Press Release

November 13, 2019

Bilfinger reports 2019 third quarter financial results:

Bilfinger making steady progress, streamlining management structure

- **Market:** underlying markets stable
- **Orders received €1bn/-7% org.:** timing issues
- **Revenue €1.1bn/+7% org.:** continued growth
- **Adjusted EBITA €34m/3.1% margin:** significant year-on-year improvement
- **Reported net profit €6m:** positive in quarter and year-to-date
- **Free cash flow reported €5m:** 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 expected in 2020

Industrial services provider Bilfinger continues improving its profitability and cash generation. Market demand remains stable at a high level despite the challenging global economic environment. Revenue growth remains positive, while the adjusted EBITA margin improved significantly compared to the prior year quarter. Net profit and free cash flow reported were positive. The Company anticipates significant further development in the fourth quarter.

Bilfinger reaffirms the outlook for 2019, and first indications for 2020 confirm significant further improvement in the adjusted EBITA margin.

Bilfinger announces that it will now transition its headquarters' role from 'strategic operator' to 'strategic architect'. This will increasingly empower the operating entities who will enjoy more entrepreneurial and decision-making freedom. Consequently, Bilfinger will reduce headquarter staff, simplify the E&M division structure in Europe and reassign certain support functions. In doing so, Bilfinger expects to reduce its German based group SG&A and IT headcount by about 200 people.

CEO Tom Blades: "Over the last three years we have for various reasons needed to operate a very centralistic management regime. Today, with the maturity of the organization and now that

HSE, compliance and risk management processes have become engrained in our culture, it is time to let the customer facing entities drive the business forward."

Bilfinger expects that the combined effect will reduce SG&A already in the coming year by over €30 million.

In summary, the specific measures include:

- Reduction from 4 to 3 Executive Board members
- Reduction of HQ staff by 40%
- Elimination of one management level in E&M Europe
- Shortened decision lines
- Transfer of responsibilities from HQ to the operating entities
- Increased level of authority (LoA) at operating entities
- Leaner upward reporting from operating entities

Tom Blades added: "Our third quarter results attest to the fact that we continue to make steady progress in delivering to our strategy. Moreover, we remain committed to fully achieving our strategic goals through a combination of SG&A efficiency and top line performance improvements. What we are doing now preserves our governance yet will empower the operating entities to continue delivering revenue and margin growth. It puts Bilfinger back on the pathway towards a performance and profit oriented culture."

Revenue continued to grow by 5% to €1,101 million (prior year: €1,052 million). Organic revenue growth was 7%. The gross margin increased from 9.5% to 10.2% and the adjusted SG&A ratio improved further to 7.6% (prior year: 8.6%) dipping below the current run-rate of 8.2%. As a result, adjusted EBITA improved significantly reaching €34 million (prior year: €22 million). This corresponds to a margin of 3.1% against 2.1% in the prior-year period.

Orders received were below the prior-year level (€1,105 million), amounting to €997 million due to project timing issues in the US and UK (i.e. Hinkley Point) as well as a current prioritization on execution over acquisition in underperforming entities. Accordingly, the book-to-bill ratio stands at 0.9 in the third quarter.

Engineering & Maintenance Europe segment

Engineering & Maintenance (E&M) Europe once again delivered a sound revenue and result performance. Orders received were stable at €618 million (prior year: €628 million), as were revenues, at €688 million (prior year: €695 million). Two major framework contracts are in final negotiations for renewal by the end of this year, i.e. recognition of the related orders is still pending, with the corresponding upside potential in the fourth quarter. Adjusted EBITA was stable at €32 million (prior year: €33 million) with an unchanged margin of 4.7%. The positive North Sea offshore business and an increased number of turnarounds in our European markets contributed to the solid margin. Here in particular the company is successfully rolling out its Bilfinger Turnaround Concept across a growing number of countries.

Engineering & Maintenance International segment

Engineering & Maintenance (E&M) International demonstrated positive revenue and result performance, especially in the North America division, with major projects in this market progressing particularly well.

