment of profit-participation rights/hybrid capital	-	-28,486
Obtaining loans and other financing	60,246	51,500
Redeeming loans and other financing	-99,903	-100,488
Cash flow from financing activities	**-56,972**	**61,449**
Cash flow from operating activities	**-41,272**	**-148,904**
Cash flow from investing activities	**-80,260**	**-51,289**
Cash flow from financing activities	**-56,972**	**61,449**
Change to cash and cash equivalents	**-178,504**	**-138,744**
Cash and cash equivalents as of 1 Jan	582,545	581,890
Currency differences	2,955	-5,142
Cash and cash equivalents as of 30 Jun	**406,996**	**438,004**
Tax paid	1,617	338

Consolidated Statement of Financial Position

in TEUR	30.6.2021	31.12.2020
Assets		
Non-current assets		
Intangible assets	153,967	147,919
Property, plant and equipment	953,128	926,815
Investment property	29,425	31,357
Shareholdings in companies accounted for under the equity method	88,399	92,233
Loans	33,190	31,806
Other financial assets	36,344	36,076
Other non-current financial assets	8,522	9,107
Deferred tax assets	9,891	8,535
	1,312,866	**1,283,848**
Current assets		
Inventories	87,231	74,756
Trade receivables	1,543,382	1,333,327
Other financial assets	186,647	172,039
Other receivables and current assets	67,740	48,329
Cash and cash equivalents	406,996	582,545
Assets held for sale	14,921	14,619
	2,306,917	**2,225,615**
Total assets	**3,619,783**	**3,509,463**

Equity and liabilities		
Equity		
Share capital	29,095	29,095
Capital reserve	251,287	251,287
Profit-participation rights/hybrid capital	318,354	325,854
Other reserves	38,906	29,749
Equity attributable to shareholders of parent	**637,642**	**635,985**
Non-controlling interests	16,440	14,564
	654,082	**650,549**
Non-current liabilities		
Bonds and bonded loans (Schuldscheindarlehen)	264,688	294,604
Provisions	163,736	171,629
Non-current financial liabilities	334,083	327,200
Other non-current financial liabilities	3,066	3,237
Deferred tax liabilities	22,028	22,631
	787,601	**819,301**
Current liabilities		
Bonds and bonded loans (Schuldscheindarlehen)	71,981	41,977
Provisions	201,731	195,203
Current financial liabilities	86,373	95,534
Trade payables	1,091,461	973,100
Other current financial liabilities	40,884	46,617
Other current liabilities	654,369	655,881
Tax payables	31,301	31,301
	2,178,100	**2,039,613**
Total equity and liabilities	**3,619,783**	**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 profit/loss for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	-1,529	-361	-7,454
Total income for the period	**-**	**-**	**-**	**-1,529**	**-361**	**-7,454**
Dividend payout	-	-	-	-	-	-
Profit-participation rights/hybrid capital	-	-	-	-	-	-
Income tax on interest for holders of profit-participation rights/hybrid capital	-	-	-	-	-	-
Changes to the consolidated group/ acquisition of non-controlling interests	-	-	-	-	-	-
Balance as of 30 Jun 2020	**29,095**	**251,287**	**7,341**	**-47,654**	**147**	**-323**
Balance as of 31 Dec 2020	**29,095**	**251,287**	**7,622**	**-47,918**	**114**	**-7,778**
Total profit/loss of the year	-	-	-	-	-	17
Other comprehensive income	-	-	-	4,241	36	3,757
Profit/loss for the period	**-**	**-**	**-**	**4,241**	**36**	**3,774**
Dividend payout	-	-	-	-	-	-
Income tax on interest of holders of profit-participation rights/hybrid capital	-	-	-	-	-	-
Balance as of 30 Jun 2021	**29,095**	**251,287**	**7,622**	**-43,677**	**150**	**-4,004**

