



BILFINGER

Bilfinger SE

Bilfinger SE Company Presentation

January 2019

Overview

Bilfinger at a glance

- **Leading international industrial services provider**
- **Efficiency enhancement of assets**, ensuring a **high level of availability** and reducing **maintenance costs**
- **Clear 2-4-6 strategy** with **two** service lines, **four** regions and **six** focus industries
- Combination of **CAPEX-driven** (E&T) and **OPEX-driven business** (MMO)
- Large share of business with long-term **frame contracts** and **high retention rates**
- **Well-established customer base** with focus on process industries
- **Highly recognized safety and quality** performance
- **Digital pioneer** for the process industry

€4bn revenue

thereof >60%
recurring business

Orders Received* +13%

€3.0m EBITA adjusted

Approx. 36,000 employees

*based on FY 2017 and *9m 2018*

Back to Profitable Growth

2 Service Lines, 4 Regions, 6 Industries

CMD 2017

Our ambition

**We engineer and deliver
process plant performance**

Where to play

2 Service Lines

- **E&T** – Engineering & Technologies
- **MMO** – Maintenance, Modifications & Operations

4 Regions

- Continental Europe
- Northwest Europe
- North America
- Middle East

6 Industries

- Chemicals & Petrochem
- Energy & Utilities
- Oil & Gas
- Pharma & Biopharma
- Metallurgy
- Cement

How to win

People & Culture



Customer & Innovation



Organization & Structures



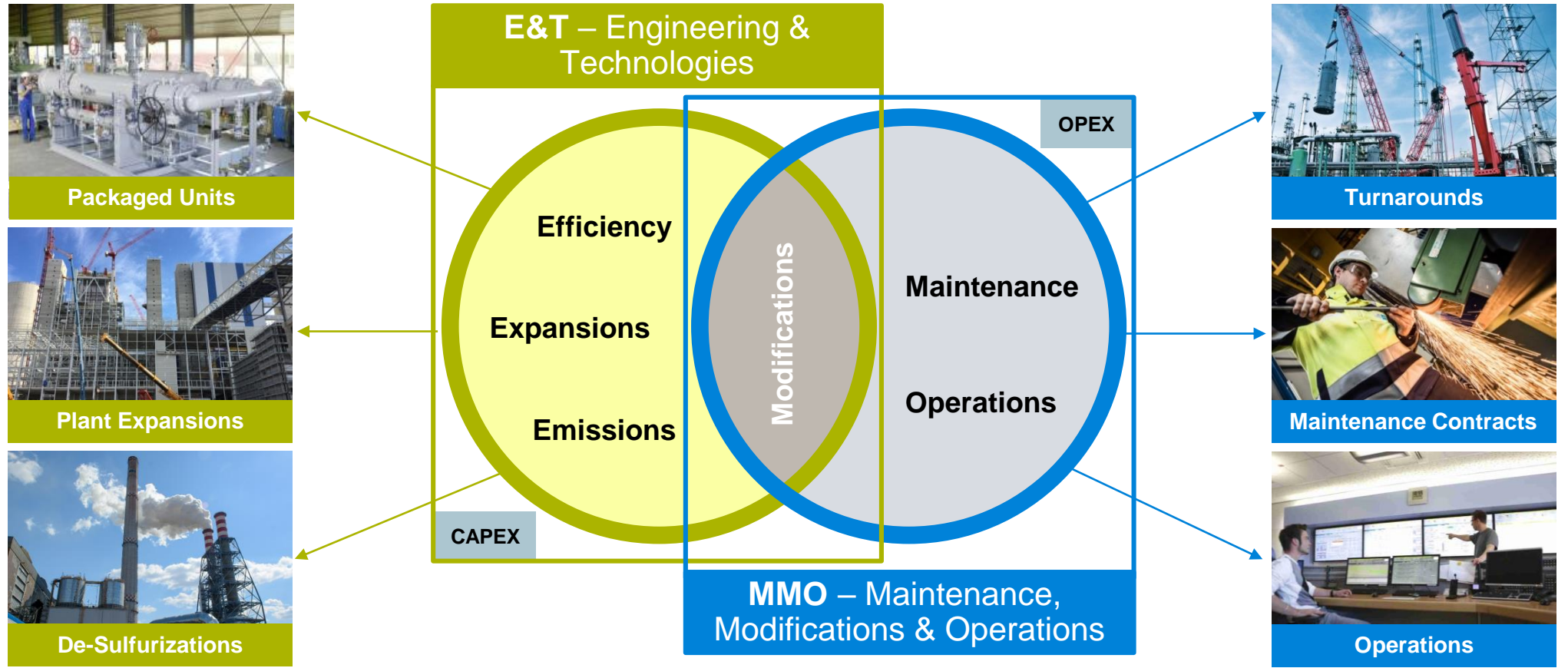
Financials



Service Portfolio

Strong offering for capex and opex driven services

CMD 2017



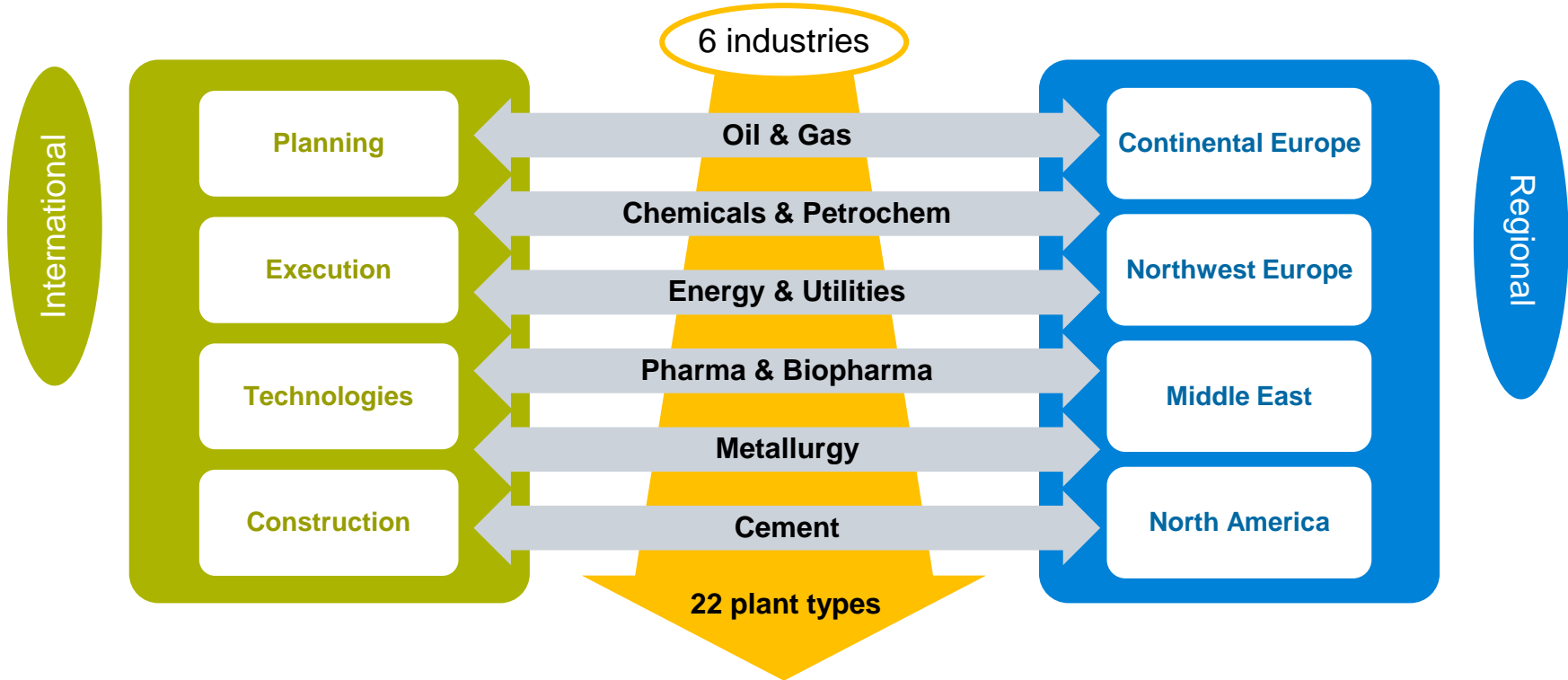
Go-To-Market organization

Market focus, customer centric

CMD 2017

E&T – Engineering & Technologies

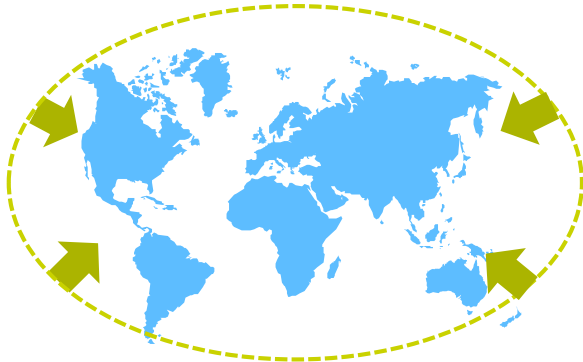
MMO – Maintenance, Modifications & Operations



Organization

New setup supports strategy implementation and 2020 ambition

E&T



- Concentrated know-how
- Centralized project governance
- Leverage high-value resources
- Enables fast roll-out of innovations

➤ Use International Scale

MMO



In every region:

- Customer proximity
- Management of capacity utilization
- More collaboration and cross selling
- Higher SG&A efficiency

➤ Use Regional Scale

People

Driving Performance Culture

Mission Statement

WE MAKE IT WORK

OUR PASSION

We engineer and deliver process plant performance.

