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Press Release

August 13, 2020

Bilfinger Q2 2020 financial results:
Reduction in revenues and earnings in Q2 2020 as expected; signs of recovery in June; solid cash flow and sound financial position

- **Market:** slow recovery in June, further improvements expected in second half of 2020
- **Progress:** significant Hinkley Point C contracts signed in June
- Major legacy issues resolved
- **Orders received €931 m/-15% org.:** year to date only -3% org., solid development in base business also in Q2
- **Revenue €793 m/-29% org.:** trough in April and May as expected, turning point in June, year to date -19% org.
- **EBITA adjusted -€35 m:** in line with sharp decline in revenue leading to temporary underutilization
- **Free cash flow reported €129 m:** robust thanks to active working capital management helped by deferred tax payments
- **Liquidity:** sound financial position, no additional financing needs expected
- **Outlook for 2020 affirmed:** revenue decrease of ~20 percent, adjusted EBITA positive

Based on the development in the first half of 2020, Bilfinger is able to affirm the guidance provided in May for the full year. As expected, the difficult business environment due to COVID-19, coupled with the effects of a substantial oil price volatility since March 2020, led to a significant drop in revenues and to losses in the second quarter of 2020. However, business performance in June was already better than in April and May, a result of the easing of European market restrictions associated with the pandemic, a slight increase in demand as well as adjustments to the company's cost structures.

Thanks to today's more efficient and agile organization, the company was able to reduce not only the number of temporary workers, but also its fixed cost base significantly with 6,000 less employees in the year-on-year comparison, especially in North America, Northern Europe, the U.K., Belgium and the Netherlands. Additionally, government subsidies such as wage support in affected business areas have partially compensated for the underutilization caused by the sharp

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drop in activity. End of June, furlough schemes were implemented for ~10% percent of employees in the European business. Strict cost management involving both temporary and sustainable measures reduced the selling and administrative expenses well below budget.

“This has been a busy past, present and future quarter for Bilfinger. We have settled two major legacies of the past, continued to deal determinedly and efficiently with the present COVID and oil price challenges while ensuring that actions taken result in a leaner and more agile company for the future.”- CEO Tom Blades.

Group performance in the second quarter of 2020

Orders received decreased by 15 percent organically to €931 million from a high prior-year level (€1,133 million). Despite the challenging market environment, the Group experienced reasonable development in its base business but a lesser amount in large projects. Year to date, the decline is merely 3 percent organically, including ~€80 million from the Hinkley Point C contracts of in total more than €500 million. Looking ahead, there will be additional call-offs in the second half of the year of up to €150m, the remaining €250 million will follow in 2021.

The overall order situation is good with a book-to-bill ratio of 1.2 in the second quarter. At €2,667 million, the order backlog at the end of June was stable organically against the prior year (€2,712 million). As expected, Group revenue fell by 29 percent organically to €793 million (prior year: €1,147 million), with sharp drops especially in the North Sea offshore activities located in the United Kingdom (Aberdeen) and Norway (Stavanger) as well as in the North American project business. Consequently, this underutilization pushed down the gross margin to 4.3 percent (prior year: 8.5 percent). The lower revenue led to an increase in the adjusted SG&A ratio to 9.2 percent (prior year: 7.9 percent). Nevertheless, periodic absolute SG&A expenses improved further in the reporting quarter, from €91 million to €73 million, driven by positive effects from the ongoing SG&A efficiency program as well as strict cost management.

As cost reductions and government subsidies such as wage support could not fully compensate for the decline in gross profit, adjusted EBITA decreased to -€35 million (prior year: €17 million). This corresponds to an adjusted EBITA margin of -4.4 percent, compared to 1.5 percent in the prior-year period. Additional restructuring measures in Technologies slightly increased special items to -€16 million (prior year: -€15 million), despite a positive effect of €17 million in connection with the settlement in the dispute with former Executive Board members, with the corresponding cash inflow of insurance payments recorded in July.

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Additionally, Bilfinger achieved a breakthrough in a long-standing legal dispute that resolves a further legacy issue, reaching an out-of-court settlement in respect of the 2009-collapse of the Cologne Municipal Archives. The total payments of €200 million to be made by Bilfinger will be fully covered by the company's insurers. As the company had expected, the settlement will therefore have no impact on the Group's financial performance or financial position.

Engineering & Maintenance Europe segment

In E&M Europe, orders received decreased by 11 percent organically to €619 million compared with a strong prior-year figure of €715 million. A high book-to-bill ratio of 1.3 led to an organically stable order backlog of €1,646 million (prior year: €1,692 million). As expected, revenue dropped sharply by 24 percent organically to €491 million (prior year: €664 million), leading to underutilization in Norway (Stavanger), the United Kingdom (Aberdeen), Belgium and Poland. June, however, marked the inflection point in these countries. Despite the low revenue level and thanks to agile cost management including lay-offs and government subsidies such as wage support, adjusted EBITA remained positive and amounted to €2 million (prior year: €27 million) with a margin of 0.4 percent (prior year: 4.1 percent).

