



BILFINGER

Press Release

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Significant improvements in project management introduced, positive and negative earnings effects in Q2 from legacy projects

- Since the beginning of 2017: Significant improvement to project management processes
- Q2:
 - Legacy projects in USA lead to a burden on adjusted EBITA of approximately €55 million
 - Positive effect of about €60 million from legal dispute in Qatar
 - Positive and negative effects: Balanced impact on net profit
 - Other business development in line with expectations
- Outlook 2017: Adjustment to adjusted EBITA, Group orders received and output volume confirmed
- Share buyback program: Plans unchanged

Since the beginning of the year, the Executive Board of Bilfinger SE has initiated important steps that will lead to sustainable improvement in project management. These include, among other things, a binding risk classification, risk-based approval levels and regular project discussions at Executive Board level. Improving project management processes is a focus of the current stabilization phase of Strategy 2020.

Tom Blades: "We have significantly enhanced our risk management. Improved project selection, improved execution, regular risk analysis. We also want to ensure that we are always cash positive in the project

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Bilfinger is a leading international industrial services provider. The Group enhances the efficiency of assets, ensures a high level of availability and reduces maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, assembly, maintenance, plant expansion as well as turnarounds and also includes environmental technologies and digital applications.

The company delivers its services in two business segments: Engineering and Technologies and Maintenance, Modifications & Operations. Bilfinger is primarily active in the regions Continental Europe, Northwest Europe, North America and the Middle East. Process industry customers come from sectors that include chemicals & petrochem, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. With its 37,000 employees, Bilfinger upholds the highest standards of safety and quality and generated an output volume of about €4.2 billion in financial year 2016.



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phase. At the same time, we are resolutely working through legacy projects.”

Positive earnings effect: In the second quarter of 2017, there was a positive development in connection with a long-standing legal dispute in Qatar. The dispute relates to construction of the Doha Expressway. Bilfinger is owed approximately €60 million from this legacy project, an amount the customer has now paid into a joint-venture account. This will have a positive effect in the full amount on second quarter earnings from discontinued operations.

Negative earnings effect: In the second quarter, project provisions were established for a small number of legacy projects in the USA. These will burden adjusted EBITA in the amount of approximately €55 million.

The claims against the customers, which in Bilfinger’s view are justified, will be pursued further. These projects originate from the period prior to the introduction of the new project management processes. The Executive Board believes that sufficient balance sheet provisions have thus been made for risks from legacy projects.

Klaus Patzak: “We have bundled the project business in the Engineering & Technologies segment. As a result, we are able to introduce the new processes quickly throughout the Group. It is of utmost importance that risks are made transparent in the phase prior to bid submission and that they are objectively assessed to ensure reasonable proportionality to the expected margin.”

All other **business development in the second quarter** was in line with expectations: Organic development of orders received was stable compared to the previous year. There was only a slight organic decline



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in output volume, adjusted EBITA would have been positive without the project charges.

For **full-year 2017**, instead of the forecast margin increase of about 100 basis points, Bilfinger now expects adjusted EBITA to break even (financial year 2016: €15 million). In the Engineering & Technologies segment, contrary to the previous forecast, adjusted EBITA will be at the level of the previous year.

Net profit and liquidity: As a result of the positive effect from the legacy project in Doha (Qatar) in discontinued operations, the negative effects are offset.

The **outlook 2017** for Group output volume and orders received has been confirmed. **Mid-term goals** remain unchanged. The **share buyback program** will therefore begin as planned in the fall of 2017 – in the maximum amount of €150 million.