OUR VALUES

WE CREATE.

We solve multifaceted and challenging tasks through first class engineering know how.

WE CARE.

We are committed to our clients' needs, to the well-being of our people and to our environment.

WE CAN.

We deliver tailor made solutions with the capability and experience of our highly motivated colleagues.

OUR COMPETENCIES

WE DRIVE INNOVATION.

WE COLLABORATE FOR SOLUTIONS.

WE IMPROVE CONTINUOUSLY.

WE ENSURE RELIABILITY.

WE COMMIT TO EFFICIENCY.

WE DELIVER RESULTS.

WE NEVER COMPROMISE ON INTEGRITY AND SAFETY.

Performance Culture

- **Established** Top Management Team
- Vertical integration (e.g. value propositions) is leading to an **increasing level of collaboration**
- Increasing focus on **cash** through **cascaded incentive scheme**
- Switch from 'adjusted' to '**reported**' **cash KPI**
- Alignment across Bilfinger through introduction of **long-term equity-based bonus** linked to **Group targets 2020**
- **BTOP** as part of **individual targets** on first two Management levels

Compliance and integrity

Deferred Prosecution Agreement concluded

Starting Point

First Steps

Effective compliance system

World Class Compliance System

2003 – 2005

2013 – 2015

2016 – 2018

2019 onwards

- Nigeria corruption case

- DPA
- Start of monitorship
- Exchange of leadership
- BCRP start

- Extended DPA
- Strong tone from the top
- Accelerated BCRP roll-out
- Build up of compliance organisation
- Reduction of complexity
- Change of Culture Program
- 12/2018: Compliance program certified by monitor
- **End of DPA**



- Continuous improvement
- Value based compliance system
- Sustainable development
- Compliance as competitive advantage

Growth potential through digitalization

Market potential

We see significant market potential in digitalizing the process industry

Estimated market potential

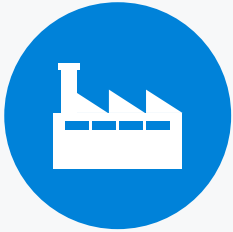
- More than 16,000 plants within 2-4-6 in Continental and Northwest Europe
 - ~4,000 of these plants are mid-sized type with strong appetite for digitalization
- Varying acceptance rate per industry – highest acceptance expected in Chemicals & Petrochem, Energy and Oil & Gas
 - Yearly volume per actual client expected around 1-2 m EUR
- Total market potential in Europe calculated around 7 bn EUR
 - Market penetration mainly driven by availability of brainpower
 - Additional market potential in Middle East and North America



Strategic position

Bilfinger is well positioned to be the frontrunner in the IoT of process industries

Process Industry



Digitalization hurdles

- Requirement to improve performance
- Lack of digitalization knowledge

Bilfinger



Building digital bridges

- Deep knowledge of customer needs and processes
- Comprehensive digitalization know-how
- Independent service provider
- Nr.1 in conventional services in Europe

IT Industry



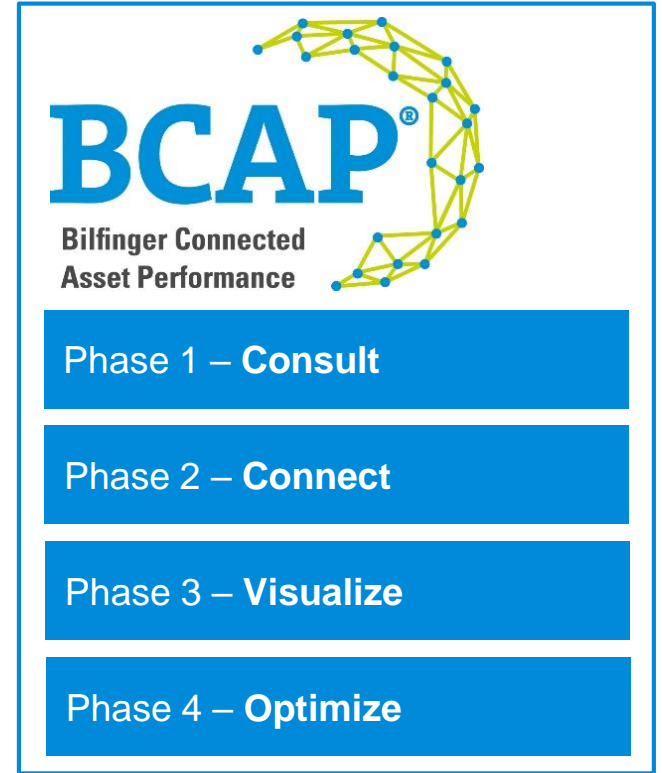
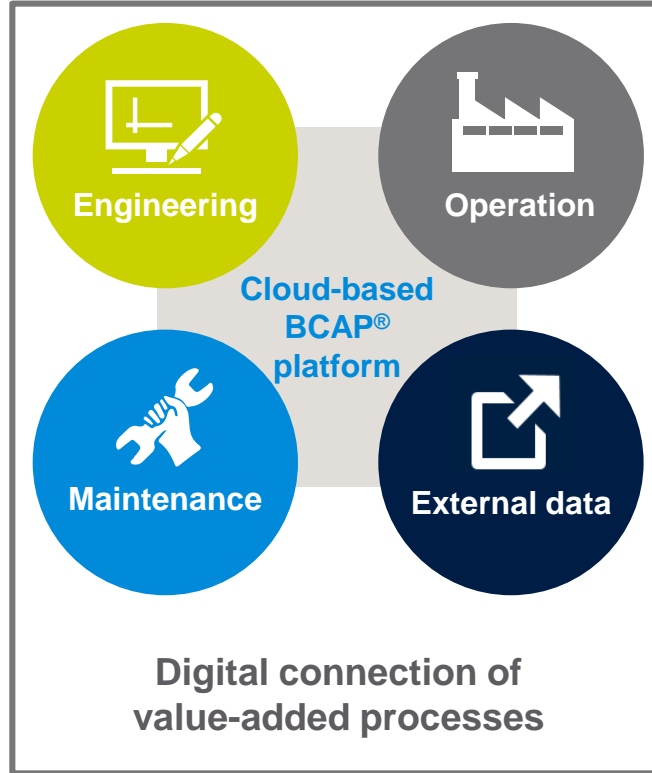
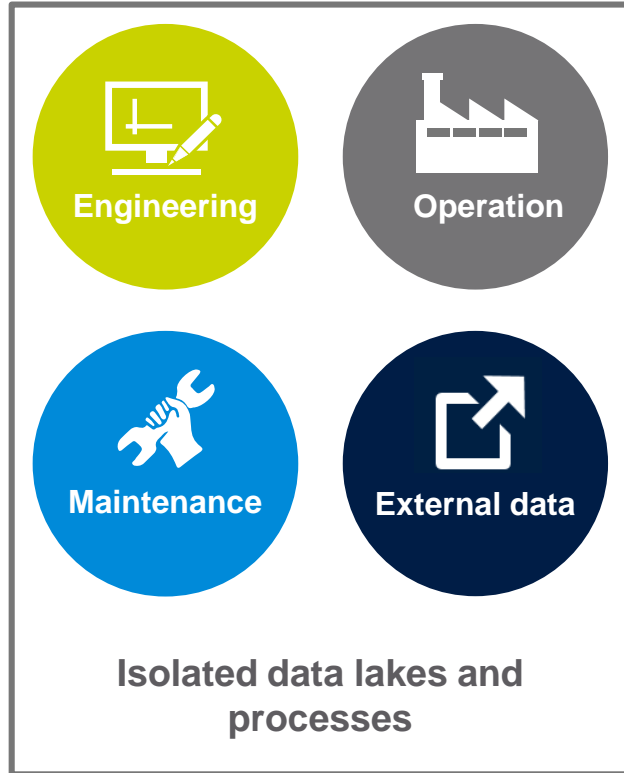
Applicability deficits

- No access to plant operators
- Challenge to apply IoT knowledge to process industries

WE MAKE DIGITALIZATION WORK!

