



**BILFINGER**

**Bilfinger SE**

# 3<sup>rd</sup> Quarter 2019 Results Presentation Conference Call for Investors and Analysts

Tom Blades (CEO), Christina Johansson (CFO)

November 13, 2019

## Q3 2019: Bilfinger making steady progress, streamlining management structure

- **Market:** underlying markets stable  
**Orders received:** timing issues
- **Revenue:** continued growth
- **Adjusted EBITA:** significant year-on-year improvement  
Technologies improved sequentially, but still negative
- **Reported net profit:** positive in quarter and year-to-date
- **Free cash flow reported:** above prior year, further significant improvement expected for Q4
- **Productivity:** further measures being implemented, >€30m additional 2020 cost savings  
**Outlook:** 2019 reaffirmed, significant EBITA improvement in 2020



# Markets: E&M Europe

	Industries	%*		Trend
	<b>Oil &amp; Gas</b>	25%	<ul style="list-style-type: none"> <li>• Overall positive outlook in E&amp;M Oil &amp; Gas driven by gas infrastructure buildout and input terminals / LNG projects</li> <li>• Strong demand for offshore maintenance, turnaround projects and decommissioning</li> </ul>	
	<b>Chemicals &amp; Petrochem</b>	45%	<ul style="list-style-type: none"> <li>• Stable market development with turnaround opportunities for the upcoming years</li> <li>• CO<sub>2</sub>/emissions impacting future investment decisions</li> </ul>	
	<b>Energy &amp; Utilities</b>	10%	<ul style="list-style-type: none"> <li>• Hydrogen beginning to play more of a role in European energy transition</li> <li>• Maturing offshore wind parks leading to opportunities for inspection and maintenance</li> <li>• Nuclear remains in focus in France, UK, and Finland</li> </ul>	

\*% of segment revenues FY 2018

# Markets: E&M International

	Industries	%*		Trend
	<b>Oil &amp; Gas</b>	15%	<ul style="list-style-type: none"> <li>• Aging installations based in ME fuel demand for brownfield CAPEX projects for rehabilitation, upgrades &amp; repair</li> <li>• Mid-stream gas investments in NA continue but the pace has slowed</li> </ul>	
	<b>Chemicals &amp; Petrochem</b>	30%	<ul style="list-style-type: none"> <li>• Focus on OPEX optimization to support refining margins</li> <li>• Significant investments in Petro-Chemical announced for Texas / Louisiana</li> </ul>	
	<b>Energy &amp; Utilities</b>	10%	<ul style="list-style-type: none"> <li>• Continued concepts being developed for alternative energy power-generation in ME</li> <li>• In NA, energy investment trends focused on energy storage, wind, solar and CO<sub>2</sub> reduction</li> </ul>	

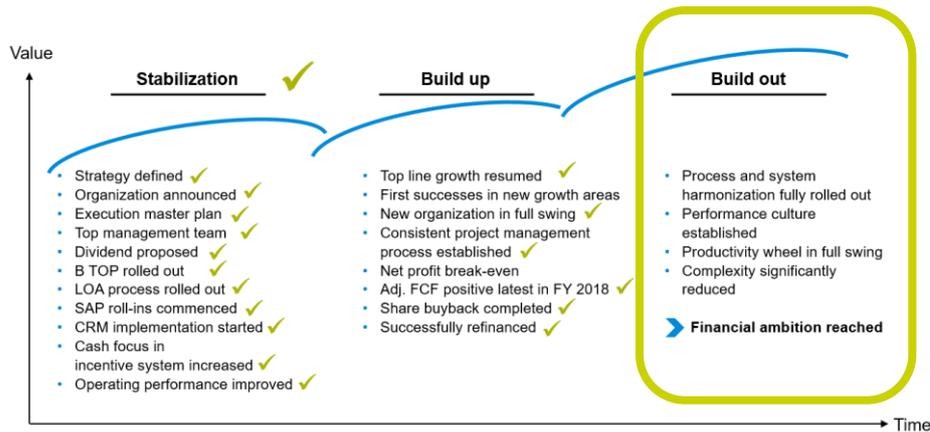
\*% of segment revenues FY 2018

# Markets: Technologies

	Industries	%*		Trend
	<b>Oil &amp; Gas</b>	10%	<ul style="list-style-type: none"> <li>• Modification and modernization requirements of European gas distribution systems</li> <li>• Debottlenecking opportunities in refining</li> </ul>	
	<b>Energy &amp; Utilities</b>	40%	<ul style="list-style-type: none"> <li>• Energy transition focus in all our regions, esp. Europe and USA</li> <li>• Nuclear demand for new builds and maintenance increasing, esp. in France and UK</li> <li>• Decommissioning a developing opportunity in Germany</li> </ul>	
	<b>Pharma &amp; Biopharma</b>	40%	<ul style="list-style-type: none"> <li>• Classic pharma continues to grow</li> <li>• Many small to medium-size biopharma projects nearing FID (final investment decision)</li> </ul>	

