Bilfinger SE

Deutsche Bank
dbAccess Berlin Conference

Tom Blades (CEO), Dr. Klaus Patzak (CFO)

June 21 – 22, 2017, Hilton Hotel Berlin

Overview

Tom Blades, CEO

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** divisions, **four** regions and **six** industries
- Combination of **CAPEX-driven** (E&T) and **OPEX-driven business** (MMO)
- Large share of business with **frame contracts** and **high retention rates**
- **Well-established customer base** with focus on process industry
- **Highly recognized safety and quality** performance

€ 4.2bn output volume

thereof recurring business >60%

€15m EBITA adjusted

Approx. 37,000 employees

based on FY 2016

Back to Profitable Growth

2 Service Lines, 4 Regions, 6 Industries

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

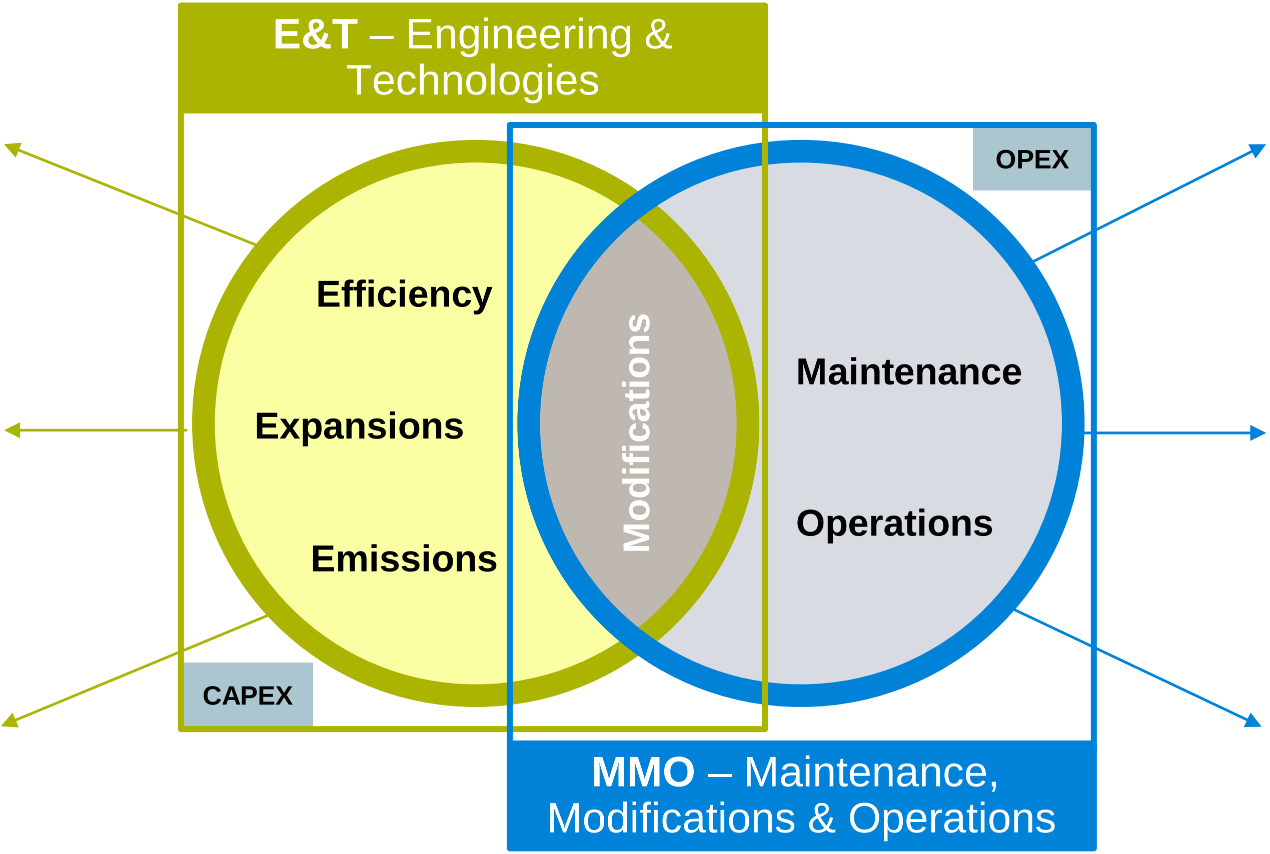
Service Portfolio

Strong offering for capex and opex driven services

Packaged Units

Plant Expansions

De-Sulfurizations



E&T – Engineering & Technologies

Efficiency

Expansions

Emissions

CAPEX

Modifications

OPEX

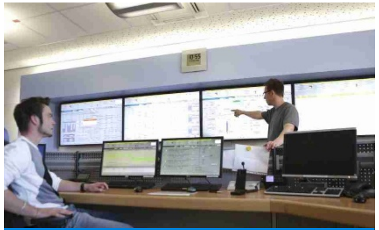
Maintenance

Operations

MMO – Maintenance, Modifications & Operations

Turnarounds

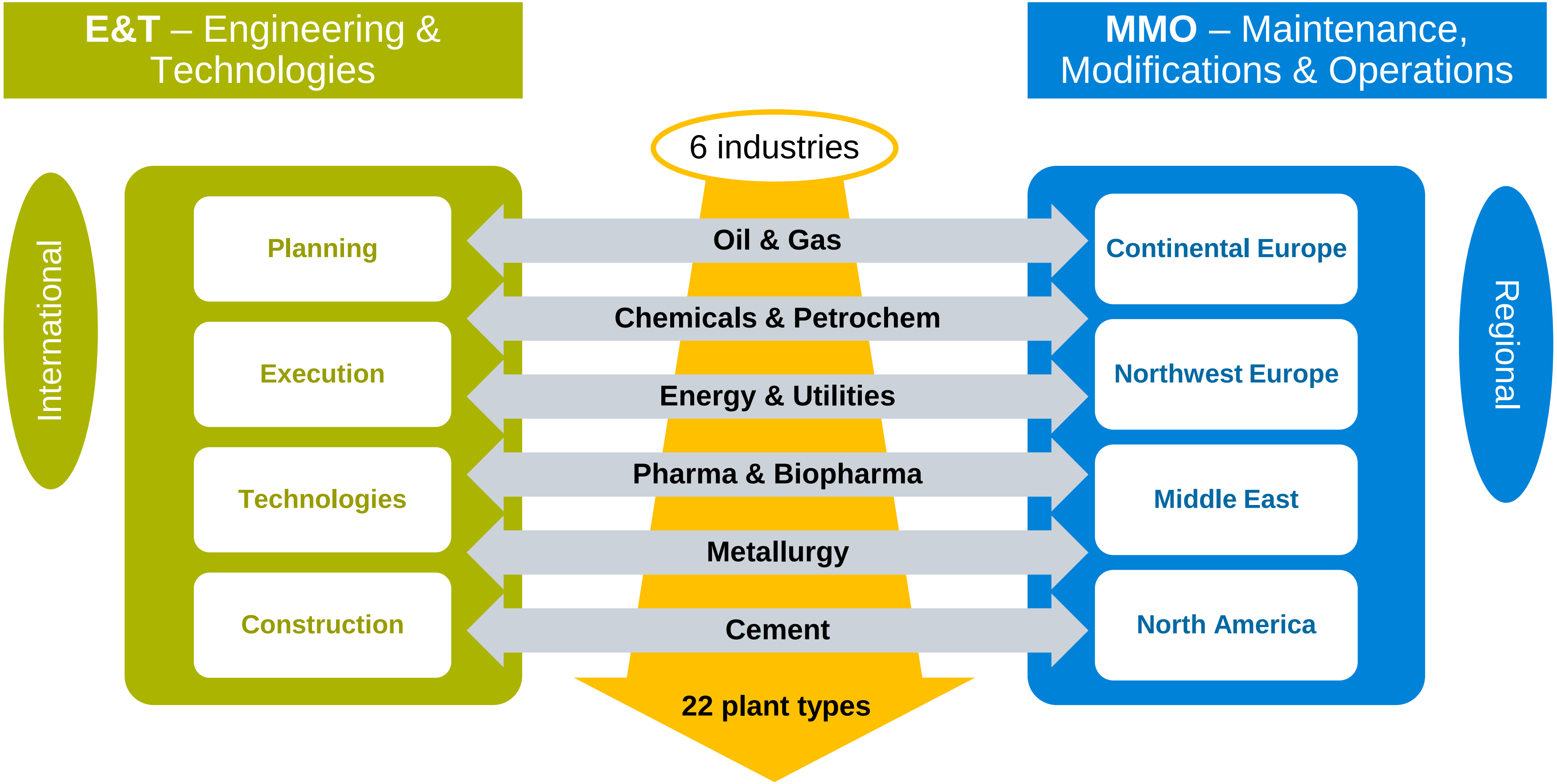
Maintenance Contracts



Operations

Go-To-Market organization

Market focus, customer centric



E&T – Engineering & Technologies

MMO – Maintenance, Modifications & Operations

International

- Planning
- Execution
- Technologies
- Construction

6 industries

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