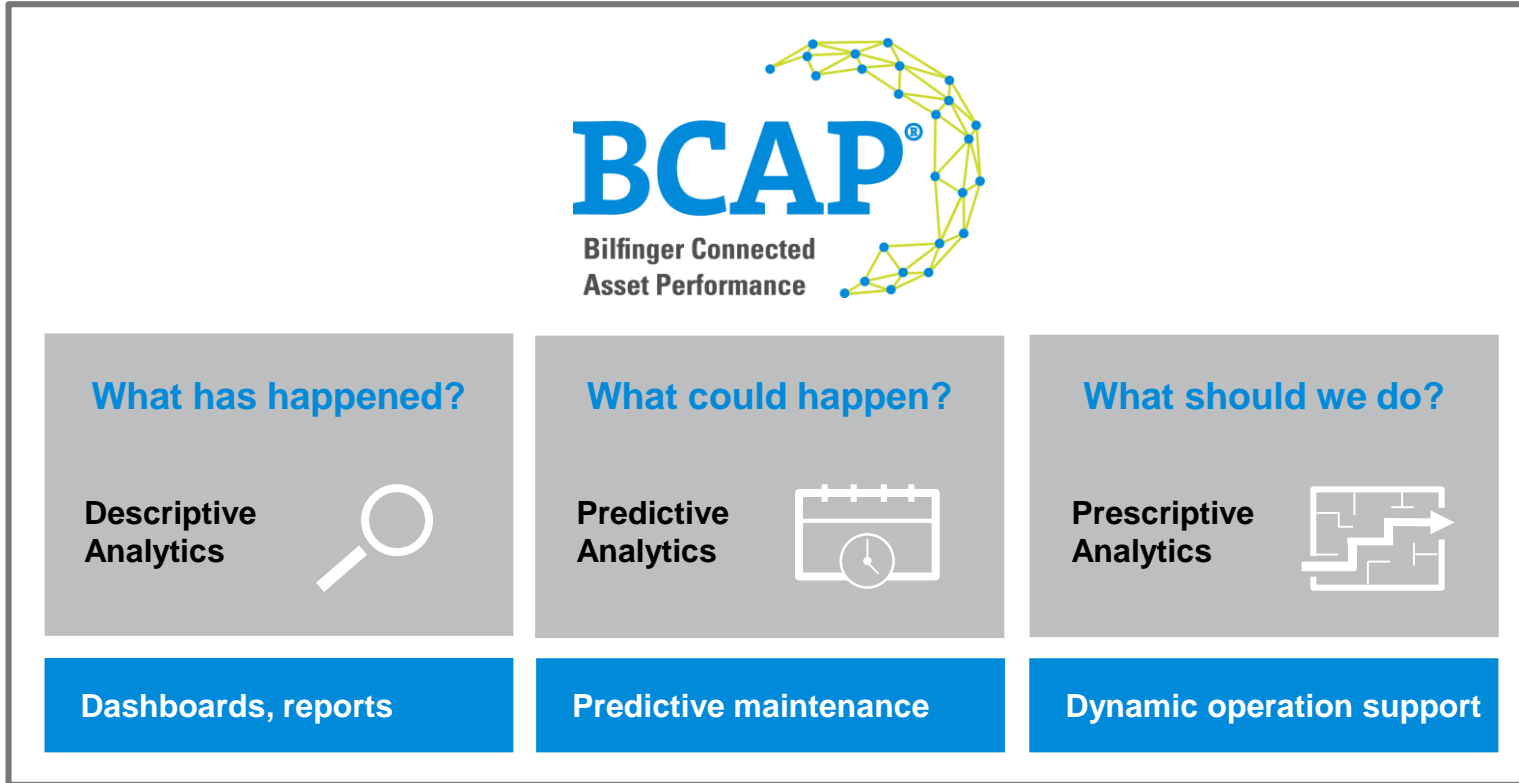
BCAP[®]

Connecting data lakes and unlocking the potential of digitalization



New analysis options

BCAP® provides a better decision-making basis



Bilfinger Digital Next

Strategic Partnerships and technical cooperation to unlock full potential



- Proven experience in optimizing process industry performance
- Proven execution capability in OT
- Reference cases in digitalizing chemical and process plants



- 40+ years proven experience in mission critical enterprise Software
- Leader in industrial IOT
- Proven Cumulocity platform



Unlock the potential of digitalization in the process industry

- Strategic partnership to digitalize the process industry
- Frontrunner in prescriptive analytics
- Technical integration of Cumulocity into BCAP
- Joint marketing approach and business model development
- Bilfinger to hold contract relationship with clients

Technical cooperations

SIEMENS

- Standardized Life Cycle Database
- Higher Effectiveness in Modifications

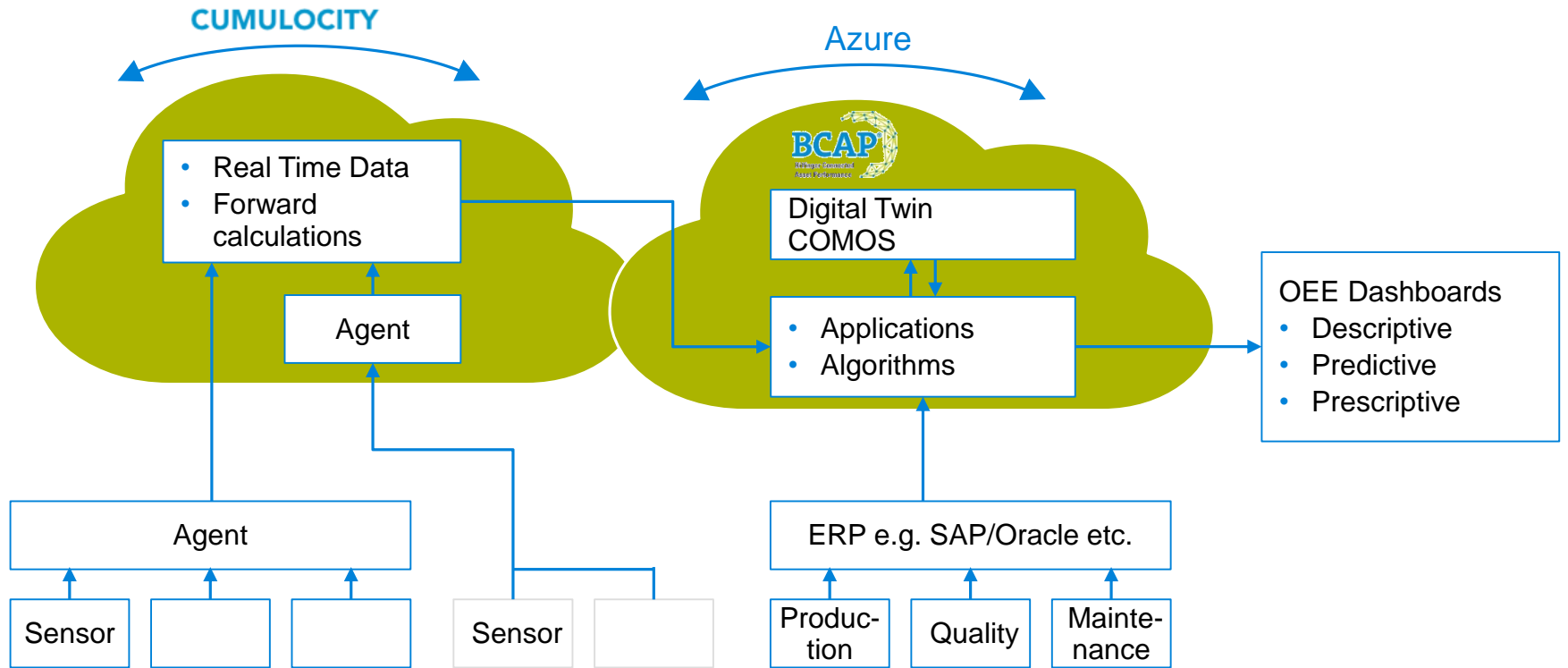


Microsoft

- Smart Digital AI-Solutions for the process industry
- Highest IT-Security-Standards

