Annual General Meeting of Bilfinger SE
on Wednesday, June 24, 2020, 10.00 a.m.
Audio and video broadcast from corporate headquarters in Mannheim

Statement by Tom Blades, Chairman of the Executive Board

Please check against delivery

Dear Shareholders,
dear Employees,
Ladies and Gentlemen,

I, too, would like to warmly welcome you on behalf of the entire Executive Board to our Annual General Meeting, which is being held “virtually” this year.

I’m sure this kind of Annual General Meeting is just as unusual for most of you as it is for us here in the conference suite at Bilfinger’s corporate headquarters in Mannheim.

However, we are pleased that German legislation has been passed in light of COVID-19 allowing us to hold this year’s Annual General Meeting in this way. The law enables us to act responsibly by avoiding a large gathering of people, thus protecting the health of our shareholders and of the many employees and service providers involved in the Annual General Meeting. I am therefore delighted that you have chosen to join our Annual General Meeting in this form.

First, I would like to report on how Bilfinger’s business developed in financial year 2019. I will then go on to briefly outline the impact on our company of the COVID-19 pandemic and the oil price shock in 2020. In conclusion, I will discuss how we are positioning Bilfinger strategically to achieve our goals in the years ahead.

Ladies and Gentlemen,

Bilfinger made further substantial progress in financial year 2019. Group revenue grew by 4 percent to €4.3 billion, thanks also to robust market demand. Organically, revenue increased by 6 percent. This means we achieved the revenue target we had set for 2019. As the award of some major contracts – particularly for the construction of the new Hinkley Point C nuclear power plant – was shifted from 2019 to 2020, orders received were below the prior-year level at around €4.2 billion.

In 2019, we also achieved our target for improving earnings. Adjusted EBITA grew strongly to €104 million, an increase of 60 percent on the prior-year level of €65 million. This corresponds to an adjusted EBITA margin for the Group of 2.4 percent, compared with 1.6 percent in the prior-year period.

Ladies and Gentlemen,

A key factor in our improved earnings in 2019 was the reduction in our selling and administrative expenses. As part of the strategic repositioning of Bilfinger in 2017, we adopted targeted efficiency measures in order to reduce our operating costs. We have made great progress in harmonizing our IT landscape, especially in the areas of accounting and HR. We have standardized structures and eliminated duplicate functions. Moreover, our compliance costs have declined substantially following the successful conclusion of the Deferred Prosecution Agreement with the US Department of Justice. As a result of these measures, Bilfinger is today in a far stronger position to handle crisis situations than it was just a few years ago. We will resolutely continue these efforts. In 2019, our adjusted selling and administrative expenses amounted to 8 percent of our revenue, meaning that we achieved the target ratio for 2019. In the medium term, we are aiming to further reduce this ratio to below 7 percent.

We also intend to substantially increase the gross earnings margin of our operating business in the future. After an almost unchanged value of 9.5 percent in 2019, we are seeking a clear improvement to more than 12 percent in the years ahead – in a normalized economic environment.

Net profit improved significantly in 2019 to €24 million. For the first time since 2016, we achieved positive net profit again. Adjusted net profit increased to €49 million.

We were also able to improve liquidity in 2019. This means we have achieved an important objective of our second strategy phase – the build-up phase. Operating cash flow has grown significantly to €110 million. Free cash flow improved to €57 million.

Ladies and Gentlemen,

Let me now take a quick look at the development of our three segments.

E&M Europe (Engineering & Maintenance) delivered sound revenue and earnings performance in financial year 2019. Orders received decreased organically by 5 percent to €2.7 billion from a comparatively high prior-year level. Revenue came to €2.7 billion, representing organic growth of 2 percent. Adjusted EBITA stood at €101 million with a virtually stable margin of 3.7 percent.

E&M International posted especially positive revenue and earnings performance. This was notably the case in the North America region, where a number of major projects were in the completion phase. Orders received increased to around €850 million. Adjusted EBITA also rose considerably to €42 million with a respectable margin of 4.6 percent.

Technologies likewise grew revenue, delivering around €540 million. Orders received declined to about €460 million, due in part to the shift in the award of major projects such as Hinkley Point and BP Pipe Racks to 2020. Moreover, this segment includes entities whose performance was worse than expected. Here, the solid completion of existing projects was expressly given priority over the acquisition of new orders.