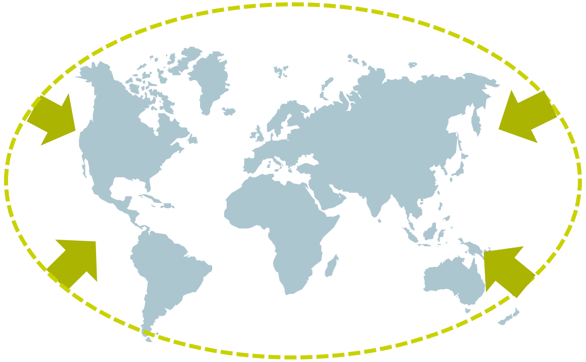
22 plant types

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

Regional

New organizational 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

Raising the growth potential

Tom Blades, CEO

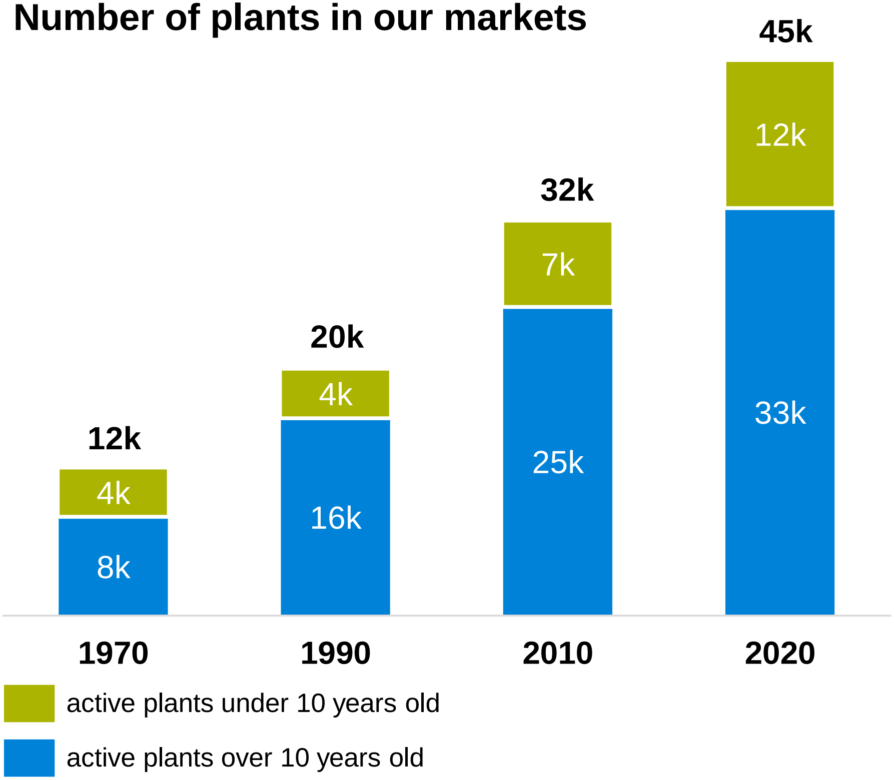
Industrial service market

Continuous growth of operating plants

- Number of plants in our defined markets growing constantly
- More than 75% of plants are over 10 years old and number of ageing plants increasing
- Complexity of plants is increasing with positive effect on service requirements
- Ageing plants require higher level of maintenance and modernization
- Customers demand greater efficiency
- Authorities impose stricter environmental standards on plant operators (reduced emissions)