Bilfinger Digital Next

Cumulocity and BCAP provide prescriptive analytics



Bilfinger Digital Next

Frontrunner in digitalizing the process industry

Bilfinger Digital Next



Bilfinger's center of competence and growth driver in digitalization

Consolidation of expertise, know how and intellectual property



Core portfolio



BCAP

Bilfinger Connected Asset Performance

- Digital solution for process industry



Industrial Tube

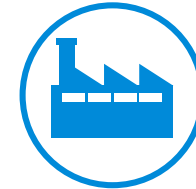
- Knowledge Platform



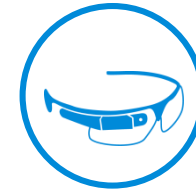
PIDGRAPH

- Documentation for the future

Value for our clients



7-15% efficiency increase



Secured expertise



Fast and reliable access to information

Value add

Bilfinger has demonstrated the power of digitalization in first use cases

Pilot Use Case Münzing Chemie



Exemplary BCAP® dashboard installed by Bilfinger at Münzing Chemie

Value add (in year 1)

10%
OEE improvement potential
discovered

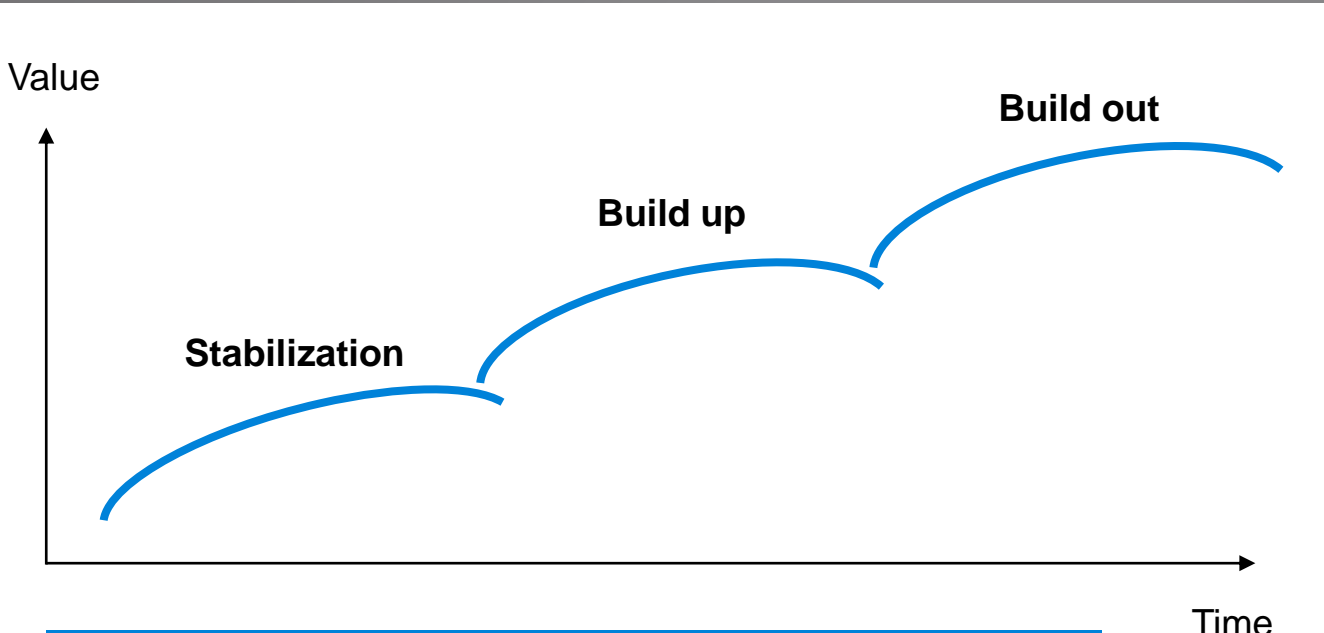
10%
Reduced routine walks

5%
Less unplanned downtime

30%
Improved data quality

Improving our financial performance

Ambitions will be achieved in three stages

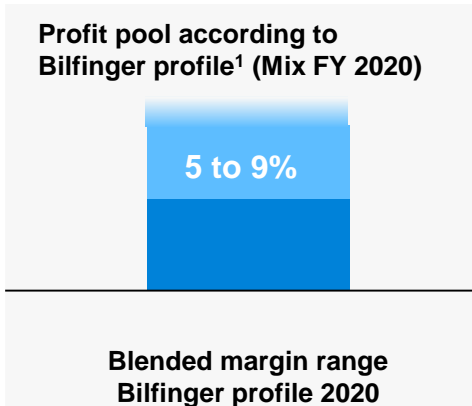
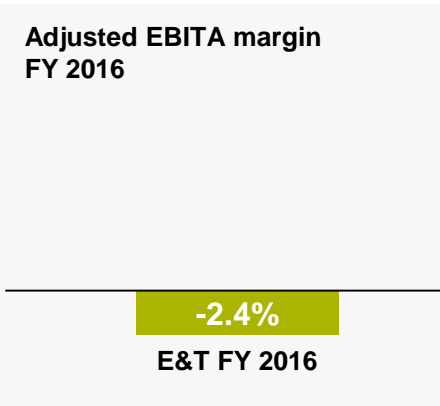


**➤ What does it mean in numbers?
How will we execute?
How will we measure and report progress?**



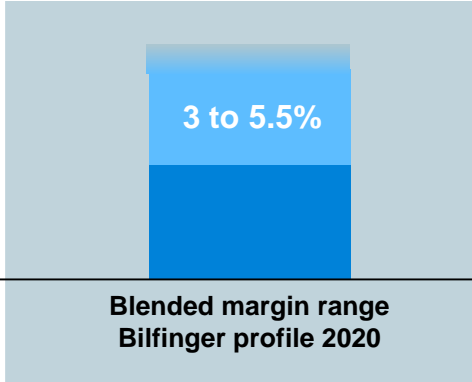
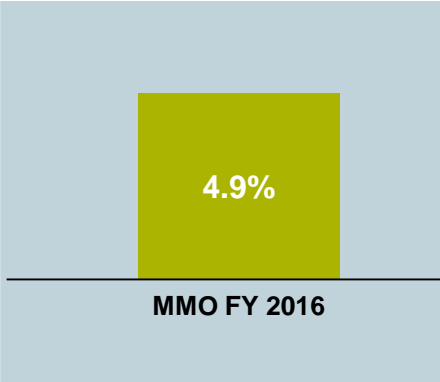
Margin ambition is supported by an extensive profit-pool analysis

E&T EBITA



- E&T with a defined path to improve profitability
- Entering blended margin range towards the end of the planning period
- Based on growth investments 2017 to 2020 business mix will improve beyond 2020 and lead to further upside potential

MMO EBITA



- Stable MMO business already within blended margin range
- 2018ff: Margin improvement towards upper end of blended margin range
- Based on growth investments 2017 to 2020 business mix will improve beyond 2020 and lead to further upside potential

1) Estimate based on expected Bilfinger revenues and typical profitability in relevant segments ("Homunculus"), mid-cycle i.e. stable economic environment

We will address all P&L line-items

GROSS MARGIN

- LOA¹ process
- Project management

Impact on gross margin: improvement of ~200bps

ADDRESSING BOTH LINE ITEMS

- Process and IT harmonization
- Procurement

Impact on SG&A ratio: Improvement of ~300bps

SG&A RATIO

- Lean headquarters
- Lean structures in the field

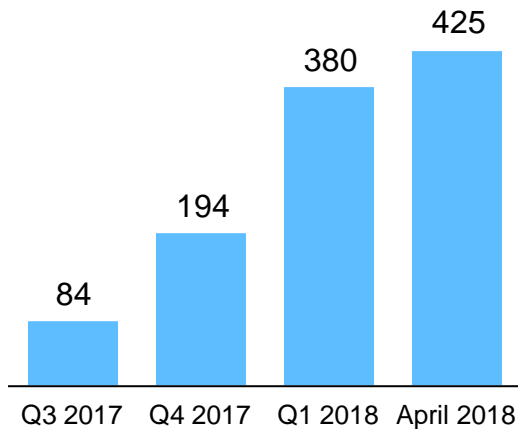
AMBITION²
EBITA margin increase of ~500bps by 2020