\*% of segment revenues FY 2018

# Preparing the ground for the “build-out phase”: Leaner processes, less regulation – focus on value generation

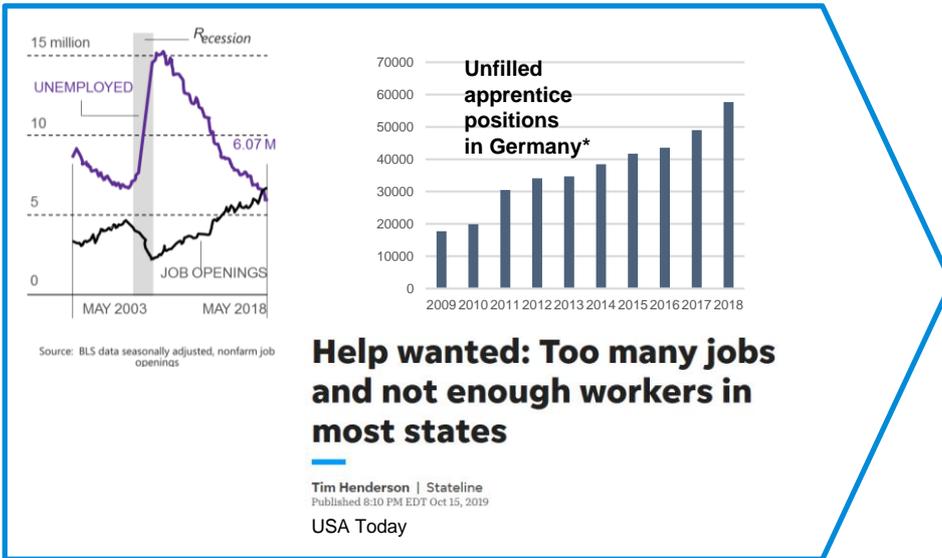


## Significant margin improvement expected in 2020

- **Gross margin improvement remains major focus:**
  - Execution improvement
  - Disciplined hurdle rates for future contracts
- **Additional net SG&A savings >€30 million in 2020, by 2021 reduction of SG&A run-rate to <€300 million p.a.:**
  - Reduction of Executive Board size and HQ staff, elimination of one management level in Europe
  - Restructuring adjustments of in total ~€40 million in 2019 and 2020
  - Payback in less than 1.5 years

➔ **Implementation initiated**

# Craft labor supply/demand inversion driving Bilfinger's market dynamics



- Supply side shortage expectations
- “War for talents” determines competitive edge
- Demographics

- ✓ Quality, competence & certification imperatives
- ✓ Supports firming prices

\* Bundesinstitut für Berufsbildung (ed.): Datenreport zum Berufsbildungsbericht 2019. Informationen und Analysen zur Entwicklung der beruflichen Bildung. Bonn 2019. p. 15.

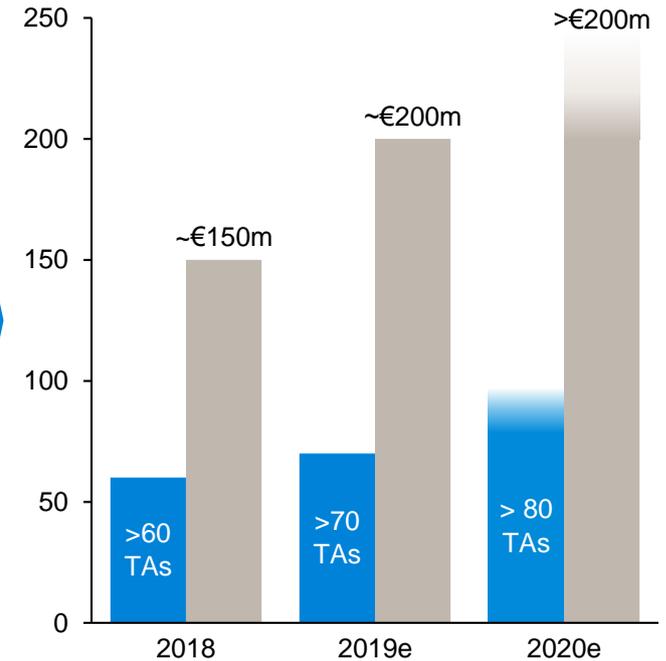
# Bilfinger Turnaround Concept (BTC)

## No. 1 provider in Europe for turnarounds in the process industry

### Profitability driver for E&M also in 2020 and 2021

#### BTC:

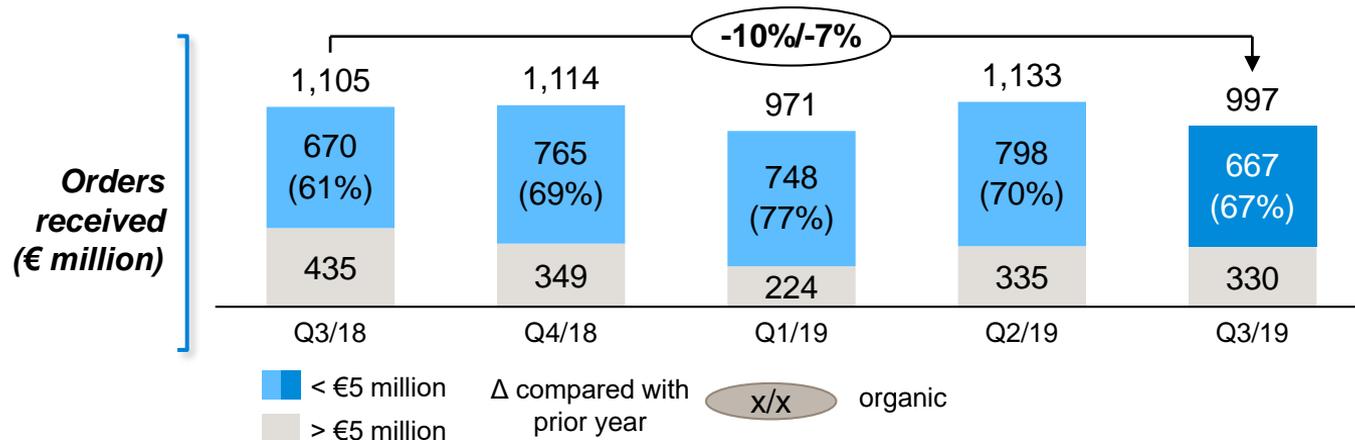
- Ability to ramp up/down large number of qualified personnel
  - Minimize outage
  - Asset long-term integrity assurance
  