Reserve for cash flow hedges	Profit-participation rights/hybrid capital	Retained earnings and non-retained profit	Equity attributable to shareholders of parent	Non-controlling interests	Total
-1,117	**197,914**	**141,047**	**587,081**	**11,957**	**599,038**
-	9,214	-33,599	-24,385	1,687	-22,698
114	-	-78	-9,308	-17	-9,325
114	**9,214**	**-33,677**	**-33,693**	**1,670**	**-32,023**
-	-10,503	-	-10,503	-574	-11,077
-	121,514	-	121,514	-	121,514
-	-	2,384	2,384	-	2,384
-	-	70	70	-70	-
-1,003	**318,139**	**109,824**	**666,853**	**12,983**	**679,836**
-688	**325,854**	**78,397**	**635,985**	**14,564**	**650,549**
-	8,688	-2,990	5,715	2,896	8,611
49	-	-	8,083	107	8,190
49	**8,688**	**-2,990**	**13,798**	**3,003**	**16,801**
-	-16,188	-	-16,188	-1,127	-17,315
-	-	4,047	4,047	-	4,047
-639	**318,354**	**79,454**	**637,642**	**16,440**	**654,082**

Notes to the Interim Consolidated Financial Statements as of 30 June 2021

1. General Information

The PORR Group consists of PORR AG and its subsidiaries, hereafter referred to as the “Group”. 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 a whole range of construction activities.

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 2021. 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 2020. 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 two companies were consolidated in full for the first time in these interim financial statements:

Because of new foundations	**Date of initial consolidation**
JV PORR-HBK-MIDMAC C853/2	1.1.2021
JV PORR-AKME	1.1.2021

Two companies were liquidated or are currently in a liquidation process and have thereby been removed from the consolidated group.

A total of 50 (previous year: 50) domestic and 39 (previous year: 39) foreign associates and joint ventures were included under application of the equity method.

3. Accounting and Measurement Methods

The accounting and measurement methods applied in the consolidated financial statements of 31 December 2020, 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 no significant changes have arisen from the first-time application:

New standard or amendment	Date of publication by IASB	Date of adoption into EU law	Date of initial application
Amendments to IFRS 16 Covid-19-Related Rent Concessions	28.5.2020	9.10.2020	1.6.2020
Amendments to IFRS 4 Insurance Contracts Deferral of IFRS 9	25.6.2020	15.12.2020	1.1.2021
Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (phase 2)	27.8.2020	13.1.2021	1.1.2021

The following standards and interpretations have been published since the preparation of the consolidated financial statements as of 31 December 2020 but are not yet mandatory or have not yet been adopted into EU law.

Standards and interpretations already adopted by the European Union

New standard or amendment	Date of publication by IASB	Date of adoption into EU law	Date of initial application
Amendments to IFRS 3 Reference to the 2018 Conceptual Framework	14.5.2020	28.6.2021	1.1.2022
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	14.5.2020	28.6.2021	1.1.2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	14.5.2020	28.6.2021	1.1.2022
Annual Improvements to IFRSs 2018–2020 Cycle IFRS 1, IFRS 9, IFRS 16 and IAS 41	14.5.2020	28.6.2021	1.1.2022

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract: The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The impacts on the Group are currently being evaluated as they may vary depending on the composition of the order backlog when the amendment first takes effect on 1 January 2022. From a current perspective, an increase in the provision for impending losses within a range of EUR 25 to 35 million is expected.

Standards and interpretations not yet adopted by the European Union

New standard or amendment	Date of publication by IASB	Date of initial application
IFRS 17 Insurance Contracts	18.5.2017	1.1.2023
Amendments to IFRS 17	25.6.2020	1.1.2023
Changes to IAS 1 Classification of Liabilities as Current or Non-Current	23.1.2020	1.1.2023
IAS 1 Disclosure of Accounting Policies	12.2.2021	1.1.2023
IAS 8 Definition of Accounting Estimates	12.2.2021	1.1.2023
Amendment to IFRS 16 Covid-19-Related rent concessions beyond 30 June 2021	31.3.2021	1.4.2021
IAS 12 Deferred tax related to Assets and Liabilities arising from a single Transaction	7.5.2021	1.1.2023

No significant impact on the Group is expected.
The interim consolidated financial statements as of 30 June 2021 use the same consolidation methods and basis for currency exchange as were used in the annual financial statements as of 31 December 2020.