1) Limits of authority 2) Mid-cycle targets

B-TOP

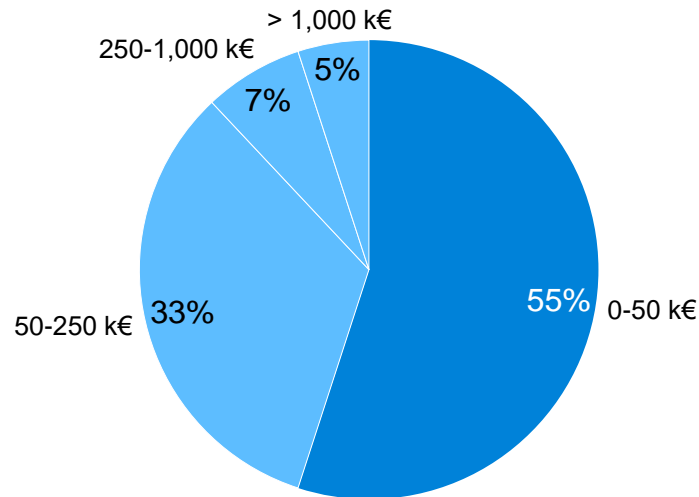
B-TOP has been rolled out and ensures productivity targets

Ramp up of measures [#]



Ramp up of targets and effects

EBITA-effect per measure



Bottom up / continuous improvement approach

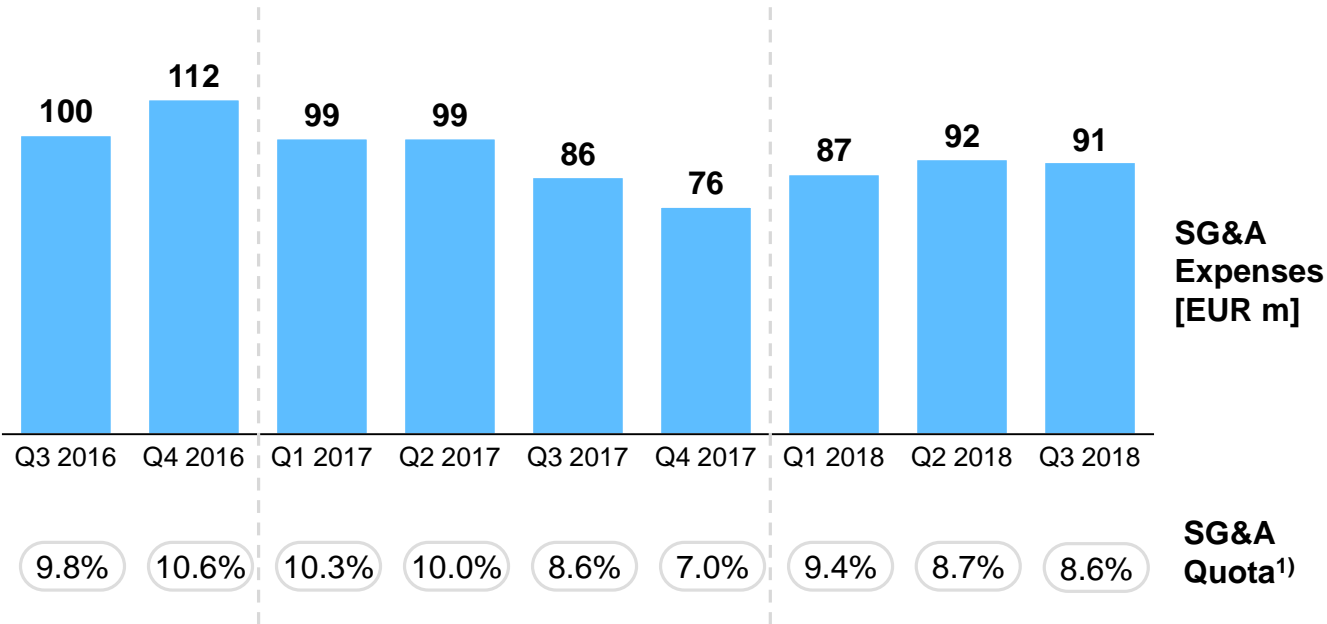
Highlights

- Tool and structure rolled out
- Local B-TOP professionals installed and networks set up
- Efficiency targets agreed and included in top management incentivitation
- Sustainable bottom up approach with most of the ideas coming from the business
- Ramp up of initiatives in full swing

SG&A expenses

SG&A expenses show positive trend

Adjusted SG&A expenses [EUR m]



Highlights

- SG&A ratio continues to move towards target level
- Streamlining of processes
- Reduction of complexity in structures, organization and governance
- Adjustment of admin headcount

1) As percentage of revenue

Portfolio rotation 2019 and 2020

Further margin enhancement while keeping a sound balance sheet

Funding sources:

1. Disposal Other Operations (OOP)

4 „accretive“ legal entities to be sold

2. Potential disposal of selected margin-dilutive units

3. Apleona

Vendor's Note

€100m, 10% compound interest p.a.