  - Decades of experience
  - Market leader: ~80 turnarounds/year
  - International network, local execution
  - Cost-efficient & transparent: one-stop service provider
  
  - Digital tools, modular handbook, methodology training
- Rollout of BTC across all European E&M markets
- High number of repeat customers
- Access to new customers



# Quarterly Statement Q3 2019

# Stable orders received in E&M, Technologies with significant decrease due to project timing and current strong focus on execution

## Development of orders received

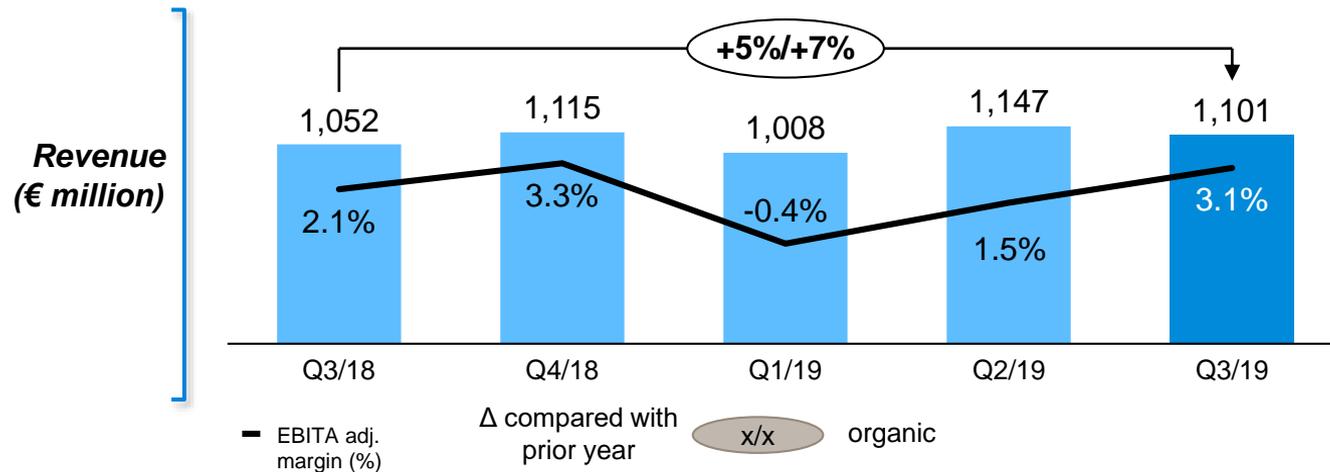


- **Orders received**  
Decrease (-10% / org.: -7%) due to project timing in UK and US and careful selection of new projects in Technologies
- **Book-to-bill:** 0.9
- **Order backlog**  
-7% below prior-year quarter (org.: -5%)

<b>Book-to-bill ratio</b>	1.1	1.0	1.0	1.0	0.9
<b>Order backlog (€ million)</b>	2,828	2,818	2,754	2,712	2,620

# Revenue growth remains positive; significant improvement in adjusted EBITA

## Development of revenue and profitability



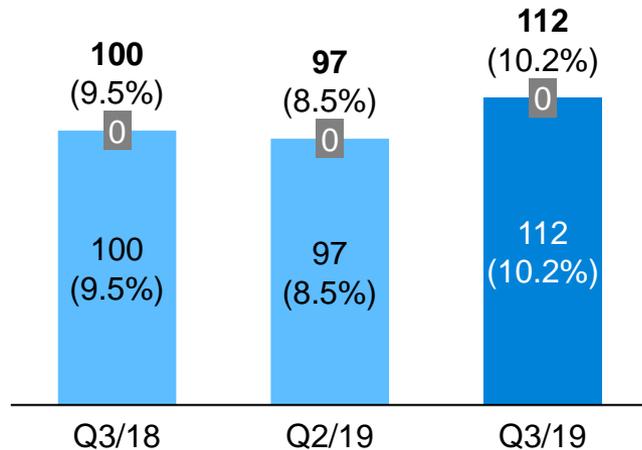
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
<b>EBITA adj. (€ million)</b>	22	37	-4	17	34
<b>EBITA (€ million)</b>	11	-6	-3	3	25

- Revenue**  
 +5% increase (org.: +7%) due to good market demand
- Adjusted EBITA**  
 Increased to €34 million (prior year: €22 million), significant margin improvement (3.1% against 2.1%)
- Special items**  
 -€9 million, thereof -€1 million restructuring and -€8 million from IT investments