Structural demand for industrial services

Number of plants in our markets

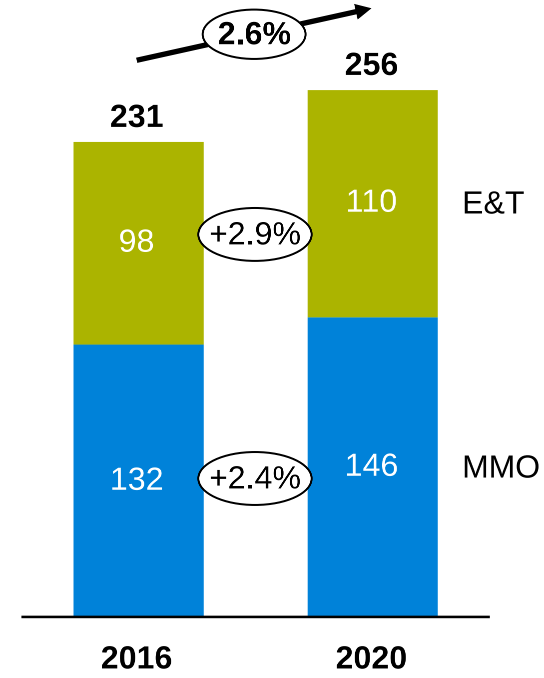


Source: Industrial Info Research

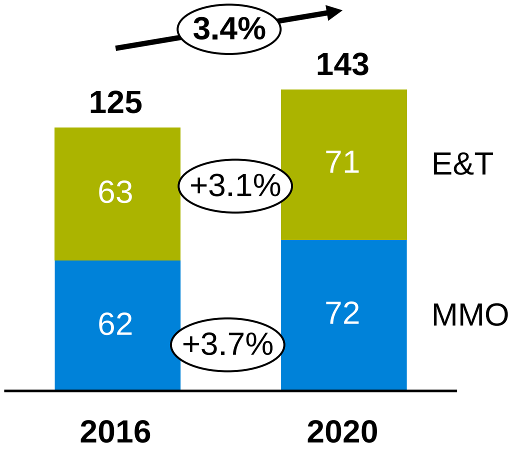
Bilfinger Market Model

Contracted out market is USD 125 bn and rising

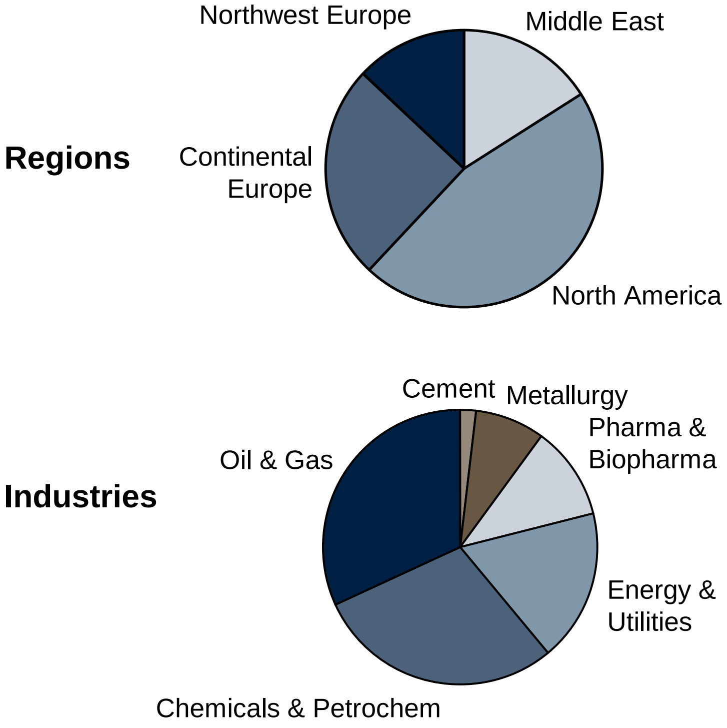
Total service market (2-4-6)
[USD bn]



Contracted out market (2-4-6)
[USD bn]



Contracted out market by regions and industries (2016)

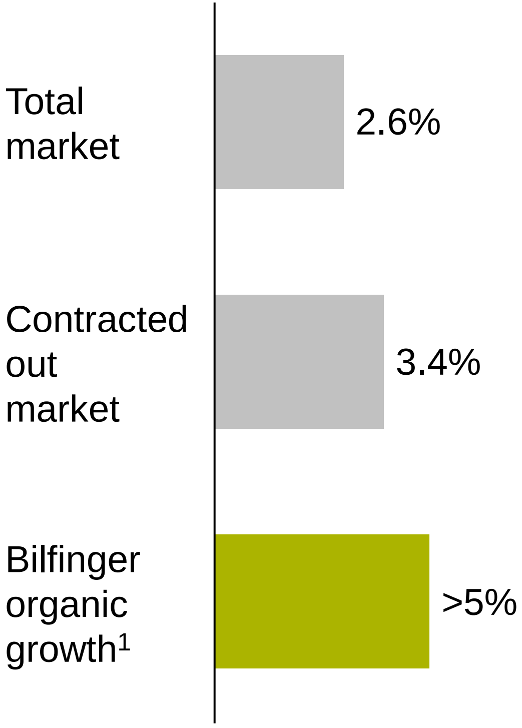


Note: E&T market volume comprises projects up to USD Mio 100

Driving profitable growth

Three major growth levers for above market profitable growth

Comparison of growth rates
[CAGR 2016-2020 in %]



[1] CAGR 2017-2020 in %

Growth levers and growth impact

⬜ In line with market ▨ Above market ■ Outpace market

	Continental Europe	Northwest Europe	North America	Middle East
A MMO: Expand share of wallet in home market, develop growth regions	⬜	▨	■	■
B E&T: Go-to-Market push in growth regions	⬜	▨	■	■
C All: Expand Bilfinger value chains into hitherto underserved industry segments	▨	▨	▨	▨

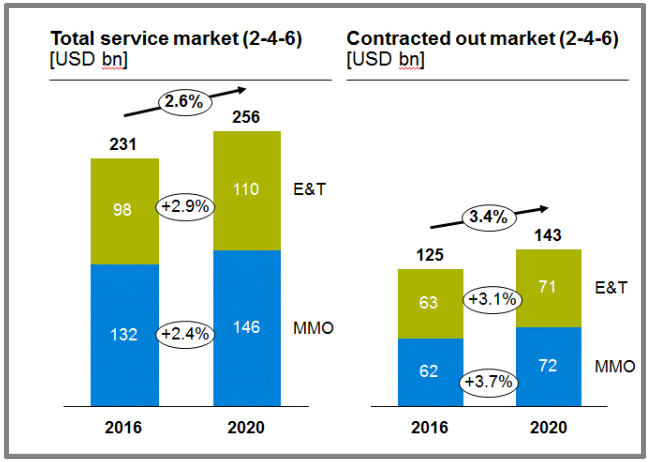
More than 20 growth initiatives detailed, including:

- References
- Rationale and tactics
- Pre-requisites and mitigation
- Financial effects
- Responsibilities and milestones