Accrued value 09/2018: €122m

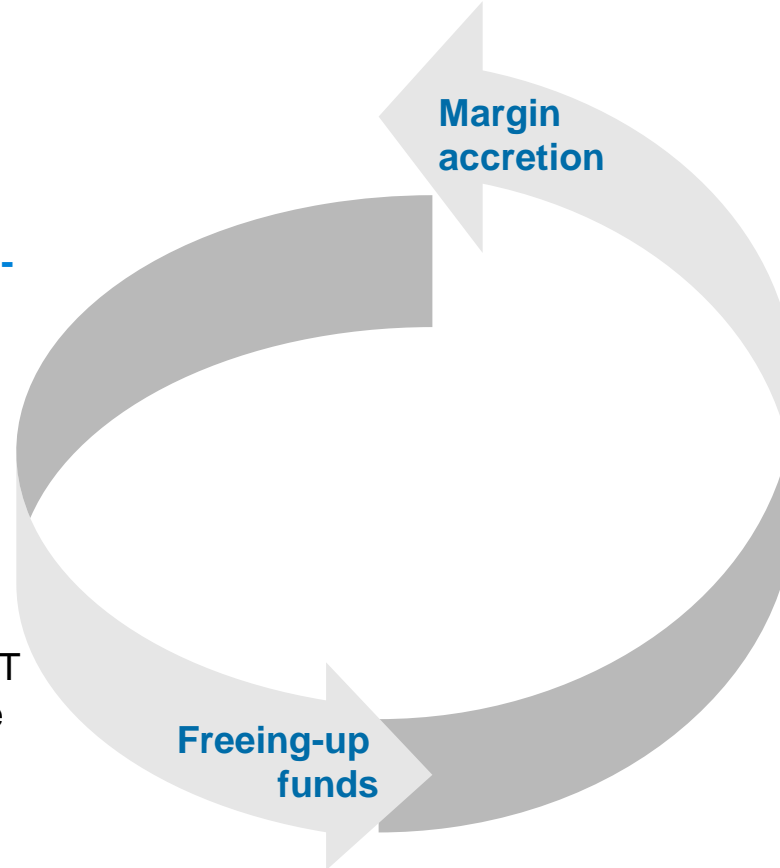
Preferred Participation Note

Book value 09/2018: €233m

→ Typical money multiple of owner EQT

would lead to a significant value upside

→ Will receive 49% of sales proceeds (after repayment of debt) at exit



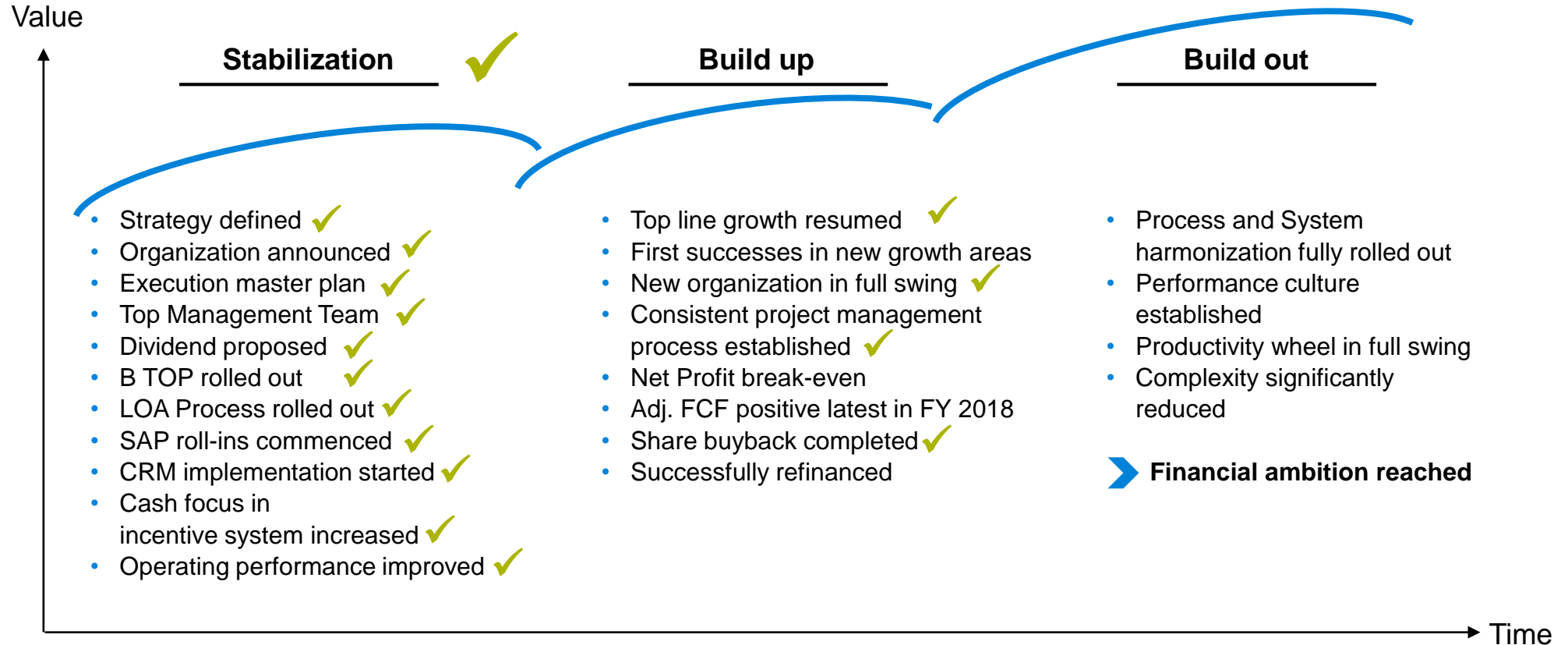
Re-Investment:

- Strengthening growth regions
- Strengthening growth industries
- M&A criteria:
 - EBITA accretive one year after integration, ROCE beats WACC two years after integration
 - Immediate start of comprehensive integration

Targets 2020 and Wrap-up

Bilfinger 2020 – Company passes three phases

Stabilization phase completed



Benefit from 49% of the value creation at Apleona

Vendor's Note: €100m, 10% compound interest p.a. upon maturity (book value 09/2018: €114m)

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- Book value 09/2018: €233m
- Measured at Fair Value through Profit & Loss

➤ Will receive 49% of sales proceeds (after repayment of debt) at exit

➤ Typical money multiple of owner EQT would lead to a significant value upside

Bilfinger 2020

Financial ambition

Organic Growth	Profit	Cash	Return
<p>>5% CAGR based on revenue FY 2017</p>	<ul style="list-style-type: none">• EBITA adjusted ~5%• Gross margin improvement by ~200bps• SG&A ratio reduction by ~300bps	<ul style="list-style-type: none">• Positive adj. FCF from 2018 onwards• Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)¹	<p>Post-tax ROCE reported: 8 to 10%</p>

Capital Structure

Investment Grade (mid-term perspective)

Dividend Policy

Sustainable dividend stream going forward
Policy: 40 to 60% of adjusted net profit

¹ Cash Conversion Definition: (Adj. EBITA + Depreciation – Change NWC - Net CAPEX) / Adj. EBITA

The Bilfinger Investment Case:

Turnaround case based on favorable business model

➤ Structural demand for industrial services

- Increasing # of Industrial plants
- Increasing total service market and contracted out market
- Rising age and complexity
- Customers demand for greater efficiency
- Service bundling
- Stricter environmental standards

➤ Good starting position:

- Consistently No. 1 supplier of industrial services for the process industry in Europe
- Clearly defined strategy
- Organization derived from strategy
- Detailed implementation plan
- Growth and profitability targets
- Growth will be supported by additional business development and digitalization activities

➤ Favorable business characteristics

- >60% of output in recurring business
- No material dependency from single clients or regions
- Growing regional diversification

➤ Asset light business

- Capex: 1.5 – 2.0% of output volume
- Balanced net working capital profile

➤ Financial soundness

- BB / stable outlook
- 35% equity ratio (as of Sep 30, 2018)
- Financial participation in Apleona with significant upside potential
- Financial policy: Ambition (mid-term perspective) Investment Grade

➤ Shareholder-friendly distribution*

- From FY 2016 onwards: €1.00 dividend floor
- Sustainable dividend stream going forward: 40 to 60% of adjusted net profit
- Share buyback program of up to €150m started in Sep 2017 and completed in Oct 2018

* Based on current expectations and execution of presented strategy as well as on economic outlook at the time.

Quarterly Statement Q3 and Guidance FY 2018

Q3 2018

Stable Quarter, favorable business environment

- Growth in orders received against strong prior year
Book-to-bill >1
- Revenue growth on track
- EBITA adjusted slightly higher, margin on prior-year level
- Net profit improved
- Free and operating cash flow above prior year
- Outlook 2018 confirmed



Current market situation and trends E&T

Oil & Gas

- Continuing brownfield investments in Europe, greenfield investments developing in gas
- Increasing up- and mid-stream activities in US Shale, in particular for cryo-driven gas strippers



Chemicals & Petrochem

- Brownfield investments in Europe
- Growth in US chemical industry
- Middle East with continued focus on plants to maintain downstream value-add within the region



Energy & Utilities

- Growth perspective especially in European nuclear
- Growing demand on regulatory emissions reduction (in particular IMO)



Pharma and Biopharma

- Ongoing strong demand in Europe
- Increasing interest from Emerging Markets



Current market situation and trends MMO

Oil & Gas

- Steady demand for maintenance services, but competition remains strong
- In the North Sea, early signs for reinvestments in exploration



Chemicals & Petrochem

- Stable demand in Europe and Middle East for maintenance and modifications, evaluation of contracting-out opportunities
- Turnarounds scheduled for 2019 and already 2020



Energy & Utilities

- First steps towards contracting-out of maintenance and operations in Europe
- Shift from conventional to alternative energy in Middle East



Metallurgy

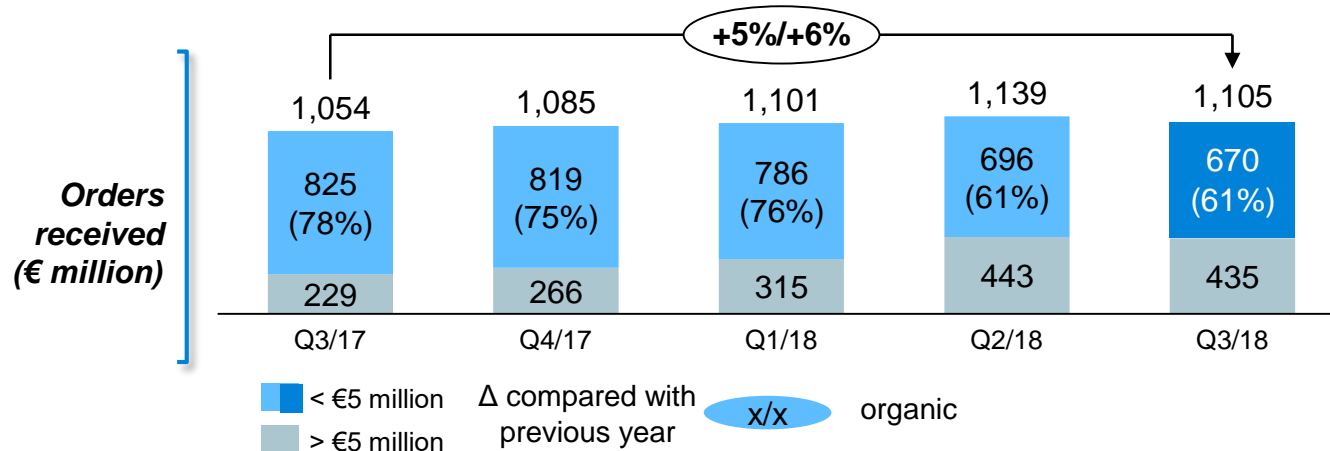
- Ongoing strong demand in Aluminum
- Signs of recovery in steel industry