4. Estimates and Assumptions

Producing interim consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions that 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 and Impacts of COVID-19

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 that 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.

Regarding the grants and subsidies in relation to COVID-19, a further TEUR 184 was applied for in the case of fixed cost subsidies as of 30 June 2021. One subsidiary in Germany took out a loan of TEUR 10,000.

6. Revenue

in TEUR 1–6/2021	AT / CH	DE	PL	CEE	Infra-structure International	Holding	Group
Revenue							
Building construction							
Commercial/office construction	86,703	4,362	44,824	5,787	-	-	141,675
Industrial engineering	106,582	-	560	1,526	-	-	108,669
Miscellaneous building construction	137,723	85,070	12,741	9,064	931	-	245,529
Residential construction	273,243	29,598	2,801	24,447	-	-	330,089
Civil engineering							
Railway construction	45,466	4,016	68,917	8,417	5,021	-	131,837
Bridge/overpass construction	35,661	17,603	27,174	1,967	43,345	-	125,751
Miscellaneous civil engineering	218,024	97,040	45,612	12,358	9,971	6,007	389,011
Road construction	150,799	53,764	82,924	98,666	14	-	386,166
Tunnelling	2,198	50,555	36,045	-	117,578	-	206,376
Other sectors	147,935	33,545	10,317	1,618	6,847	22,899	223,160
Revenue	**1,204,335**	**375,553**	**331,916**	**163,848**	**183,706**	**28,905**	**2,288,262**
Revenue recognised over time	1,135,877	372,353	331,916	163,848	183,706	25,501	2,213,201
Revenue recognised at a point of time	68,458	3,200	-	-	-	3,405	75,062

in TEUR 1–6/2020 unaudited/unreviewed	AT / CH	DE	PL	CEE	Infra-structure International	Holding	Group
Revenue							
Building construction							
Commercial/office construction	123,138	8,044	29,031	10,712	-	-	170,926
Industrial engineering	55,871	237	1,938	6,202	-	-	64,248
Miscellaneous building construction	136,452	78,298	17,768	7,329	1,821	2,641	244,309
Residential construction	189,815	52,091	8,823	4,590	-	-	255,319
Civil engineering							
Railway construction	46,273	-	59,471	9,523	6,448	-	121,716
Bridge/overpass construction	27,015	40,381	7,277	1,712	29,413	-	105,798
Miscellaneous civil engineering	165,089	108,599	15,490	2,240	5,222	2,317	298,956
Road construction	115,863	61,279	56,552	97,946	6,450	-	338,090
Tunnelling	-	48,923	13,045	-	141,708	-	203,676
Other sectors	148,300	22,250	51,224	30,037	-	16,372	268,184
Revenue	**1,007,817**	**420,103**	**260,619**	**170,292**	**191,062**	**21,330**	**2,071,222**
Revenue recognised over time	940,987	417,092	260,619	170,292	191,062	18,863	1,998,915
Revenue recognised at a point of time	66,830	3,010	-	-	-	2,467	72,307

7. Earnings per Share

in TEUR	1–6/2021	1–6/2020 unaudited/ unreviewed
Loss/profit for the year attributable to shareholders of parent incl. profit-participation rights/hybrid capital interests	5,715	-24,385
Less profit-participation rights/hybrid capital interests	-8,688	-9,214
Loss/profit for the year attributable to shareholders of parent	-2,973	-33,599
Weighted average number of issued shares	28,878,505	28,878,505
Basic earnings per share	**-0.10**	**-1.16**
Diluted earnings per share	**-0.10**	**-1.16**

8. Non-current Assets Held for Sale

Non-current assets held for sale comprise a property in the segment AT / CH and a property in the segment CEE where the company has received Supervisory Board approval to sell and has been actively looking for a buyer. The purchase agreements for the two properties have been signed in the meantime although closing has not yet been completed.

9. Share Capital

	No. 2021	EUR 2021	No. 2020	EUR 2020
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 the PORR AG annual financial statements, which are material in determining the payout ratio, do not report any net profit for the 2020 business year, a dividend proposal on the appropriation of earnings to the Annual General Meeting of 27 May 2021 was not necessary.