Tracking will be included in group wide tracking tool B TOP

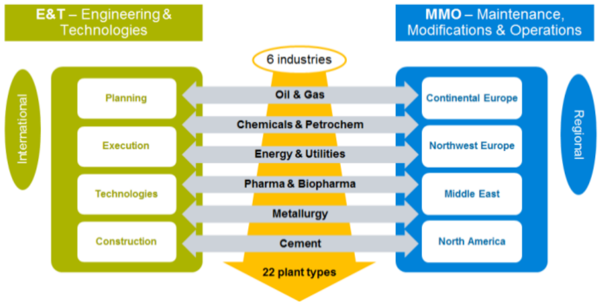
Our analysis for sustainable und profitable growth

Our market



$ 125 bn CAGR ~3.4 %

What we are



2-4-6 Market Focus & Customer Centric

How to win

People, engineering, credentials, customer proximity, innovation

>5 % top line CAGR[1]

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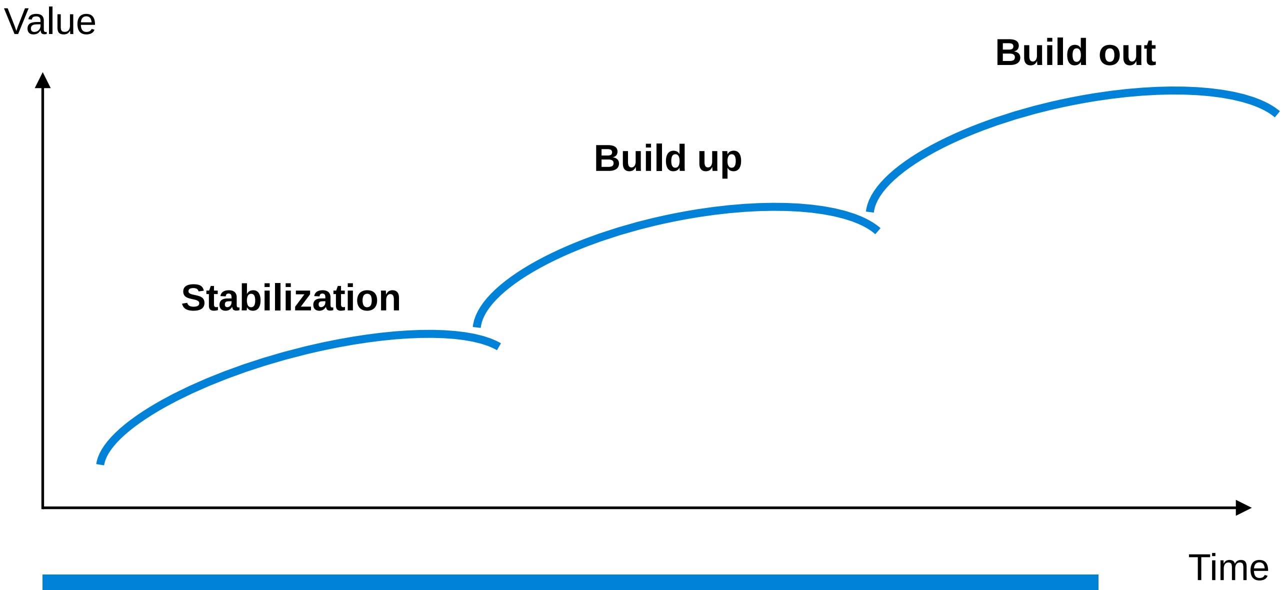
[1] CAGR 2017-2020 in %

Improving our financial performance

Dr. Klaus Patzak, CFO

Ambitions will be achieved in three stages



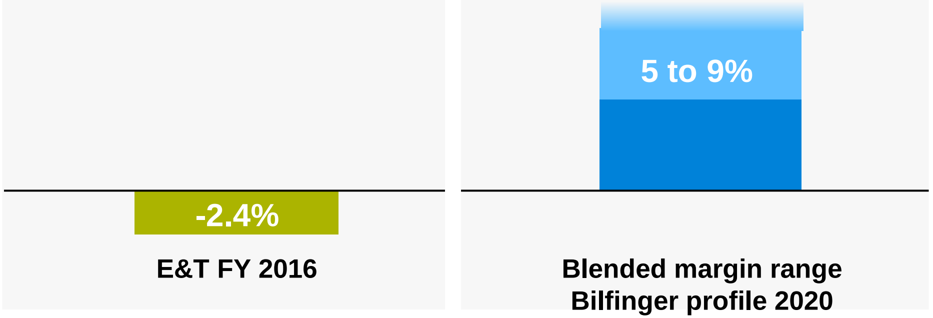
What does it mean in numbers?
How will we execute?
How will we measure and report progress?