Continued positive momentum in orders received

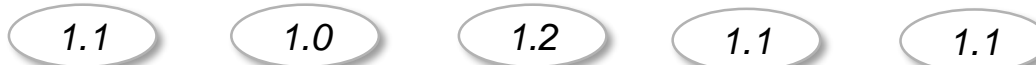
Book-to-bill >1

Development of orders received

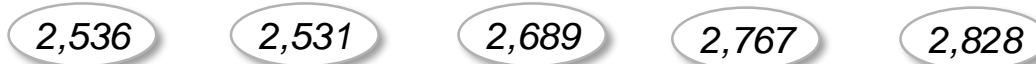


- **Orders received:**
5% above strong prior year (org.: +6%), especially positive in E&T
- Share of orders > €5 million once again on high level
- **Book-to-bill:** 1.1
- **Order backlog:**
+12% above prior year (org.: +13%)

Book-to-bill ratio

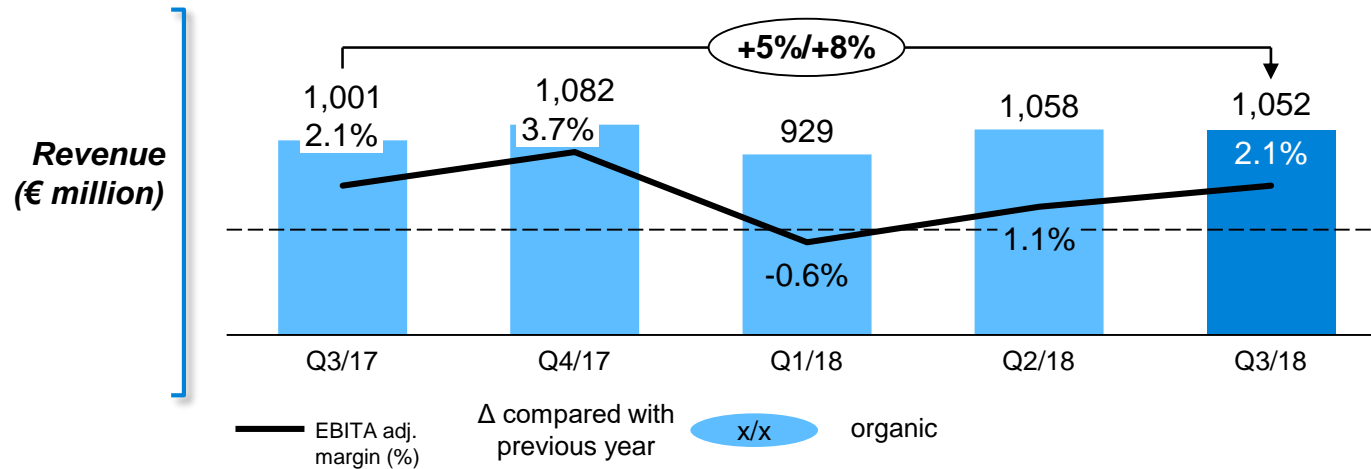


Order backlog (€ million)



Again organic growth in revenue, EBITA margin adj. on prior-year level

Development of revenue and profitability



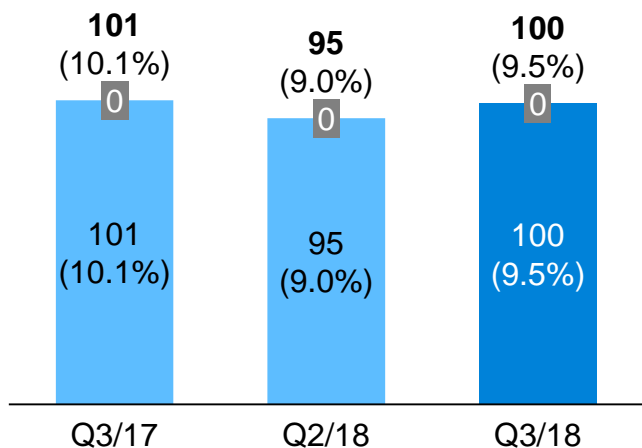
EBITA adj. (€ million)	21	40	-6	12	22
EBITA (€ million)	-6	2	-11	-1	11

- Revenue:**
 Increase of +5% (org. +8%) as a result of increased orders received
- EBITA adj.:**
 Slight increase against prior year (which was marked by positive one-off effect in E&T), margin on prior-year level
- Special items:**
 Decrease in burdens from special items: €11 million compared to €26 million in prior year

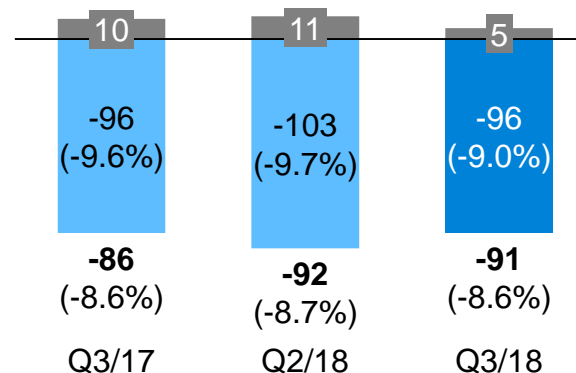
SG&A ratio continues to move towards target level of 7.5%

Expenses unchanged at ~€90m despite start-up costs for Digitalization and Business Development

Adjusted gross profit (€ million)



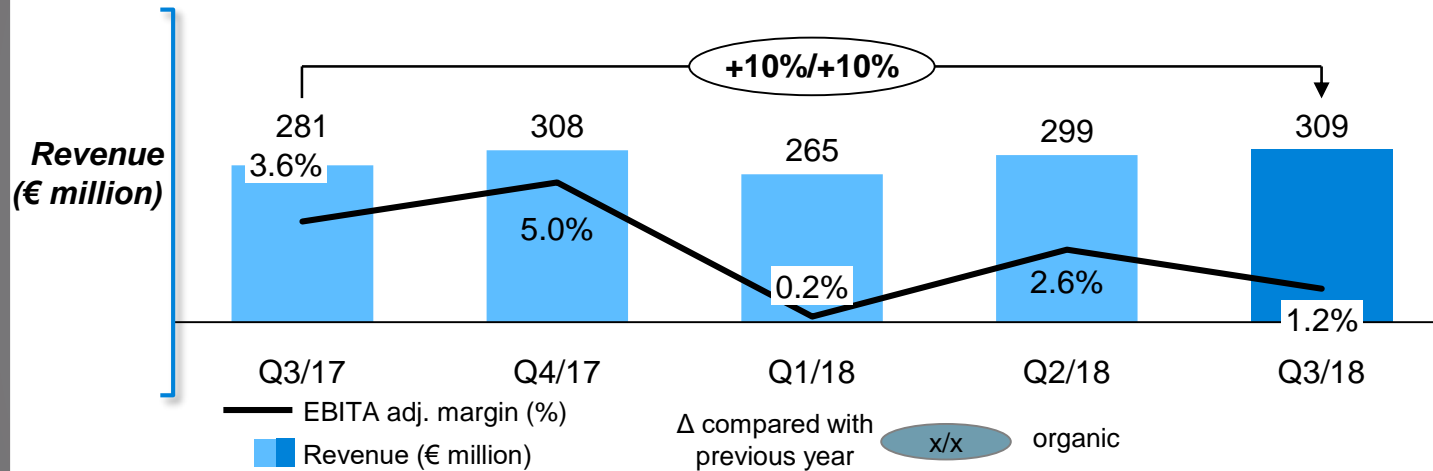
Adjusted selling and administrative expenses (€ million)