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

Authorised Capital

With the resolution of the AGM on 27 May 2021, the Executive Board is authorised by the Supervisory Board using a method different from sale on the stock exchange or public offering for a five-year period. The authorisation can be exercised in whole or in part, also in multiple amounts and for one or more purposes. The pro rata purchase right of shareholders upon sale or use of a different kind than on the stock exchange or public offering is excluded (exclusion of pre-emptive rights).

Furthermore, the existing authorisation of the Executive Board to increase the share capital is revoked and the Executive Board is newly authorised to increase the share capital of the company within five years from 14 July 2021, with the approval of the Supervisory Board, by up to EUR 10,183,250 by issuing up to 10,183,250 no-par value bearer shares for cash or contribution in kind – in either case also in multiple tranches – also in the course of indirect subscription rights in accordance with Section 153, Paragraph 6 Stock Corporation Act (authorised capital), whereby the issue price, which may not be lower than the pro rata share of share capital, the conditions of issue, the subscription ratio, and other details are to be determined by the Executive Board with the approval of the Supervisory Board. The Executive Board was authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in full or in part:

i) if the capital increase is in exchange for contribution in kind or
ii) if the capital increase is in exchange for cash and

A) the arithmetic total of the cash consideration of the share of share capital in the company, under exclusion of subscription rights, does not exceed the limit of 10% of the company's share capital at the time the authorisation is exercised,
B) the exclusion of subscription rights is for the purpose of servicing an over-allotment-opinion (greenshoe) during a capital increase, or
C) the exclusion is used to balance out fraction amounts.

10. 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 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 30.6.2021	Measured at amortised cost	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value as of 30.6.2021
Assets							
Loans	AC	42,355	42,355				
Loans	FVTPL	22,249			22,249	Level 3	22,249
Other financial assets	FVTOCI	29,614		29,614		Level 3	29,614
Other financial assets	FVTPL	1,088			1,088	Level 3	1,088
Other financial assets	FVTPL	5,641			5,641	Level 1	5,641
Trade receivables	AC	898,998	898,998				
Other financial assets	AC	123,567	123,567				
Other financial assets	FVTPL	40,035			40,035	Level 1	40,035
Derivatives (without hedges)	FVTPL	154			154	Level 2	154
Cash and cash equivalents		406,996	406,996				
Liabilities							
Bonded loans (Schuldscheindarlehen)							
at fixed interest rates	AC	89,933	89,933			Level 3	91,764
at variable interest rates	AC	246,736	246,736				
Bank loans							
at fixed interest rates	AC	31,033	31,033			Level 3	30,863
at variable interest rates	AC	56,499	56,499				
Lease obligations[1]		328,753	328,753				
Trade payables	AC	1,091,461	1,091,461				
Other financial liabilities	AC	43,950	43,950				
Derivatives (without hedges)	FVTPL	2,947			2,947	Level 2	2,947
Derivatives (with hedges)		1,223		1,223		Level 2	1,223
by category							
Financial assets at amortised cost	AC	1,064,920	1,064,920				
Cash and cash equivalents		406,996	406,996				
Fair value through profit & loss	FVTPL	66,220			66,220		
Fair value through OCI	FVTOCI	29,614		29,614			
Financial liabilities at amortised cost	AC	1,559,612	1,559,612				