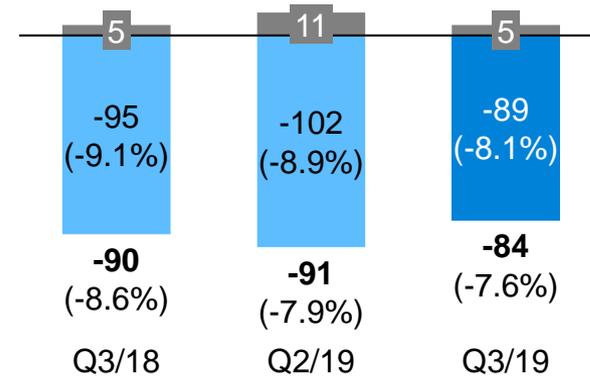
# Gross margin improvement to 10.2%

## Adjusted SG&A ratio of 7.6% dipping below run-rate of 8.2%

### Adjusted gross profit (€ million)



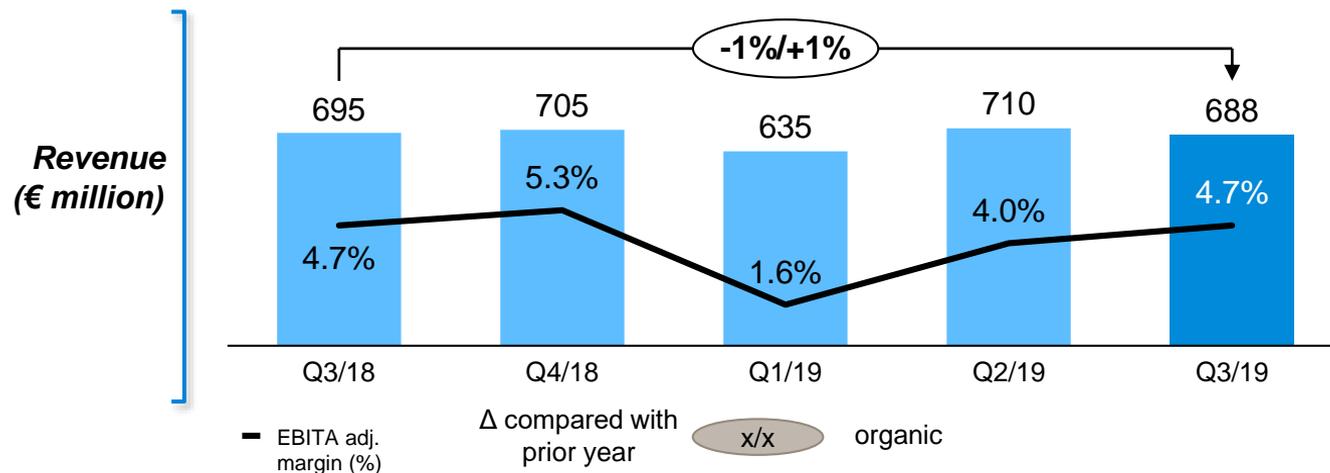
### Adjusted selling and administrative expenses (€ million)



■ Adjustments ■ Reported

# Segment E&M Europe: continued sound performance

## Development of revenue and profitability



- Orders received**  
 -2% below prior-year quarter (org.: +0%), major framework contracts to be prolonged in Q4 / currently not reflected in orders received
- Book-to-bill: 0.9**
- Revenue**  
 -1% (org.: +1%), stable development on already good level
- Adjusted EBITA**  
 Adjusted EBITA and margin both on good prior-year level