Margin ambition is supported by an extensive profit-pool analysis

E&T
EBITA

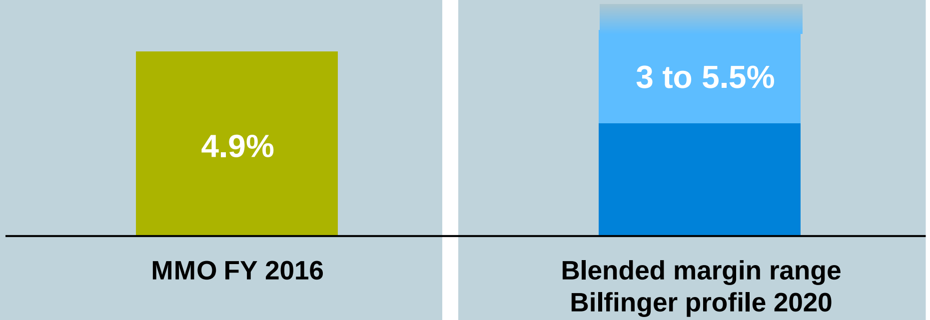
Adjusted EBITA margin FY 2016

Profit pool according to Bilfinger profile[1] (Mix FY 2020)



- 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

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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

- LOA[1] process
- Project management

ADDRESSING BOTH LINE ITEMS

- Process and IT harmonization
- Procurement

SG&A RATIO

- Lean headquarters
- Lean structures in the field

Impact on gross margin: ~200bps

Impact on SG&A ratio ~300bps

AMBITION[2]

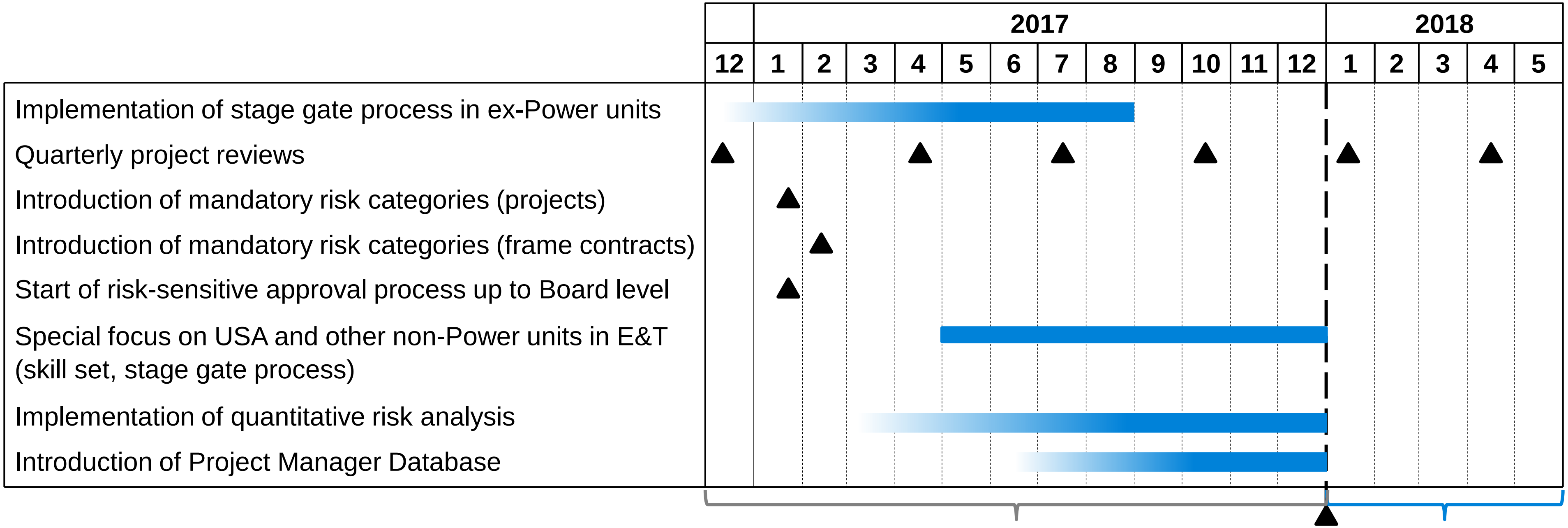
EBITA margin increase of

~500bps

by 2020

1) Limits of authority 2) Mid-cycle targets

Verticalized organization in E&T supports centralized project governance approach



Implementation of stage gate process in ex-Power units

Quarterly project reviews

Introduction of mandatory risk categories (projects)

Introduction of mandatory risk categories (frame contracts)

Start of risk-sensitive approval process up to Board level

Special focus on USA and other non-Power units in E&T (skill set, stage gate process)

Implementation of quantitative risk analysis

Introduction of Project Manager Database

2017 - “transitional” year

2018 – “clean”

- ✓ Stage gate process fully rolled out
- ✓ Project governance approach established