With an adjusted EBITA of minus €28 million, Technologies was unable to meet the expectations of a substantial improvement on the prior year. We have initiated measures in this segment that were already beginning to show a structural impact in the fourth quarter of 2019, when adjusted EBITA was slightly above break-even. In 2019, we already established provisions for additional restructuring measures in the current financial year.

In this connection, it is important to me to highlight another great success of the past financial year: the ongoing improvement in occupational safety. High occupational safety standards are an increasingly significant factor in the award of contracts. While our performance had already been very good in previous years, we managed to achieve a further dramatic reduction in the number of work-related accidents in 2019.

This is a fantastic success. In the industries in which we operate, we rank among the service providers with the best occupational safety standards. Time and again, we receive awards from our customers because accidents are comparatively rare in our operations.

Just as in matters of health and occupational safety, we also make no compromises when it comes to our integrity. Thanks to the great efforts we have made in the past years, our compliance system is exemplary. Today, we are reaping the rewards of the substantial investments we have made in our compliance structures. This, too, helps us to secure contracts and retain the loyalty of existing customers.

Let me summarize briefly. Despite strong headwinds, we have attained the targets we set for 2019:

- organic revenue growth in the mid-single-digit percentage range
  ➔ Target attained
- a substantial increase in adjusted EBITA to more than €100 million
  ➔ Target attained
- free cash flow at least at break-even
- ➔ Here too: target attained

However, these achievements are just milestones. We started financial year 2020 with great ambitions.

Ladies and Gentlemen,

We have all been impacted by what happened in the first months of 2020. Following a positive start to the year, Bilfinger, like others, was confronted with the effects of the COVID-19 pandemic. Since March, the resulting upheaval and restrictions have been compounded by the sharp drop in the oil price.

This has led to a substantial decrease in revenues in some of our entities, especially in our maintenance business for offshore oil and gas operations in the North Sea. Also impacted were our activities in countries that imposed lockdowns, such as Austria, France, Belgium and Poland.

In the first quarter, orders received increased organically by 11 percent to more than €1 billion.

We achieved this increase despite having to lower our expectations for existing framework agreements in the oil and gas business, necessitating a downward correction to the order backlog.

Group revenues declined to €915 million in the first quarter of 2020, due to poor performance in several entities in March. Our North Sea offshore activities out of Aberdeen and Stavanger were especially affected.

The underutilization of capacities depressed the gross margin to 7.4 percent. Selling and administrative expenses were reduced further, demonstrating once again the positive impact of our ongoing efficiency program. However, the adjusted ratio of selling and administrative expenses increased to 9.2 percent on account of the reduced revenues.

In the first quarter of 2020, the Group's adjusted EBITA decreased to minus €11 million. This operating loss meant that the Group posted a net loss of €24 million. It should, however, be pointed out that the positive prior-year figure was supported by several one-time effects. Free cash flow improved slightly to minus €93 million.

Ladies and Gentlemen,

When the coronavirus pandemic started, we began developing various scenarios ranging from worst case to best case. It was on this basis that our measures were decided and implemented.

Today, just a few days before the end of the second quarter, we can say that our expectations of business development this year, as communicated in May, have so far been correct. In the second quarter, we have been strongly impacted by the effects of the COVID-19 pandemic – compounded by the oil price drop. After business ground to a halt in many areas in April, it seemed that the downward trend had bottomed out in May – at least in our core market of Europe.

It now remains to be seen how the situation will develop in June and, above all, in the months ahead. We continue to anticipate a gradual recovery in the second half of the year. Yet revenues are likely to be lower than in the prior year, especially in our oil and gas industry activities. In addition, orders worth some €50 million that had already been placed, especially for turnaround projects, have now been postponed to next year. This should provide one of the cornerstones for substantial revenue growth in 2021.

The performance of the Bilfinger share reflects the development I have just described.

We started 2019 with a share price of €25.50. In February, it reacted very positively to our Capital Markets Day. Throughout the course of the year, the price showed relatively high volatility. By year-end, confidence on the capital market that Bilfinger would attain its goals for the year had firmed. Against this backdrop, our share price rose substantially, notably in the last quarter of 2019.

