Press Release

November 12, 2020

Bilfinger Q3 2020 financial results:

Recovery gains pace: strong EBITA and cash flow development; full-year guidance affirmed

- **Market:** recovering in second half of 2020 as expected
- **Orders received €710 m/-26% org.:** orders received at lower level, also due to fewer projects, but order backlog solid; positive expectations for Q4
- **Revenue €870 m/-18% org.:** most European entities with sequentially increasing revenues
- **EBITA adjusted €23 m:** positive contributions from all European regions and Technologies
- **Free cash flow reported €43 m:** continuing robust cash flow thanks to active working capital management; sound financial position, no additional financing expectations
- **Outlook for 2020 affirmed:** revenue decrease of ~20%; adjusted EBITA and reported free cash flow positive

The recovery of Bilfinger's business has gained pace in the third quarter of 2020. Following the COVID-19-related trough in April and May and the slight uptick in June, the third quarter showed the expected sequential improvement in revenues and earnings based on the recovery in the summer months, with a markedly positive performance in September. Moreover, cash flow development remained positive as in the prior quarter. Based on this satisfactory third-quarter performance, Bilfinger is able to affirm its full year guidance provided in May.

"I am pleased to see a sequential top line recovery as previously anticipated. We have moved quickly to take out excess capacity as evidenced by our gross margin performance and all time SG&A low. Tenacious working capital management has yielded a strong cash flow performance and although the work is never finished, I believe that overall Bilfinger is well positioned for the future."- *CEO Tom Blades.*

The European business in particular showed high resilience and improved cost agility. Bilfinger reduced capacities in those areas where the longer-term outlook is subdued, e.g. in the oil and gas business in the U.K., wound down unprofitable business while pursuing strategic alternatives, such as in the Technologies segment. Year to date, the Group reduced headcount by around 4,000, with the majority in North America, Northern Europe and the U.K. Currently, around 650 employees are still in furlough schemes in the U.K., Nordics, Germany and Austria, down from almost 3,000 at the peak. In addition, Bilfinger is pursuing strict cost management involving both temporary and sustainable measures and has reduced selling and administrative expenses to well below budget. Across the full year, the company is investing some €70 million in restructuring, anticipating payback within the next two years. Overall, Bilfinger will be able to begin 2021 with a leaner, cleaner cost base.

With regard to structural improvements, the company is in the final wave of the process and system harmonization rollout, to be completed by the middle of next year. It has continued to reduce the number of legal entities, despite the additional management challenges faced this year. Moreover, Bilfinger has closed the disposal of two entities from Other Operations with a combined year-to-date revenue of about €80 million. It has also acquired a small Dutch company specialized in rope access inspection and asset integrity services for industrial facilities to strengthen the European Engineering & Maintenance offering in the attractive Dutch and Belgian markets.

Group performance in the third quarter of 2020
Orders received decreased organically by 26 percent to €710 million (prior year: €997 million). This was mainly due to the limitation in the number of projects available, especially in the North American market. In addition, lower expectations in the oil and gas market resulted in some mark to market backlog reductions in the upstream oil and gas business. However, the order backlog remained solid overall at €2,458 million (prior year: €2,620 million), a slight decrease of three percent organically. Bilfinger anticipates positive order development in the fourth quarter, not least due to the expected booking of larger parts of the call off contracts for the Hinkley Point C nuclear power plant in the U.K. The book-to-bill ratio of 0.8 mirrors the reduction in orders received in the third quarter. However, it stands at 1.05 year to date.

Group revenue decreased organically by 18 percent to €870 million (prior year: €1,101 million), but with a clear sequential improvement as expected.

At 10.2 percent, the gross margin also improved considerably against the second quarter of 2020, matching the level of the prior-year quarter despite the lower revenue. Gross profit decreased to €89 million, after €112 million in the prior-year quarter. Adjusted SG&A costs improved significantly to €69 million (prior year: €84 million) and the adjusted SG&A ratio was 7.9 percent. This reflects sustainable positive effects from the ongoing SG&A efficiency program as well as from the strict and agile cost management described above.

As a consequence, adjusted EBITA in the third quarter of 2020 was clearly positive at €23 million (prior year: €34 million), representing a significant rebound from the second quarter, when adjusted EBITA was -€35 million. The adjusted EBITA margin of 2.7 percent in the third quarter of 2020 was just short of the prior-year level (3.1 percent). Further restructuring measures led to an expected increase in special item adjustments to -€24 million (prior year: -€9 million).