**Book-to-bill ratio**

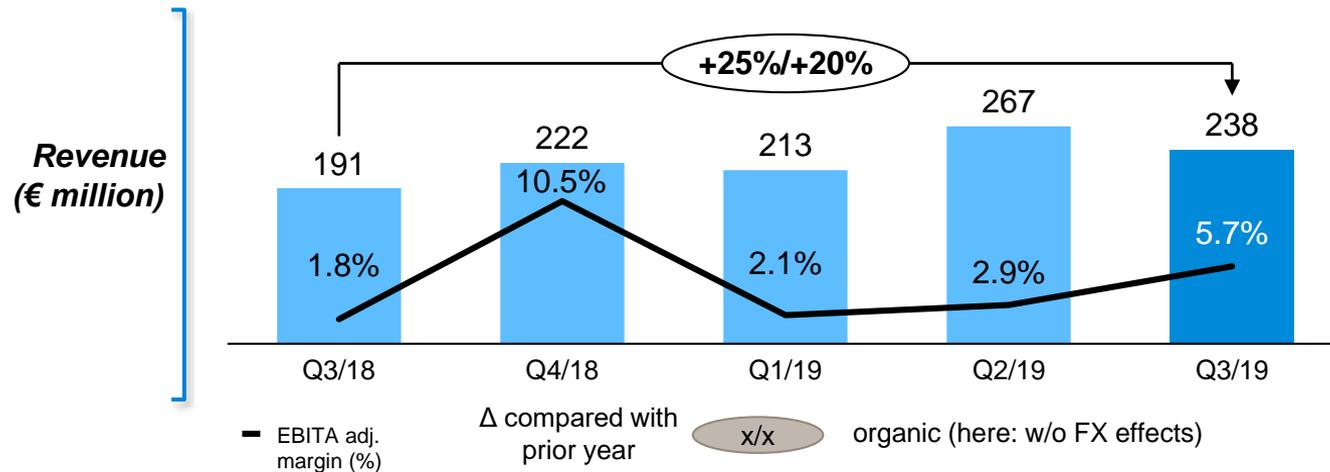


**EBITA adj. (€ million)**



# Segment E&M International: strong revenue growth, considerable margin improvement

## Development of revenue and profitability



**Book-to-bill ratio**



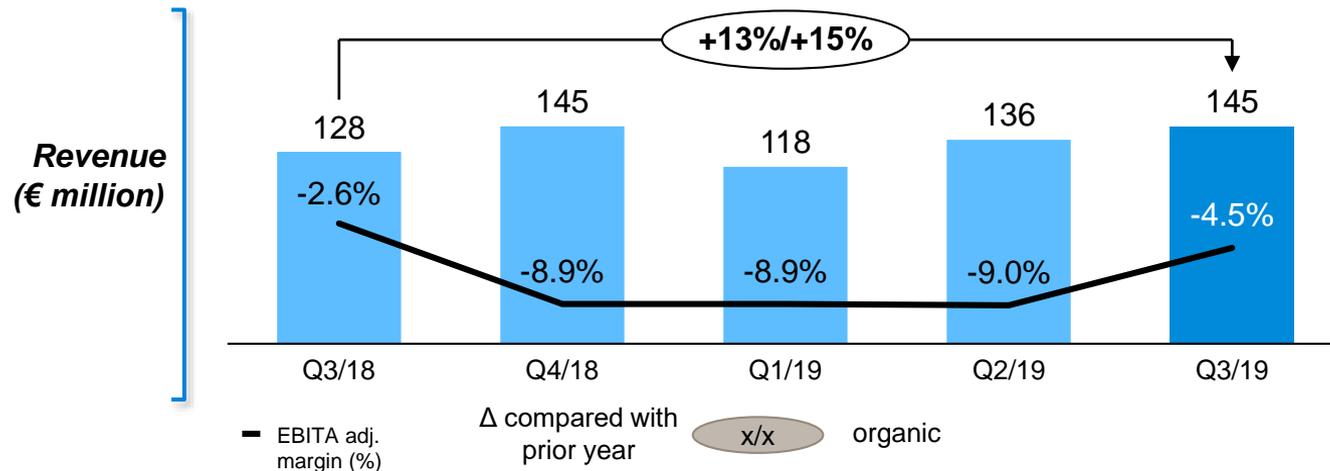
**EBITA adj. (€ million)**



- **Orders received**  
+2% (org.: -3%) slightly above prior-year quarter based on project expansions
- **Book-to-bill:** 0.9; <1 also due to project timing
- **Revenue**  
Continued strong revenue growth of +25% (org.: +20%) especially due to strong project execution in North America
- **Adjusted EBITA**  
Increase through growth and considerable margin improvement (5.7% against 1.8%)

# Segment Technologies: sustained positive revenue trend, sequentially improving but negative adjusted EBITA, positive Q4 expected

## Development of revenue and profitability



**Book-to-bill ratio**



**EBITA adj. (€ million)**

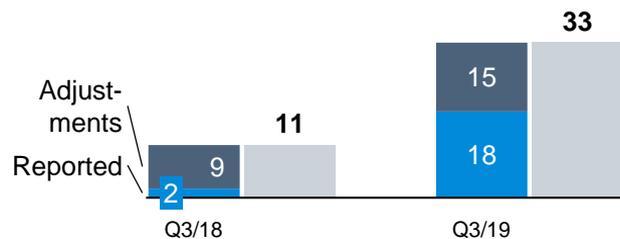


- Orders received**  
 -61% (org.: -62%) below prior-year quarter due to project timing and the careful selection of new projects
- Book-to-bill**  
 At 0.6, continued focus on profitability improvement and execution
- Revenue**  
 +13% (org.: +15%) increase based on good order backlog
- Adjusted EBITA**  
 Still negative; positive EBITA contribution expected in the fourth quarter. One-time effect of -€4 million: unexpected judgement by the German High Court (BGH) that revoked an arbitration award from 2017 (work executed in 2011)

# Operating and free cash flows positive and above prior year

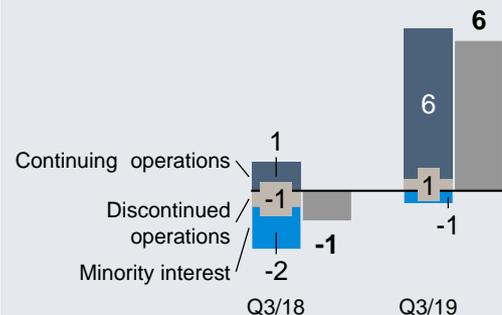
## DSO improved y-o-y with higher portion of receivables already invoiced

### Adjusted operating cash flow<sup>1)</sup> (€ million)



<sup>1)</sup> Adjustments correspond to EBITA adjustments, Q3 2019 includes +€9m from IFRS 16

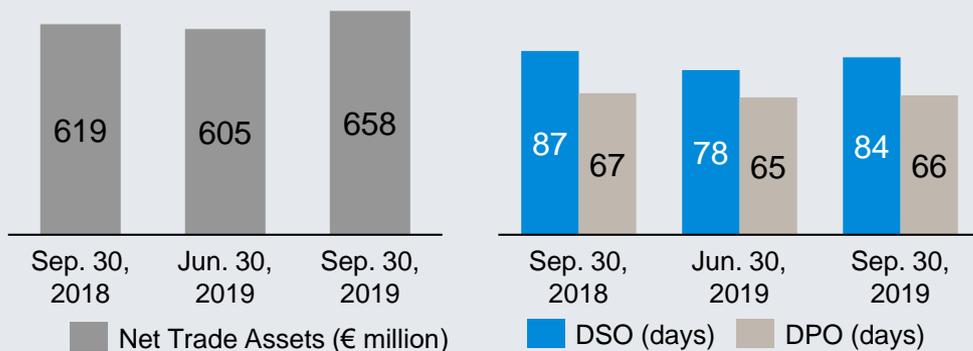
### Net profit (€ million)



