

Q3/19: PORR AG with high order backlog and updated guidance for 2019

- High order backlog of EUR 7,358m with good quality
- Production output of EUR 4,080m marks moderate yoy rise
- EBT of EUR 14.4m significantly lower than previous year
- Outlook 2019:
 - EBT 2019 expected to be around EUR 35m
 - Output moderately above previous-year level
 - Proposed dividend of EUR 0.40 per share

Vienna, 28.11.2019 - 2019 is a year of consolidation for PORR. The basis for this is an order backlog of EUR 7,358m, that is significantly higher than the previous year. Production output of EUR 4,080m experienced moderate growth. The challenging backdrop, especially in Poland and Norway, led to EBT of EUR 14.4m, which was below expectations. In light of this, the Executive Board has adjusted its profit outlook for the 2019 business year.

“Following the strong growth of recent years, PORR is now in a consolidation phase. This is taking longer than expected”, said Karl-Heinz Strauss, CEO of PORR. “Given the high order backlog and the focus on PORR’s strengths and our home markets, I am certain that we will emerge from this phase even stronger than before”.

Output, earnings and orders

Production output in Q3 2019 totalled EUR 4,080m and increased moderately - as planned - by 0.6%. Once again, Austria and Germany generated the majority of output, accounting for 71%. The performance of both Business Unit 1 - Austria, Switzerland (BU 1) and Business Unit 2 - Germany (BU 2) was stable, while Business Unit 3 - International (BU 3) experienced a slight decrease. The market environment remained challenging, especially in Poland and Norway. PORR generated EBT of EUR 14.4m, representing a decrease of 53.8%. The profit for the period stood at EUR 9.8m, while earnings per share were EUR 0.22.

The following circumstances had a negative impact on earnings:

- Business Unit 1 - Austria, Switzerland (BU 1), and Business Unit 2 - Germany (BU 2) performed in line with expectations.
- The market in Poland (BU 3) does not yet show - contrary to the expectations of the Executive Board - any easing in the current high cost level for construction materials and subcontractor services.
- In the course of the market analysis in Norway, a revaluation of a project (BU 3) led to a one-off value adjustment.

- These issues in Poland and Norway were the main factors behind the negative change in earnings. Early measures have not been sufficient to offset these developments and in some cases their implementation has been delayed.

The order backlog underwent a renewed increase in the first nine months of 2019. Growing by 7.6% against the previous year, it totalled EUR 7,358m and provides a healthy basis for the future. The largest new order in the first nine months was the design-build contract for the LK131 railway line between Kalina and Rusiec Łódzki in Poland. Here PORR is overhauling a 71km-long section that should improve the links between the industrial region of Upper Silesia and the Baltic Sea ports of Gdansk and Gdynia. In civil engineering, orders included Norway's longest railway bridge, with a length of 836m, and the design-build contract for a 14.2km-long section of the expressway between Sibiu and Pitești in Romania. Numerous large-scale orders were acquired in building construction, especially on the home markets of Austria and Germany - including attractive projects like the Geiselbergstraße residential development in Vienna and the Q218 office complex in Berlin. In accordance with the prevailing megatrends, a portfolio shift is visible at PORR away from building construction and towards civil engineering. PORR is ideally prepared for its markets.

Balance sheet and cash flows

As of 30 September 2019, PORR's total assets stood at EUR 3,655.7m, thereby increasing by 17.4% against year-end 2018. In addition to the one-off effect on the balance sheet from the first-time application of IFRS 16 (Leases), the increase in output in recent years also had an impact. Net debt amounted to EUR 785.5m as a result of seasonal factors common to the industry and the effects of IFRS 16. The strategic focus on securing suppliers early on was reflected in the higher capital tied up under working capital, whereby cash flow from operating activities totalled EUR -234.6m.

Outlook 2019

Based on the course of business to date and the current market assessment, the Executive Board expects earnings before taxes for the 2019 financial year to amount to around EUR 35 million - assuming unchanged general conditions. PORR is in a consolidation year and has a recoverable order backlog. On this basis, the Executive Board assumes that the production output can continue to increase moderately.

The Executive Board expects in the coming years a continuous improvement of the EBT margin.

On the basis of the above mentioned figures and as of today's view, the executive board will propose to the shareholders' meeting a dividend of about EUR 0.40 per share.

However, the actual course of business may deviate from current expectations, depending on exogenous political and economic factors as well as the seasonality of the construction industry.

The press release can be downloaded from the [PORR Newsroom](#). The interim report on the 3rd quarter can be downloaded [here](#).

Facts and figures at a glance

Key performance indicators (EUR m) ¹	1-9/2019	% Δ	1-9/2018
Production output ²	4,080	0.6%	4,055
Order backlog	7,358	7.6%	6,837
Order intake	4,338	(4.1%)	4,525
Revenue	3,519.8	(3.4%)	3,644.4
EBITDA	146.0	12.0%	130.3
EBT	14.4	(53.8%)	31.2
Profit for the period	9.8	(58.0%)	23.3
Average staffing levels	19,644	4.5%	18,802
Financial position indicators¹ (EUR m)	30.09.2019	% Δ	31.12.2018
Total assets	3,656	17.4%	3,115
Equity	574	(7.2%)	618
Equity ratio	15.7%	(4.2PP)	19.9%
Net debt ³	785.5	>100.0%	350.3

¹ The figures have been rounded off using the compensated summation method. Absolute changes are calculated from the rounded values, relative changes (in percent) are derived from the non-rounded values.

² 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.

³ The figures as of 31 December 2018 have been adjusted due to the first-time application of IFRS 16. Details can be found in the Half Year Report 2019 on page 34 of the notes to the interim consolidated financial statements.

Press Release



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