Adjustments Reported

E&T: strong orders received as basis for further growth

Development of revenue and profitability

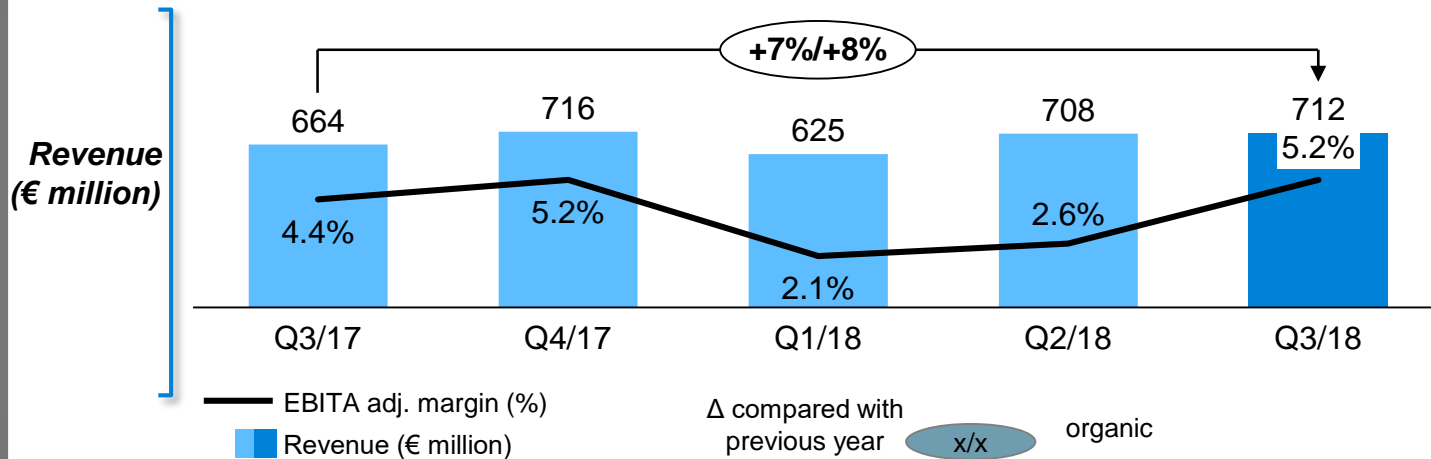


	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Book-to-bill ratio	1.0	0.9	1.1	1.3	1.5
EBITA adj. (€ million)	10	15	1	7	4

- Orders received:**
 Strong quarter: +64% (org. +63%) compared to low prior-year figure, book-to-bill 1.5 a.o. due to various contract awards for ship scrubbers
- Order backlog:**
 €1,013 million, i.e. increase of +29%
- Revenue:**
 Increased by +10% (org. +10%) on the basis of higher orders received
- EBITA adjusted:**
 Normalization at still low level, prior-year figure positively impacted by approved claims

MMO: EBITA margin adj. improved significantly

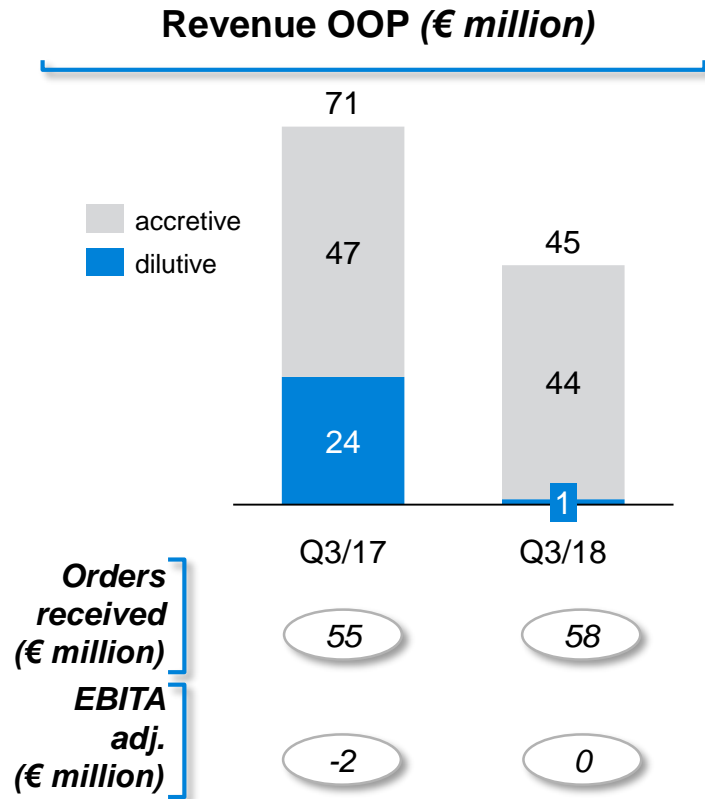
Development of revenue and profitability



- Orders received:**
 Decrease as expected -16% (org. -15%) compared to prior-year figure, which was impacted by catch-up effects and entry of new framework contracts
- Order backlog:**
 €1,691 million, i.e. increase of +3%
- Revenue:**
 Growth by +7% (org. +8%)
- EBITA margin adjusted:**
 Significant increase

Book-to-bill ratio	1.1	1.0	1.2	1.0	0.9
EBITA adj. (€ million)	29	35	13	19	37

OOP¹⁾: Focus on disposal of "Accretive" entities



- **Progress M&A track:**

Dilutive: originally 13 units, meanwhile all have been sold or terminated

Accretive: four entities, thereof two in sales processes

- **Business development:**

Orders received with positive development (+6%, org. +29%)

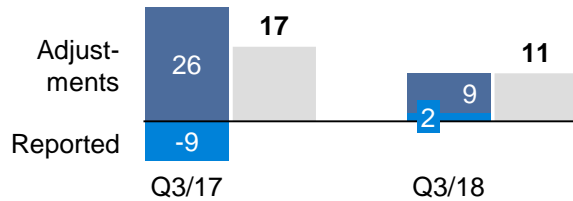
Revenue declining by -37% mainly due to sale of "dilutive" entities (org. -2%)

EBITA adj. slightly improved from -€2 to break-even

¹⁾ Part of Reconciliation Group

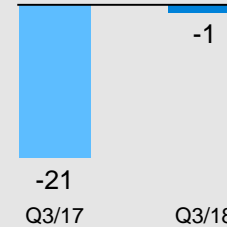
Operating cash flow positive, net profit improved

Adjusted operating cash flow¹ (€ million)

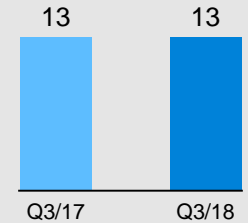


¹ Adjustments correspond to EBITA adjustments, partial time offset in cash flow

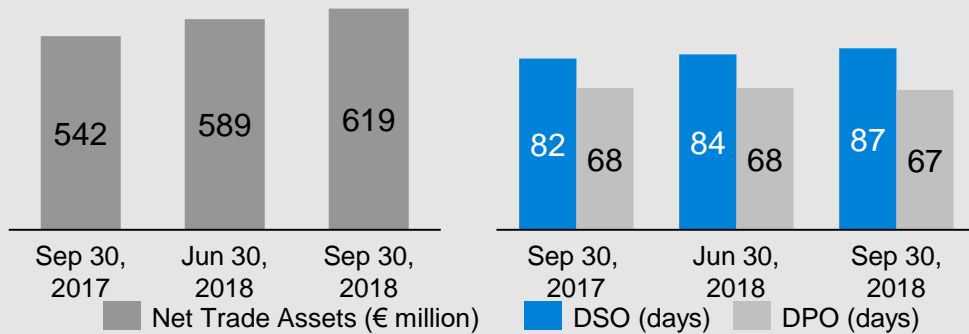
Net profit (€ million)



Adjusted net profit (€ million)

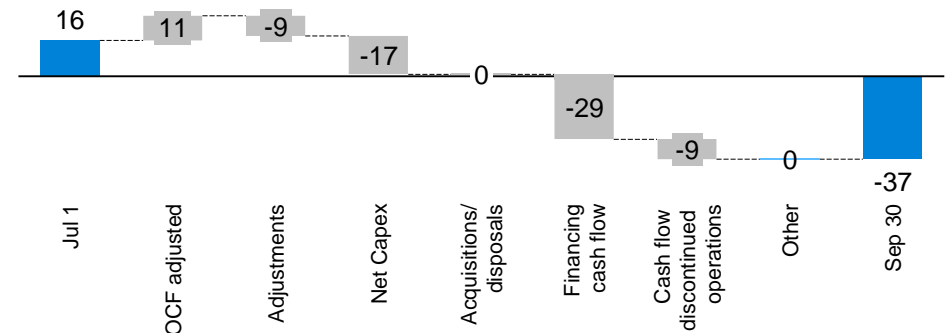


Net Trade Assets (€ million)



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

Net cash (€ million)



Outlook 2018 confirmed

<i>in € million</i>	FY 2017	Expected FY 2018
Orders Received	4,055 ¹⁾	Organic growth in the mid single-digit percentage range
Revenue	4,044	Organically stable to slightly growing
EBITA adjusted	3	Significant increase to mid-to-higher double-digit-million € amount, i.e. range of €50 to €75 million

1) As reported, based on output volume/ comparable based on revenue: €4,079 million

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