### Adjusted net profit (€ million)

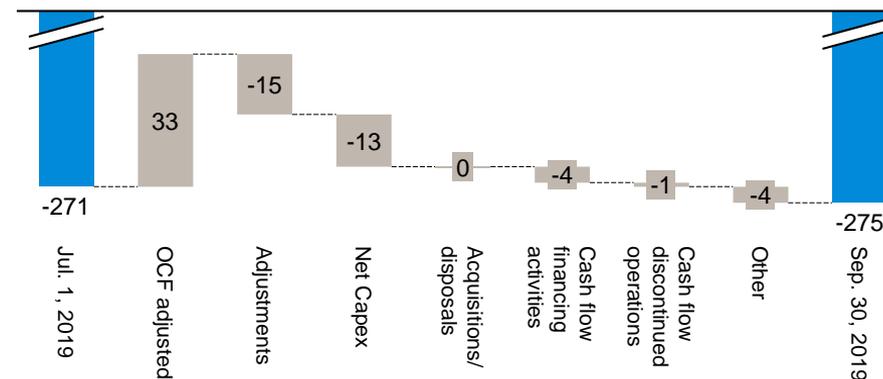


### Net Trade Assets



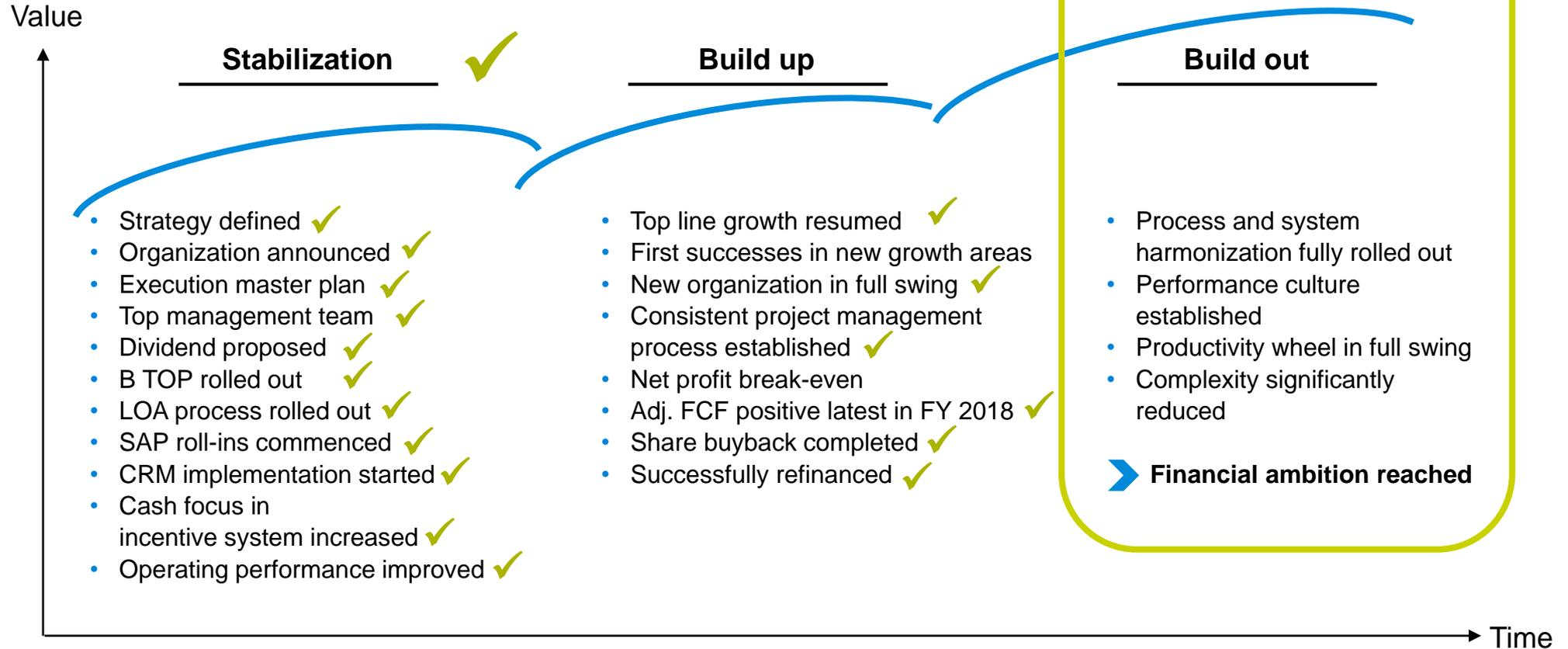
DSO: Trade receivables + WIP – advance payments received, DPO: Trade payables

### Net liquidity (€ million)



# Bilfinger 2020

Build-up phase on track / Build-out phase starts in 2020



## Outlook 2019 reaffirmed, significant margin improvement in 2020

<i>in € million</i>	Actual FY 2018	Expected FY 2019	Indications FY 2020 (organic)
<b>Revenue</b>	4,153	Mid single-digit organic growth	Stable with focus on higher margins
<b>EBITA adjusted</b>	65	Significant increase to more than €100 million	~4% margin
<b>Free Cash Flow reported</b>	-4	Positive <sup>1)</sup>	Positive

- Continued divestment of non-core and low-margin business
- Seeking accretive acquisition opportunities
- Will support delivery of the generally confirmed target of a 5% adjusted EBITA margin
- This is only expected to be achieved towards the end of 2020 on a going forward basis

<sup>1)</sup> Notwithstanding IFRS16 effect: break-even

**Quarterly Statement Q3 2019**  
**Financial backup**

# Segment development Q3 2019

	Technologies			E&M Europe			E&M International			Reconciliation Group						Group		
	HQ / Consolidation / Other			OOP														
<i>in € million</i>	Q3 2019	Q3 2018	Δ in %	Q3 2019	Q3 2018	Δ in %	Q3 2019	Q3 2018	Δ in %	Q3 2019	Q3 2018	Δ in %	Q3 2019	Q3 2018	Δ in %	Q3 2019	Q3 2018	Δ in %
Orders received	88	223	-61%	618	628	-2%	207	203	2%	-1	-8	92%	86	58	47%	997	1,105	-10%
Order backlog	408	500	-18%	1,703	1,652	3%	412	550	-25%	-5	-20	77%	101	146	-31%	2,620	2,828	-7%
Revenue	145	128	13%	688	695	-1%	238	191	25%	-4	-7	43%	33	45	-28%	1,101	1,052	5%
Investments in P,P&E	1	1	-36%	11	11	3%	2	1	77%	0	2	-80%	0	3	-89%	15	18	-17%
Increase in right-of-use assets	1	0	-	5	0	-	2	0	-	1	0	-	0	0	-	9	0	-
Depreciation	-2	-1	-104%	-17	-10	-80%	-3	-1	-119%	-5	-2	-138%	-1	-3	72%	-28	-17	-67%
Amortization	0	0	0%	0	0	18%	-1	-1	-5%	0	0	0%	0	0	-	-1	-1	2%
EBITDA adjusted	-5	-2	-91%	50	43	17%	17	5	249%	-1	-8	85%	1	2	-30%	62	39	59%
EBITA	-7	-9	24%	29	33	-12%	14	3	296%	-11	-14	23%	1	-1	-	25	11	116%
EBITA adjusted	-7	-3	-95%	32	33	-2%	14	3	300%	-6	-10	42%	1	-1	-	34	22	53%
EBITA-margin adjusted	-4.5%	-2.6%		4.7%	4.7%		5.7%	1.8%		-	-		1.6%	-2.0%		3.1%	2.1%	