Orders received were stable at a sustained level of €207 million (prior year: €203 million) based on project expansions, while revenue increased significantly from €191 million in the prior year to €238 million. Adjusted EBITA rose considerably to €14 million (prior year: €3 million) with a particularly good margin of 5.7% (prior year: 1.8%).

Technologies segment

Technologies (T) delivered a sustained positive revenue trend with an increase to €145 million (prior year: €128 million). Orders received declined to €88 million (prior year: €223 million) due to project timing, especially in the UK and continued discriminatory selection of new projects in entities that are currently underperforming.

An unexpected judgement by the German High Court (BGH) that revoked an arbitration award from 2017 (work executed in 2011) resulted in an EBITA burden of -€4 million in the third quarter. Including this effect, adjusted EBITA stood at -€7 million (prior year: -€3 million) – still negative but with a sequential improvement against the prior three quarters. Bilfinger expects a positive EBITA contribution in the fourth quarter due to specific measures introduced in the first half of the year.

Net profit and free cash flow positive in Q3
Net profit increased to €6 million (prior year: -€1 million) despite a lower financial result. Free cash flow reported increased to €5 million (prior year: -€15 million). A further significant inflow of cash is expected for Q4 2019 because of seasonality and ongoing initiatives related to working capital improvement.

Outlook 2019 and first indications for 2020
Bilfinger has retained its outlook for 2019. The Group forecasts organic revenue growth in the mid-single digit percentage range (2018: €4,153 million). For adjusted EBITA (2018: €65 million), the Group anticipates a significant increase to more than €100 million. In terms of reported free cash flow, Bilfinger expects a positive figure (2018: -€4 million).

As a first indication for 2020, Bilfinger is planning an organically stable revenue level on the basis of a more selective focus on higher-margin contracts as well as order conversion delays from some key contracts.

A leaner operating model and the planned headcount reductions will ultimately reduce the annual SG&A run-rate to below €300 million by 2021. In this context, the company will make provisions of ~€40 million in 2019 and 2020. Total 2020 SG&A savings will exceed €30 million contributing to the Company's 2020 planning for an adjusted EBITA margin of approximately 4%, in line with the expectations of the capital markets.

Bilfinger will continue to divest non-core and low-margin business and seek accretive acquisition opportunities to support delivery of the generally confirmed target of a 5% adjusted EBITA margin. However, this is only expected to be achieved towards the end of the coming year on a going forward basis.

Positive free cash flow generation will continue to be a priority in 2020.

Further details on expectations for 2020 and the following years, including a mid-term guidance, will be communicated on the next Annual Press Conference and Capital Markets Day (February 13, 2020), when the preliminary figures for financial year 2019 will also be reported.

Key figures for the Group

in € million

	Q3			FY
	2019	2018	Δ in %	**2018**
Orders received	**997**	1,105	-10 (org: -7)	**4,459**
Order backlog	**2,620**	2,828	-7 (org: -5)	**2,818**
Revenue	**1,101**	1,052	5 (org: 7)	**4,153**
Adjusted EBITDA	**62**	39	59	**130**
Adjusted EBITA	**34**	22	53 (org: 57)	**65**
Adjusted EBITA margin (in %)	**3.1**	2.1		**1.6**
EBITA	**25**	11	116	**-7**
Adjusted net profit	**17**	12	35	**36**
Adjusted earnings per share (in €)	**0.42**	0.30	40	**0.87**
Net profit	**6**	-1		**-24**
Operating cash flow	**18**	2	870	**50**
Adjusted operating cash flow	**33**	11	197	**110**
Free cash flow	**5**	-15		**-4**
Adjusted free cash flow	**20**	-6		**56**
Capital expenditure on P, P & E	**15**	18	-17	**66**
Employees (number at reporting date)	**35,214**	35,925	-2	**35,905**

Additional Information
The quarterly statement Q3 2019 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 13, 2019*
Time:	*10:00 AM CET*
Phone number:	***+49 69 201 744 220***

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