Current Trading – Guidance 2017 – Targets 2020

Dr. Klaus Patzak, CFO

Market environment remains challenging

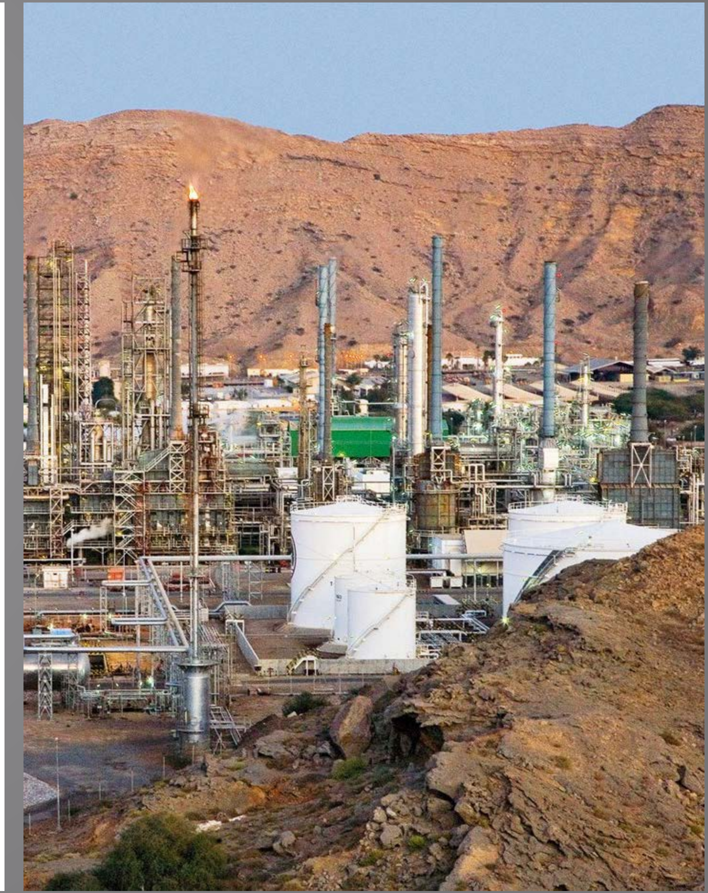
Oil & Gas in North America recovering
Especially in shale gas, but also in downstream

Oil & Gas in Northwest-Europe stable on a low level
Oil and gas suppliers with significant earnings improvement

Chemicals mixed
Development in Europe mixed and market highly competitive, stronger in North America

Conventional energy remains weak

Biopharma with dynamic growth



Q1 2017 characterized by strategic repositioning

Development as planned in a continued challenging environment

- Orders received still restrained
- Reduction in output volume as expected
- Adjusted EBITA at prior-year level
- Net profit still negative but improved
- Operating cash flow improved
- Outlook for 2017 confirmed

How this translates into E&T segment performance

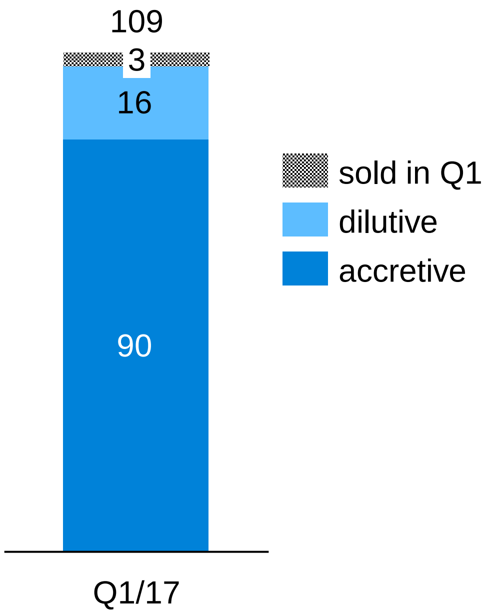
in € million	FY 2016	Going forward
Orders received	1,219	2017: Stabilization of orders
Output volume	1,246	2017: Output volume decrease expected CAGR 2018-2020 above Group average Important growth areas: North America France, U.K. (Nuclear) New customers in Pharma & Bio-Pharma
Adj. EBITA-margin	-2.4%	2017: positive EBITA adjusted Entering blended margin range towards the end of the planning period
Organization		Focus on implementation of new organization and on improvement in project management

How this translates into MMO segment performance

in € million	FY 2016	Going forward
Orders received	2,422	2017: Positive trend in orders
Output volume	2,461	2017: Slight output volume decrease CAGR 2018-2020 below Group average Important growth areas: North America (Chemicals & Petrochem.) Middle East
Adj. EBITA-margin	4.9%	2017: Decline in EBITA-margin 2018ff: Margin improvement towards upper end of blended margin range
Organization		Impact of new organization also a cost benefit

Other Operations includes accretive businesses with significant value
Aiming for disposal in the longer run

OOP Output Volume (€ million)



Progress M&A track dilutive:

- 13 units as of December 31, 2016
- Four have already been sold in Q1: book loss of €14 million, cash-out of €1 million
  So far one has been signed in Q2
- Some are currently in advanced sales negotiations

Accretive:

- Five units “managed for value”
- Fundamentally positive development

Q1/2017: Output volume €109m (Q1/2016: €172m), EBITA adj. -€4m (Q1/2016: -€5m)
Decrease in volume primarily due to disposals, ‘accretive’ units with stable development