## P&L (1/2)

<i>in € million</i>	Q3 2019	Q3 2018	Δ in %
Revenue	1,101	1,052	5%
Gross profit	112	100	13%
Selling and administrative expense	-89	-95	7%
Impairment losses and reversal of impairment losses according to IFRS 9	-3	1	-
Other operating income and expense	-1	3	-
Income from investments accounted for using the equity method	4	2	70%
<b>EBIT</b>	<b>24</b>	<b>10</b>	<b>130%</b>
<i>Amortization (IFRS 3)</i>	1	1	0%
<b>EBITA (for information only)</b>	<b>25</b>	<b>11</b>	<b>116%</b>
<i>Special items in EBITA</i>	10	11	-11%
<b>EBITA adjusted (for information only)</b>	<b>34</b>	<b>22</b>	<b>53%</b>

+5%, organically +7%

Depreciation of property, plant and equipment and amortization of intangible assets of -15 (prior year -17), amortization on right-of-use assets (IFRS 16) of -13 (prior year 0), in total -28 (prior year -17)

Currency effects of -1

## P&L (2/2)

<i>in € million</i>	Q3 2019	Q3 2018	Δ in %
<b>EBIT</b>	24	10	130%
Financial result	-10	-1	-573%
<b>EBT</b>	14	9	55%
Income taxes	-7	-8	7%
<b>Earnings after taxes from continuing operations</b>	6	1	442%
<b>Earnings after taxes from discontinued operations</b>	1	-1	-
Minority interest	-1	-2	71%
<b>Net profit</b>	6	-1	-
<b>Adjusted net profit<sup>1)</sup></b>	17	12	35%
Average number of shares (in thousands)	40,291	41,182	
Earnings per share (in €)	0.16	-0.03	
thereof from continuing operations	0.15	-0.01	
thereof from discontinued operations	0.01	-0.02	

Interest result below prior year due to absence of interest from VCN Apleona (-3) and negative carry from refinancing (-3), interest on leases IFRS 16 (-1)

No capitalization of losses in German tax group of the SE

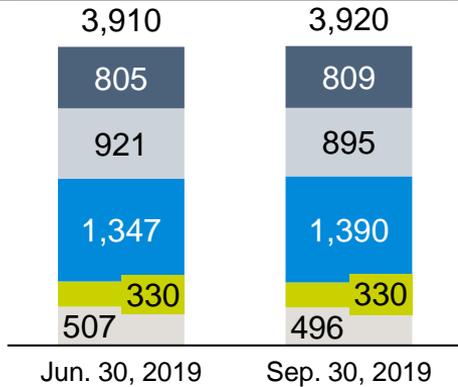
In addition to the special items in EBITA, the financial result and taxes are also adjusted

<sup>1)</sup> from continuing operations

# Special items

<i>in € million</i>	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019
<b>EBITA</b>	11	-6	-7	-3	3	25
Disposal losses/gains, write-downs, selling-related expenses	0	21	17	-7	1	1
Compliance	-1	2	9	0	0	-1
Restructuring, extraordinary depreciations	7	11	22	0	2	1
IT investments	5	9	24	6	11	8
<b>Total adjustments</b>	11	43	72	-1	15	9
<b><i>EBITA adjusted</i></b>	22	37	65	-4	17	34

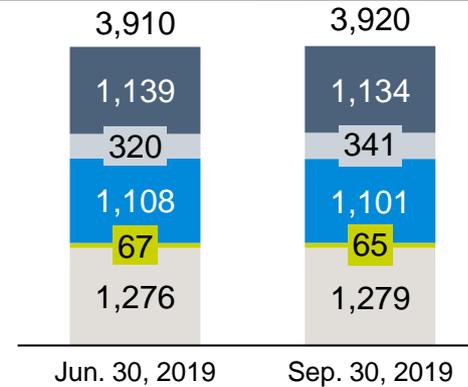
# Balance Sheet – Overview of Assets and Liabilities



- Intangible assets
- Other non-current assets
- Current assets
- Marketable securities
- Cash and equivalents

1%  
-3%  
3%  
0%  
-2%

as compared to  
Jun. 30, 2019



- Equity
- Pension provisions
- Financial debt
- Other non-current liabilities
- Current liabilities

0%  
7%  
-1%  
-3%  
0%

as compared to  
Jun. 30, 2019

**Goodwill** increases slightly to 801 (06/19: 796) due to currency effects.

**Non-current assets** include PPN Apleona 240, property, plant and equipment 307, according to IFRS 16 right-of-use assets from leases 230, deferred tax assets 81.