It closed the year on a high of more than €34.

In the first months of 2020, the COVID-19 pandemic coupled with the oil price shock had a severe impact on our share price. As you can see, Bilfinger was no more able to avoid the general decline in share prices than any of its internationally listed competitors.

Nevertheless, we succeeded in winning a number of major contracts in 2019 and in the first months of the new financial year. These include in particular several orders from EDF (Électricité de France) for the construction of the new Hinkley Point C nuclear power plant in the United Kingdom. After winning the first order in 2017, the collaboration has been continually expanded. Today, we are among the few selected Tier 1 suppliers for this project.

We are not only very proud of this position but anticipate it leading to further major orders going forward. Tier 1 suppliers are at the very top of the supplier pyramid, working with other Tier 1 suppliers to strategically steer the project and enjoying a particularly high level of trust from the customer. It is therefore highly likely that Bilfinger will be among the preferred suppliers for future EDF projects.

This is shown very impressively by the example of Hinkley Point C. The first order for planning work was worth €20 million. Another, for the construction of piping systems, was already worth €70 million. Two further orders for the nuclear steam supply system amounted to €265 million. The total value of our orders for Hinkley Point C now stands at more than €0.5 billion.

We will lay a total of 340 kilometers of pipes, with 800 employees working some 400,000 hours.

Ladies and Gentlemen,

Given the current environment, what measures are necessary in order to stabilize our company?

The first thing to note is that we have successfully worked in the past years to make our organization more efficient and more agile. That is why we are in a far better position today to master the challenges we are now facing. Bilfinger is more cost-efficient and leaner than ever before – and is thus able to act faster.

We initially responded to the strong decline in business activity and the resulting underutilization of capacities in the affected areas by reducing the number of temporary agency workers deployed.

In addition, we made use of state aid such as subsidies for furloughed employees where this was necessary. However, in those areas where the outlook is subdued in the longer term, we will be making more lasting reductions in our cost base. While this will result in higher special charges, it will also pave the way for a normalization of the situation going forward.

Under the current circumstances, there will be a special focus on planning and steering our liquidity. At the end of March, the Bilfinger Group had cash and cash equivalents totaling around €400 million. This amount has actually grown in recent weeks. The company also has a credit line of €300 million that can be utilized at any time.

Ladies and Gentlemen,

As I have already said, Bilfinger is today in a far better position than before. We have become more resilient and have the ability to recover faster from a crisis than we could in the past. The following current developments have contributed to this position:

- The contracts with our customers are not at risk; all contractually agreed activities will be implemented.
- Our order book situation has improved further as a result of major projects such as Hinkley Point and BP Pipe Racks.
- Today, we are achieving higher margins on our major orders than we did in the past.
- Our selling and administrative expenses have decreased at a faster pace than we initially planned.

- For the years ahead, we have identified market potential – especially in the energy sector – to fill the gaps left by declines in the oil and gas business.
- And lastly, we have sufficient liquidity – more than at the same time last year.

Nevertheless, given the current situation, we continue to face major uncertainties. We expect a significant decrease in revenues this year. This means in part substantially lower cash inflows and the underutilization of our capacities yet with ongoing running costs. That is why we acted early in implementing specific measures to safeguard our liquidity position as far as possible.

And, of course, we asked what each of us at Bilfinger could do individually to help stabilize the company in this difficult phase.

- My colleagues on the Executive Board and I have decided to forego 20 percent of our base remuneration for the second quarter.
- The members of the Supervisory Board have also agreed to a corresponding substantial reduction in their remuneration.
- At the same time, we have asked the top two management levels worldwide to forego ten percent of their base salary in the second quarter. In this, we have experienced a wave of solidarity. Within a very short space of time, the colleagues we spoke to have agreed to voluntarily forego a part of their salary. Additionally, many other employees have indicated their willingness to accept a voluntary reduction in their salaries, without being asked to do so. We on the Executive Board have been greatly impressed by this stance and are very proud of the Bilfinger team spirit it demonstrates.
- We have also encouraged employees to voluntarily take their vacation entitlement and reduce their overtime accounts. Here, too, there has been a very considerable willingness to contribute to reducing costs in these difficult times.