Engineering & Maintenance Europe segment

In E&M Europe, orders received decreased organically by 13 percent to €501 million (prior year: €580 million), also due to backlog markdowns in the upstream oil and gas business. As a result, the book-to-bill ratio in the third quarter was 0.9, compared to year to date of 1.07. The order backlog was €1,577 million, slightly below the prior-year level (€1,623 million). Compared with the second quarter of 2020, E&M Europe recovered strongly in terms of both revenue and adjusted EBITA. Revenue declined more slowly by 11 percent organically to €571 million. Bilfinger's European maintenance business proved to be highly resilient and agile. However, revenue in the North Sea oil and gas upstream business was still down by about 30 percent. Adjusted EBITA was clearly positive at €27 million (prior year: €31 million) with a strong margin on prior-year level of 4.7 percent despite lower revenues. The segment is showing the expected positive development after the difficult first two quarters of the year.

Engineering & Maintenance International segment

Orders received in E&M International declined organically by 57 percent to €82 million (prior year: €207 million). This development reflects the lack of project awards in North America due to the effects of the COVID-19 pandemic and the uncertainties surrounding energy policy from the upcoming election. The order backlog dropped to €387 million (prior year: €412 million). The decrease in revenues by 52 percent organically to €108 million (prior year: €238 million) was to some extent expected but also amplified by the challenging environment. Adjusted EBITA was negative at -€9 million (prior year: €14 million) and was impacted especially by the underutilization in North America. Capacity adjustments are ongoing there. The adjusted EBITA margin was -8.6 percent (prior year: 5.7 percent).

Technologies segment

Orders received in Technologies rose slightly by two percent organically to €90 million (prior year: €88 million). The book-to-bill ratio stood at 0.7. However, additional bookings of larger parts of the call off contracts for the Hinkley Point C nuclear power plant in the U.K. are expected before year-end. Year to date, the book-to-bill ratio is a solid 1.4. The order backlog rose to €493 million (prior year: €408 million). Revenue was five percent organically below the prior year at €138 million (prior year: €145 million), also due to the winding down of loss-making activities. However, a sequential recovery is evident in core areas. The segment's adjusted EBITA returned to a positive €6 million (prior year: -€7 million) as a result of the strategic measures put in place for underperforming entities, but also reflecting a major project that surpassed the 20-percent percentage of completion revenue threshold for earnings recognition.

Free cash flow improved against prior year
Net profit was -€19 million (prior year: €6 million), held back by substantial restructuring costs. On an adjusted basis, net profit was positive at €11 million (prior year: €17 million). Reported free cash flow improved considerably to €43 million (prior year: €5 million) as a result of active working capital management, despite the first repayments of deferred taxes and social security contributions.

Outlook for the Group and segments in 2020
Bilfinger affirms the 2020 guidance published in 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. E&M Europe is expected to continue delivering a positive contribution to earnings, whereas the situation in E&M International has proved to be much more challenging, leading to the expectation of negative adjusted EBITA in the current year. The revenue reduction in Technologies is anticipated to be less pronounced and the segment is 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 the current lockdown measures will not have a material negative influence on business development.

Key figures for the Group

in € million	Q3			FY
	2020	2019	Δ in %	**2019**
Orders received	**710**	997	-29 (org: -26)	**4,159**
Order backlog	**2,458**	2,620	-6 (org: -3)	**2,567**
Revenue	**870**	1,101	-21 (org: -18)	**4,327**
Adjusted EBITDA	**49**	62	-20	**212**
Adjusted EBITA	**23**	34		**104**
Adjusted EBITA margin (in %)	**2.7**	3.1		**2.4**
EBITA	**0**	25		**32**
Adjusted net profit	**11**	17		**49**
Adjusted earnings per share (in €)	**0.27**	0.41		**1.23**
Net profit	**-19**	6		**24**
Operating cash flow	**49**	18		**110**
Adjusted operating cash flow	**50**	33		**181**
Free cash flow	**43**	5		**57**
Adjusted free cash flow	**44**	20		**128**
Capital expenditure on tangible assets	**6**	15	-57	**64**
Employees (number at reporting date)[1]	**29,375**	34,413	-15	**33,327**

1) Excluding JVs

Additional information
The Q3 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:	*November 12, 2020*
Time:	*10:00 AM CET*
Phone number:	***+49 69 201 744 220***

*When prompted, please enter the **pin code 13710352** and press the pound key **(#)**.*
You also have the opportunity to follow the presentation online at the following link.
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