in TEUR	Measurement category	Carrying amount as of 31.12.2020	Measured at amortised cost	Fair value other comprehensive income	Fair value affecting net income	Fair value hierarchy	Fair value as of 31.12.2020
Assets							
Loans	AC	40,852	40,852				
Loans	FVTPL	23,105			23,105	Level 3	23,105
Other financial assets	FVTOCI	29,567		29,567		Level 3	29,567
Other financial assets	FVTPL	1,088			1,088	Level 3	1,088
Other financial assets	FVTPL	5,421			5,421	Level 1	5,421
Trade receivables	AC	857,868	857,868				
Other financial assets	AC	107,238	107,238				
Other financial assets	FVTPL	40,079			40,079	Level 1	40,079
Derivatives (without hedges)	FVTPL	1,677			1,677	Level 2	1,677
Cash and cash equivalents		582,545	582,545				
Liabilities							
Bonded loans (Schuldscheindarlehen)							
at fixed interest rates	AC	89,905	89,905			Level 3	92,236
at variable interest rates	AC	246,676	246,676				
Bank loans							
at fixed interest rates	AC	8,220	8,220			Level 3	8,293
at variable interest rates	AC	85,928	85,928				
Lease obligations[1]		325,388	325,388				
Other financial liabilities							
at fixed interest rates	AC	1,138	1,138			Level 3	1,137
Trade payables	AC	973,100	973,100				
Other financial liabilities	AC	49,854	49,854				
Derivatives (without hedges)	FVTPL	772			772	Level 2	772
Derivatives (with hedges)		1,288		1,288		Level 2	1,288
by category							
Financial assets at amortised cost	AC	1,005,958	1,005,958				
Cash and cash equivalents		582,545	582,545				
Fair value through profit & loss	FVTPL	70,598			70,598		
Fair value through OCI	FVTOCI	29,567		29,567			
Financial liabilities at amortised cost	AC	1,454,821	1,454,821				

[1] Lease obligations fall under the scope of IFRS 16

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 are 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 2021:

	Mid swap	Credit spread	Hybrid spread	Hybrid coupon in %
Balance as of 30 Jun 2021	-25.8	297.95	293	5.65
Balance as of 31 Dec 2020	-46.3	337.19	293	5.84

	Hybrid capital
Total as of 1 Jan 2021	25,370
Surcharges/discounts	47
Total as of 30 Jun 2021	**25,417**

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.

11. Segment Report

Segment reporting has been amended in line with the new internal reporting structure and management of the PORR Group. Comparative figures have been restated retrospectively to conform to the new structure.

Business Unit 3 – International has been divided up into several segments. Poland forms the new segment PL. The Czech Republic, Slovakia and Romania form the segment CEE. The project business in Norway, Qatar, the United Arab Emirates (UAE) are in the segment Infrastructure International, along with the areas of Major Projects and Slab Track International plus tunnelling, railway construction and specialist civil engineering.

The report contains the following segments:

Segment AT / CH: This segment covers PORR's permanent business on the home markets of Austria and Switzerland along with industrial construction in Germany. The focal points are residential and office construction, structural engineering and road construction, specialist civil engineering and in railway engineering with Slab Track Austria in Europe. It also includes the equity interests IAT, ÖBA, Prajo, TKDZ and ALU SOMMER, as well as PORR industrial construction, Major Projects in building construction on every international market and the raw materials business.

Segment DE: This segment comprises the majority of PORR's activities in Germany. In the second main market the company offers building construction as well as specialist civil engineering and infrastructure services with a high real net output ratio through its own, qualified staff.

Segment PL: In this segment, PORR provides construction services in building construction and civil engineering. Poland is the Group's third-largest home market.

Segment CEE: The home markets of the Czech Republic, Slovenia and Romania make up the CEE segment. Here PORR offers services in building construction and civil engineering, whereby the goal is to provide complete coverage in the Czech Republic and Romania in particular. Selected major projects in the infrastructure sector are also realised here.

Segment Infrastructure International: The Group's competencies in international tunnelling, railway construction and specialist civil engineering are bundled here as well as the project business in Norway, Qatar, the United Arab Emirates (UAE) and the areas of Major Projects and Slab Track International. PORR focuses on orders in infrastructure services and on cooperation with local partners.

Holding: PORR Beteiligungen und Management and PORREAL are incluced here. The shared sevice center comprises all services and staff units of PORR and is also integrated in the segment Holding.

in TEUR 1–6/2021	**AT / CH**	**DE**	**PL**	**CEE**	**Infra-structure International**	**Holding**	**Group**
Production output (Group)	1,319,892	382,067	318,442	194,411	239,683	41,577	2,496,072
Segment revenue	1,204,335	375,553	331,916	163,848	183,706	28,905	2,288,262
Intersegment revenue	13,274	2,775	399	2,947	3,372	53,521	
EBT (Earnings before tax = segment earnings)	14,647	-9,881	4,110	5	691	1,879	11,451

in TEUR 1–6/2020 unaudited/unreviewed	**AT / CH**	**DE**	**PL**	**CEE**	**Infra-structure International**	**Holding**	**Group**
Production output (Group)	1,107,526	453,105	248,162	210,309	217,367	36,639	2,273,106
Segment revenue	1,007,817	420,103	260,619	170,292	191,062	21,330	2,071,222
Intersegment revenue	10,128	4,739	422	2,438	1,008	53,796	
EBT (Earnings before tax = segment earnings)	-5,871	543	-681	-13,079	-5,249	-2,243	-26,580