**Marketable securities** with 330 in call and time deposits.

## Stable equity ratio.

**Pension provisions:** Further increase due to declining euro interest rate (1.0% to 0.6%).

**Financial debt** relates to bond 12/2019 with 500, bond 06/2024 with 250, SSD with 123 and leases with 228.

**Other non-current liabilities** includes deferred tax assets of 41.

**Current liabilities** include payments received 160

# Consolidated Balance Sheet: Assets

<i>in € million</i>	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
<b>Non-current assets</b>			
Intangible assets	808.7	803.9	807.1
Property, plant and equipment	307.3	324.0	364.1
Right-of-use assets from leases	229.5	0.0	0.0
Investments accounted for using the equity method	19.7	34.9	30.0
Other financial assets	257.5	376.7	373.4
Deferred taxes	81.2	74.9	82.5
	<b>1,703.9</b>	<b>1,614.4</b>	<b>1,657.1</b>
<b>Current assets</b>			
Inventories	57.3	61.7	81.2
Receivables and other financial assets	1,242.2	1,102.3	1,229.6
Current tax assets	29.8	22.8	21.6
Other assets	60.6	50.6	57.4
Marketable securities	330.1	120.0	120.0
Cash and cash equivalents	495.7	453.8	353.9
Assets classified as held for sale	0.0	50.4	0.0
	<b>2,215.7</b>	<b>1,861.6</b>	<b>1,863.7</b>
<b>Total</b>	<b>3,919.6</b>	<b>3,476.0</b>	<b>3,520.8</b>

# Consolidated Balance Sheet: Equity & liabilities

<i>in € million</i>	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
<b>Equity</b>			
Equity attributable to shareholders of Bilfinger SE	1,146.5	1,217.6	1,251.9
Attributable to minority interest	-12.5	-12.9	-14.2
	<b>1,134.0</b>	<b>1,204.7</b>	<b>1,237.7</b>
<b>Non-current liabilities</b>			
Provisions for pensions and similar obligations	341.0	288.2	292.0
Other provisions	24.2	24.6	25.1
Financial debt	551.7	10.8	508.4
Other liabilities	0.2	0.1	0.0
Deferred taxes	40.7	39.4	46.2
	<b>957.8</b>	<b>363.1</b>	<b>871.7</b>
<b>Current liabilities</b>			
Current tax liabilities	45.6	33.8	33.3
Other provisions	298.1	383.6	399.6
Financial debt	548.8	501.6	2.2
Trade and other payables	722.0	750.5	765.0
Other liabilities	213.3	212.7	211.3
Liabilities classified as held for sale	0.0	26.0	0.0
	<b>1,827.8</b>	<b>1,908.2</b>	<b>1,411.4</b>
<b>Total</b>	<b>3,919.6</b>	<b>3,476.0</b>	<b>3,520.8</b>

# Consolidated Statement of Cash Flows

	9m		Q3	
<i>in € million</i>	2019	2018	2019	2018
<b>Cash flow from operating activities of continuing operations</b>	<b>-95.8</b>	<b>-99.1</b>	<b>18.2</b>	<b>1.9</b>
- Thereof special items	-49.7	-46.1	-14.5	-9.2
- Adjusted cash flow from operating activities of continuing operations	-46.1	-53.0	32.7	11.1
<b>Net cash outflow for P,P&amp;E and intangible assets</b>	<b>-36.9</b>	<b>-42.2</b>	<b>-13.1</b>	<b>-16.8</b>
<b>Free cash flow from continuing operations</b>	<b>-132.7</b>	<b>-141.3</b>	<b>5.1</b>	<b>-14.9</b>
- Thereof special items	-49.7	-46.1	-14.5	-9.2
- Adjusted free cash flow from continuing operations	-83.0	-95.2	19.6	-5.7
<b>Payments made / proceeds from the disposal of financial assets</b>	<b>143.2</b>	<b>-1.0</b>	<b>-0.1</b>	<b>0.6</b>
<b>Investments in financial assets</b>	<b>0.0</b>	<b>-0.7</b>	<b>0.0</b>	<b>-0.4</b>
<b>Changes in marketable securities</b>	<b>-209.7</b>	<b>27.4</b>	<b>0.0</b>	<b>27.4</b>
<b>Cash flow from financing activities of continuing operations</b>	<b>285.8</b>	<b>-131.2</b>	<b>-15.1</b>	<b>-29.6</b>
- Share buyback	0.0	-85.0	0.0	-27.5
- Dividends	-42.9	-43.8	-0.7	-0.1
- Repayment of financial debt / borrowing	339.0	-0.7	-11.3	-1.8
- Interest paid	-10.3	-1.7	-3.1	-0.2
<b>Change in cash and cash equivalents of continuing operations</b>	<b>86.6</b>	<b>-246.8</b>	<b>-10.1</b>	<b>-16.9</b>
<b>Change in cash and cash equivalents of discontinued operations</b>	<b>-48.5</b>	<b>-15.5</b>	<b>-1.2</b>	<b>-8.0</b>
<b>Change in value of cash and cash equivalents due to changes in foreign exchange rates</b>	<b>0.5</b>	<b>-1.2</b>	<b>0.1</b>	<b>-0.2</b>
<b>Change in cash and cash equivalents</b>	<b>38.6</b>	<b>-263.5</b>	<b>-11.2</b>	<b>-25.1</b>
Cash and cash equivalents at January 1 / July 1	453.8	617.1	506.9	379.0
Change in cash and cash equivalents of assets classified as held for sale	3.3	0.3	0.0	0.0
<b>Cash and cash equivalents at September 30</b>	<b>495.7</b>	<b>353.9</b>	<b>495.7</b>	<b>353.9</b>

# Valuation net cash / net debt

<i>in € million</i>	Sep. 30, 2019	Jun. 30, 2019
Cash, cash equivalents and marketable securities	826	837
Financial debt	-873	-873
Leasing liabilities (IFRS 16)	-228	-235
<b>Net cash (+) / net debt (-)</b>	<b>-275</b>	<b>-271</b>
Pension provisions	-341	-320
Financial assets (Apleona PPN)	240	240
Future cash-out special items <sup>1)</sup>	~ -5	~ -20
Further intra-year working capital swing	-	-
<b>Valuation net cash (+) / net debt (-)</b>	<b>~ -380</b>	<b>~ -370</b>

Bond 12/2019 with 500, Bond 06/2024 with 250, SSD with 123

Discount rate decreased from 1.0% to 0.6%

<sup>1)</sup> Not yet reflecting the provisions of new SG&A program, announced November 13, 2019

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