Engineering & Maintenance International segment

Orders received in E&M International almost halved from €246 million to €135 million, with low levels in the North American project business as well as in the Middle East. Following a strong prior-year quarter in North America, revenues decreased by 52 percent organically to €131 million (prior year: €267 million). Major projects in the U.S. business are almost completed and COVID-19 has hit hard, especially in Texas, leading to underutilization in the related entity. Despite significant workforce adjustments, there will be a certain underutilization in the project-related entity in the U.S. for the rest of the year. Adjusted EBITA fell to -€12 million (prior year: €8 million) with a margin of -9.5 percent (prior year: 2.8 percent).

Technologies segment

Orders received in Technologies rose slightly by 3 percent organically to €114 million (prior year: €113 million). The signing of further Hinkley Point C contracts in June will lead to significant call-offs in the second half of the year. These projects are being executed as internal collaborations led by Technologies and supported by E&M Europe. The book-to-bill ratio stood at 1.1, which led to a 17 percent organic increase in order backlog to €546 million compared with the prior year (€468 million). Revenue in the reporting quarter fell by 20 percent organically to €108 million (prior year: €136 million) due to COVID-19 restrictions, especially in Austria and France. The segment's adjusted EBITA remained well below original expectations at -€20 million (prior year: -€12 million) as a result of temporary underutilization, but also due to two underperforming entities. Strategic measures are well under way.

Robust free cash flow development

Net profit decreased substantially to -€60 million (prior year: €-6 million) due to the clearly negative EBIT. On the other hand, reported free cash flow improved considerably to €129 million (prior year: -€36 million) as a result of active working capital management and the use of opportunities to defer taxes and social security contributions in a number of countries.

A sound balance sheet and measures to safeguard liquidity are in place going forward as well. None of the company's financing instruments has a maturity earlier than 2022.

Outlook for the Group and segments in 2020

For 2020, Bilfinger affirms the guidance published mid-May anticipating a revenue decrease of around 20 percent against the prior year (€4.3 billion) and adjusted EBITA substantially below the prior-year level (€104 million), but still positive.

The company expects a significant decrease in revenues and adjusted EBITA in both E&M Europe and E&M International, although these segments are expected to continue delivering a positive contribution to earnings. The revenue reduction in Technologies is anticipated to be less pronounced and the segment is still expected to improve earnings significantly in 2020, following a loss in 2019 caused by legacy projects and a company in transformation. However, adjusted EBITA is forecast to remain negative for the year.

Although it anticipates a negative net profit, the company still expects a positive reported free cash flow in 2020 (2019: €57 million).

Bilfinger's outlook assumes that the main impacts from the COVID-19 pandemic occurred in the second quarter and that there will now be a gradual recovery in the second half of the year. The expected revenue development also anticipates no further projects and turnarounds being postponed to 2021. The positive adjusted EBITA is based on the assumption that government wage support will remain in place at a lower level as business continues to recover. However, the outlook does not assume a significant recovery in the oil price.

Given the global dimension and limited predictability of the COVID-19 crisis, the company will continue to monitor the development of the situation and make every effort to mitigate any further adverse impacts.

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Key figures for the Group

in € million	Q2			FY
	2020	2019	Δ in %	**2019**
Orders received	**931**	1,133	-18 (org: -15)	**4,159**
Order backlog	**2,667**	2,712	-2 (org: 1)	**2,567**
Revenue	**793**	1,147	-31 (org: -29)	**4,327**
Adjusted EBITDA	**-8**	44		**212**
Adjusted EBITA	**-35**	17		**104**
Adjusted EBITA margin (in %)	**-4.4**	1.5		**2.4**
EBITA	**-51**	3		**32**
Adjusted net profit	**-31**	6		**49**
Adjusted earnings per share (in €)	**-0.76**	0.15		**1.23**
Net profit	**-60**	-6	-854	**24**
Operating cash flow	**133**	-25		**110**
Adjusted operating cash flow	**143**	-8		**181**
Free cash flow	**129**	-36		**57**
Adjusted free cash flow	**139**	-19		**128**
Capital expenditure on tangible assets	**6**	14	-55	**64**
Employees (number at reporting date)	**31,533**	37,469	-16	**34,120**

Additional information
The Q2 2020 quarterly statement is available at: www.bilfinger.com

Telephone conference information in German:

Dialog partners:	*Tom Blades, Chief Executive Officer*
	Christina Johansson, Chief Financial Officer
Date:	*August 13, 2020*
Time:	*10:00 AM CEST*
Phone number:	***+49 69 201 744 220***

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