Ladies and Gentlemen,

It is the duty of the Executive Board and the Supervisory Board to take all appropriate measures to safeguard the continued existence of our company and ensure its long-term success. This is why, in light of the uncertainties I have described, we ask you today as per item 2 of the agenda for your approval to limit the dividend for financial year 2019 to the statutory minimum of 12 cents per share.

Proposing this reduction compared with our original dividend proposal has not been an easy decision to make. However, in the current overall situation, we believe it is imperative for us all to exercise our joint responsibility toward Bilfinger. It is important to note that the money will remain within the company.

Ladies and Gentlemen,

Let me now briefly say a few words about the other items on today's agenda.

Item 9 of the agenda proposes an amendment to Paragraph 19 of our Articles of Incorporation. The intention of this amendment is to enable you, our shareholders, to participate more easily in the Annual General Meeting in the future and to provide you with more flexible options for exercising your voting rights. Looking ahead, this means it would in principle be possible to participate in annual general meetings online and to vote by post. I would like to stress emphatically that this amendment to the Articles of Incorporation does not seek to replace face-to-face shareholder meetings. It is rather intended to offer you the option of participating in our Annual General Meeting either in person or via the Internet, as is already the case at many other companies. You will find details in the invitation to this Annual General Meeting.

Turning now to item 8 of the agenda. The Supervisory Board and Executive Board ask for your approval of a settlement agreement with former members of the Executive Board. Details of this matter are likewise contained in the invitation to today's Annual General Meeting. And Dr. Cordes has just explained the situation as well. I can add that the Executive Board has identified no breach of duty by the Supervisory Board in this regard, meaning that the settlement also brings this investigation to a close. The Executive Board is firmly convinced that, after consideration of all relevant facts, the proposed settlement is good for Bilfinger. We would therefore ask for your approval.

Ladies and Gentlemen,

I would now like to turn my attention back to our operating business and our expectations for the further course of financial year 2020.

We have carefully reviewed the current situation and analyzed a number of different scenarios. Based on this assessment, we have made the following assumptions for the rest of the year:

- We expect the greatest impact of the crisis to come in the second quarter, followed by a gradual recovery in the second half of the year.
- Drawing on the assumptions I just mentioned, our current revenue planning does not envision any further projects – other than major plant inspections – being shifted to 2021.
- Our adjusted EBITA planning is based on the assumption that government wage subsidies will continue to be paid for as long as the COVID-19 restrictions impact business in our main European markets.
- And lastly, our current planning for 2020 does not anticipate any significant recovery in the oil price.

Given these premises, we expect revenues for financial year 2020 to decrease by around 20 percent from the prior-year level of €4.3 billion. We also anticipate a substantial decline in adjusted EBITA from €104 million in 2019. However, we are assuming that we will deliver a positive adjusted operating profit in 2020.

We expect a substantial decline in revenues for E&M Europe and E&M International. Despite that, both segments are likely to make a positive contribution to earnings this year.

There will probably be a slighter decrease in revenues at Technologies. This segment reported a loss in 2019 due to legacy projects and a company undergoing transformation. We nevertheless expect Technologies to substantially improve earnings in 2020.

This means that, while we are anticipating a net loss for the Group, we continue to expect positive reported free cash flow in 2020. This is the result of the many measures we have taken in previous years, which are now paying off.

Ladies and Gentlemen,

Our company, like every other, is subject to external influences. The COVID-19 pandemic and the oil price trend currently show just how serious such influences can be.

Having said that, there are also significant global trends from which we may be able to profit going forward. They are the main reason for our optimistic outlook that Bilfinger will develop successfully in the medium term once conditions have normalized again. Our company is ideally positioned to benefit from some of the major global trends:

- Worldwide efforts to limit climate change will have the greatest significance in the long term. They are coupled with a rapidly growing awareness for sustainable management. We are currently seeing this very strongly among our customers. It applies in particular to hydrogen technology, which the German government is currently funding with €9 billion. Bilfinger is very confident that the company will play an influential role in this growth technology in the years ahead.
- Add to this that the industrial plants operated by our customers in our markets are getting older and older. Having been active in the industrial services market for decades, Bilfinger has unique expertise in analyzing the condition of plants, enhancing their efficiency and safeguarding their availability. Modernizing and extending the life of industrial plants make up our core business.
- At the same time, our customers in the process industry have started digitalizing their production processes and plants. Bilfinger invested in digitalization at an early stage and has built up high-performance teams and services in this field. In this way, we have carved out a promising position as a digitalization partner to the process industry.
- We are a service provider to our customers. The expertise and experience of our engineers, sales professionals and technical specialists form the backbone of our business. That means we view the widely deplored lack of skilled labor as more of an opportunity than a threat. Our company invests in its people and is one of the most attractive employers in its sector. This allows us to support our customers with what has become an increasingly scarce resource: highly qualified and motivated employees. So also in the future, we will continue to profit from the trend toward industrial outsourcing.

