

QUARTERLY REPORT

Q3/12

powered
by



REPORT ON THE 3RD QUARTER 2012

**Dear shareholders and
respected business associates,**

PORR recorded a strong business performance in the third quarter 2012 – and this despite the difficult backdrop. The European economies continued to battle against the debt crisis, there is a recession in three of the five largest eurozone countries and France has stagnated. Germany is alone in reporting ongoing GDP growth. In Austria private and public spending has fallen sharply since mid-year, as has construction investment. Only slight growth in construction output is now forecast for 2012 as a whole.

Against this backdrop, PORR is concentrating on its home markets of Austria, Germany, Switzerland, Poland and the Czech Republic. The company generates around 90% of output in these markets, where it has excellent networks and has built up a good reputation through its adherence to deadlines and the quality of its work. Furthermore, growth in these countries is expected to remain stable in the coming years. The business on the home markets is complemented by individual projects with secure financing in Eastern and South Eastern Europe – primarily in the infrastructure sector. Here the focus is on Hungary, Romania, Serbia and Bulgaria. In order to secure the greatest possible risk diversification, these projects are supplemented by international activities in Qatar, Oman, Saudi Arabia and Turkey. On these markets PORR presents itself as a premium provider and infrastructure specialist, whereby particular attention is paid to risk management.

Thanks to the consistent implementation of its clear strategy, PORR has managed to sustain its position in challenging market conditions. One part of this strategy is **fitforfuture**, the efficiency and optimisation programme implemented across the Group, which involves the critical examination of all costs and processes. In addition to reducing material, process and structural costs, the programme also focuses on optimising the property portfolio by means of a clearly defined real estate strategy.

Even more intensive efforts are also underway to avoid construction sites which operate at a loss.

Production output amounted to EUR 2,017m at the reporting date of September 30th 2012 and was thereby EUR 99m or 4.7% lower than the same period 2011. The main reasons for this decline were the completion of several large-scale construction projects as well as the clear, profit-focused strategy. After all, corporate success is measured by earnings and not by output. At the same time the company managed to increase the order backlog from its already high level. The numerous successful acquisitions in the current year led the order backlog to swell to EUR 3,214m in the third quarter, an increase of EUR 478m or 17.5%. Order bookings totalled EUR 2,467m, a rise of EUR 63m or 2.6%.

Production Output

At September 30th 2012 PORR had generated production output of EUR 2,017m. This represents a decrease against the same period last year of EUR 99m or 4.7%. As mentioned above, the reason for this decline lies in the deliberate change of strategy, in favour of a clear focus on earnings. Following on from the completion of several large-scale projects at the start of the year, some construction projects are still in the planning phase. Included here are Stuttgart-Ulm (formerly Stuttgart 21) and the Vienna North Hospital. Austria remained the most important market for PORR in the third quarter and here production output even increased. With the exception of Poland and the Czech Republic, most of Eastern and South Eastern Europe continues to suffer from the economic and financial crisis and it can be very difficult to secure financing on these markets. PORR is observing this region closely, but restricting its market activities to individual projects in the infrastructure sector.

Order Backlog

The order situation was highly satisfactory for PORR in the third quarter. It was possible to

increase order bookings yet again, even given the large acquisitions of last year (Stuttgart–Ulm, Erfurt–Halle high-speed rail line). Order bookings amounted to EUR 2,467m, a rise of EUR 63m or 2.6%. At September 30th the order backlog thereby stood at EUR 3,214m, an increase of EUR 478m or 17.5%. This backlog means that capacity for the current year is almost fully utilised and that a basic workload for the next years is already in place.

The most significant order bookings this year were lots 2a/3 for Stuttgart–Ulm, the shell construction of the Vienna North Hospital, the Dimitrovgrad–Svilengrad railway line in Bulgaria and the building construction project Hotel & Office Campus Berlin. Efforts in Qatar have also been rewarded with the acquisition of the company's first infrastructure project. Here PORR has been hired to carry out enabling works for the Doha Metro, together with its partners the Saudi Binladin Group and the local firm HBK.

Staff

In the first three quarters of 2012 PORR employed 11,660 staff members on average, up by 228 people or 2.0% higher than in the same period 2011. This change is primarily the result of restructuring in the real estate sector – mainly Facility Management – as well as smaller corporate acquisitions.

PORR's activities in further training and education continued in 2012. Well trained and highly motivated staff provide an important competitive advantage now and in the future. PORR is committed to thorough training and clear prospects within the Group, particularly in times of an increasing lack of skilled labour.

Financial Performance

The strategy which PORR introduced last year – the concentration on the high-margin home markets – has already started to pay off in the first three quarters of 2012. While production output declined

slightly, it was nevertheless possible to achieve significant increases in the order backlog on the home markets of Austria and Germany. PORR's flexible approach to developing markets saw a concentration on infrastructure projects with secure margins in Eastern and South Eastern Europe. Added to this are the first projects from activities in Qatar. The Executive Board forecasts that – barring unexpected developments – earnings should be clearly positive.

Outlook

In PORR's home markets the company continues to assume slight market growth, whereby pressure on margins is on the rise. Public contracting authorities have reacted to consolidation demands by postponing individual large-scale projects. As things stand, further stimulus packages are unlikely to be issued in view of the national budget situations.

PORR held its ground in 2012 and managed to increase the already high order backlog still further. This backlog of orders also promises solid capacity utilisation for the coming years. Added to this is the impact expected to arise from the **fitforfuture** efficiency and optimisation programme, which is already having a positive effect on this year's earnings.

SELECTED PROJECTS

	Location	Country
Region 1		
Vienna North Hospital	Vienna	Austria
»Motel One Elisabethstraße« Hotel	Vienna	Austria
EURO PLAZA phase 5	Vienna	Austria
BMW subsidiary, Berlin	Berlin	Germany
»Am Westpark« residential complex*	Munich	Germany
Region 2		
»Browar Lubicz« office and residential complex	Krakow	Poland
»TBS Stablowice« residential complex	Wroclaw	Poland
Infrastructure		
Vienna Central Station*	Vienna	Austria
S10 Götschka Tunnel and Freistadt Bypass*	Freistadt	Austria
Stuttgart-Ulm*	Stuttgart	Germany
Erfurt-Halle high-speed rail line*	Erfurt	Germany
Dimitrovgrad-Svilengrad railway line	Svilengrad	Bulgaria
Real Estate		
Hotel Kempinski Palais Hansen	Vienna	Austria
Hotel & Office Campus Berlin	Berlin	Germany
Olympia Gate Munich	Munich	Germany

* executed as part of a joint venture

KEY DATA

in EUR m	3rd quarter 2012	Change	3rd quarter 2011
Production output	2,017	-4.7%	2,116
of which domestic	1,387	3.9%	1,334
of which foreign	630	-19.4%	782
Order bookings	2,467	2.6%	2,404
of which domestic	1,647	23.3%	1,336
of which foreign	820	-23.2%	1,068
Order backlog	3,214	17.5%	2,736
of which domestic	1,728	35.3%	1,277
of which foreign	1,486	1.8%	1,459
Average staffing levels	11,660	2.0%	11,432

Disclaimer This quarterly report (interim notice in accordance with Stock Exchange Act art. 87 para. 6) 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 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 quarterly report is accurate and complete. We regret that we cannot rule out possible round-off, typesetting and printing errors. This report is a translation into English of the interim report on the third quarter 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.