12. Related Party Disclosures

There have been no significant changes in relationships between related companies or any resultant obligations or guarantees since 31 December 2020.

Transactions in the reporting period between companies included in the PORR Group's consolidated financial statements and the UBM Group companies primarily relate to purchased construction services. Furthermore, interest for the hybrid capital of TEUR 1,520 has been paid to PORR AG in the first half of 2021.

In addition to subsidiaries and associates, related parties include the companies of the IGO Industries Group as they or their controlling entity has a significant influence over PORR AG through the shares 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.

13. Events after the End of the Reporting Period

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

Vienna, 26 August 2021

The Executive Board
Karl-Heinz Strauss m.p.
Andreas Sauer m.p.
Jürgen Raschendorfer m.p.
Josef Pein m.p.

Report on a Review of the Condensed, Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed, consolidated interim financial statements as of June 30, 2021 of PORR AG, Vienna, (referred to as "Company") comprising the condensed, consolidated balance sheet as of June 30, 2021, the condensed, consolidated income statement, the condensed, consolidated statement of comprehensive income, the condensed, consolidated cash flow statement and the condensed, consolidated statement of changes in equity for the period from January 1, 2021 to June 30, 2021 as well as the notes to the condensed, consolidated interim Financial Statements which summarise the accounting and measurement methods applied along with other notes.

Management is responsible for the preparation and fair presentation of these condensed, consolidated interim Financial Statements in accordance with IFRS for Interim Financial Reporting as adopted by the EU.

Our responsibility is to issue a report on these condensed, consolidated interim Financial Statements based on our review.

Responsible for the proper performance of the engagement is Mr. Mag. Peter Bartos, Austrian Certified Public Accountant.

With reference to § 125 Abs. 3 Austrian Stock Exchange Act (BörseG) our responsibility and liability is based on § 275 Abs. 2 Austrian Commercial Code.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria, especially in accordance with KFS/PG 11 “Standard on Review Engagements” and International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed, consolidated interim Financial Statements does not give a true and fair view of the financial items of the entity as at June 30, 2021, and of its financial performance and its cash flows for the period then ended in accordance with IFRS for Interim Financial Reporting as adopted by the EU.

We draw attention to the fact that the English translation of this Report on a Review of the condensed, consolidated interim financial statements is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Statement on the group management report for the half-year and on the statement of the legal representatives pursuant to Sec. 125 Austrian Stock Exchange Act

We have reviewed the Half Yearly Group Management Report and evaluated it in respect of any obvious contradictions with the condensed, consolidated interim financial statements. In our opinion, the Half Yearly Group Management Report does not contain any obvious contradictions with the condensed, consolidated interim financial statements.

The Half Yearly Group Report contains a Responsibility Statement as stipulated by Sec. 125 Art. 1 No. 3 Austrian Stock Exchange Act.

26 August 2021, Vienna

BDO Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

m.p. Mag. Peter Bartos
Auditor

m.p. Mag. Gerhard Fremgen
Auditor

We draw attention to the fact that the English translation of this Report on a Review of the condensed, consolidated interim financial statements is presented for the convenience of the reader only and that the German wording is the only legally binding version.

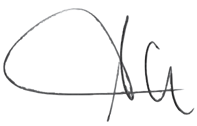
Statement of all Legal Representatives

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.

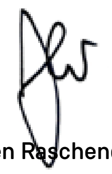
26 August 2021, Vienna

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

Financial Calendar 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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The report on the first half of 2021 is available free of charge from the company, 1100 Vienna, Absberggasse 47, and can also be downloaded from **https://porr-group.com/en/investor-relations/reporting/interim-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 interim 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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