BILFINGER

We remain committed to our 2-4-6 formula: two service lines, four business units and six industries.

This structure – especially the division into two service lines – has proven successful:

- The Engineering & Maintenance service line encompasses the construction, maintenance, modification and operation of industrial plants. The combination of engineering and maintenance services has proven to be the right approach since there is growing demand from the process industry for this kind of combined services. At the same time, it allows us to deliver higher margins.
- The Technologies service line offers components for industrial plants. For example, we manufacture bioreactors, marine catalytic converters and plant components for the nuclear industry. The factors contributing to the success of Technologies are entirely different to those for Engineering & Maintenance. And yet both service lines address the same or very similar target groups.

In order to create even better conditions for profitable growth in the future, we gave the operating business at Engineering & Maintenance in Europe a more efficient setup at the start of this year. The existing three-level structure was replaced by an organization comprising just two levels and six regions, now reporting directly to the COO.

Our new management structure strengthens our operating units and enhances their business independence. A more decentralized organization and shorter decision lines allow the units to sharpen their competitive edge and so assume greater responsibility for the profitability of their business.

Ladies and Gentlemen,

COVID-19 and the recent drop in the oil price will undoubtedly impact our timeline for achieving individual milestones. But our managers have been quick to take the right steps. We are very proud of this achievement.

Christina Johansson and Duncan Hall, my colleagues on the Executive Board, and I are convinced that Bilfinger is well positioned to deliver on its targets for 2024.

We are very clear about our priorities for the short and medium term:

- We must adapt to the effects of the COVID-19 pandemic which will certainly be with us for some time longer – though hopefully with declining severity.
- We will protect our business and prepare for the oil price remaining low in the medium term.
- And we will continue to keep an eye out for growth opportunities based on the global trends I described earlier. Our specialist expertise puts us in a good position for future success.

Before the current crisis began, we had set ourselves ambitious medium-term targets. We remain committed to delivering on those targets. It goes without saying that a speedy normalization of the business environment is a key prerequisite for this to happen.

- Irrespective of the setback in this financial year, we aim to increase Bilfinger Group revenue to around €5 billion by 2024. We are well aware that this is an ambitious target requiring high growth rates in the years after 2020.
- We are also aiming to achieve an EBITA margin of 5 percent in 2024. This is based on reported earnings without adjustment for one-time effects.
- Other targets include a return on capital employed of between 8 and 10 percent and a free cash flow of more than €200 million – also without adjustment for one-time effects.

We remain committed to our normal dividend policy. In the medium term, provided the company develops as planned, the Supervisory Board and Executive Board will be seeking a payout to shareholders of between 40 and 60 percent of adjusted net profit. This, too, has been adopted as a target for 2024.

Ladies and Gentlemen,

I am confident that we will meet the challenges ahead of us. In 2019, we proved that we at Bilfinger can achieve success together. With great willpower, we were ultimately able to deliver on our ambitious targets.

Also on behalf of my colleagues on the Executive Board, I would like to thank all employees of the Bilfinger Group for their contribution to this achievement.

Their outstanding commitment is the cornerstone of our success.

The past weeks have been very demanding on our employees. Yet precisely in this special situation we have seen how well our team functions. Your willingness to accept personal restrictions, your discipline and your flexibility have been impressive. I sincerely thank you for this.

Dear Shareholders,

Christina Johansson, Duncan Hall and I are aware of the responsibility we have for you, too. I can assure you that we will do everything possible to steer Bilfinger toward a successful future. I would like to sincerely thank you for your trust in and loyalty to Bilfinger. Especially in the current situation, let us all look ahead with confidence.

Many thanks!