Sale of ‘dilutive’ units: effect of approx. minus €30m expected in total (incl. Q1/2017) on cash and on profit and loss respectively

Benefit from 49% of the value creation at Apleona

Vendor‘s Note: €100m, 10% interest p.a. upon maturity

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- If value develops positively, P&L neutral appreciation

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

❯ **Typical money multiple of owner would lead to a significant value upside**

Outlook for FY 2017 confirmed

	Starting Point	Outlook
in € million	**FY 2016**	**expected FY 2017**
Orders received	4,056	Organic increase
Output volume	4,219	Mid-to-high single-digit organic decline
Adjusted EBITA / EBITA margin*	15 / 0.4%	Continued improvement Margin increase ~100bps

** Assumption: on a comparable F/X basis*
For further outlook information see: Bilfinger Annual Report 2016, Outlook 2017

Intention to resume dividend payment and execute Share Buyback program while targeting investment grade mid- to long-term

Intended Dividend Policy*

- In 2017 for FY 2016: €1.00 paid-out
- Forward floor of €1.00
- Sustainable dividend stream going forward: 40 to 60% of adjusted net profit

Intended Share Buyback Program*

- Shareholders have approved new 10% share buyback authorization in May 2017
- Executive Board intends to propose to the Supervisory Board a share buyback program of up to €150m to be executed in FY 2017 and 2018

M&A Criteria

- Consideration of synergetic M&A begins with the initiation of phase II of the strategy
- EBITA accretive one year after integration, ROCE beats WACC two years after integration
- Immediate start of comprehensive integration

Financial Policy

- Ambition: (mid-term perspective) Investment Grade

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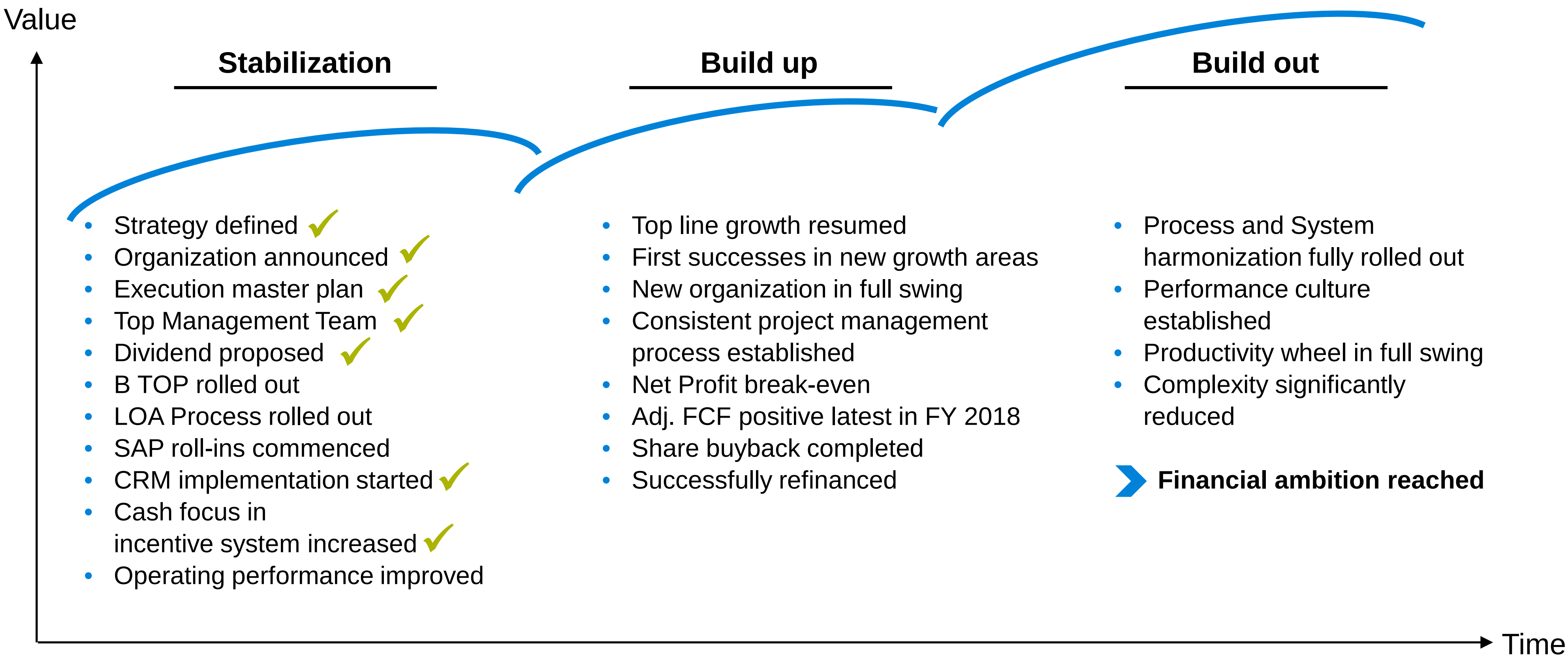
* Based on current expectations and execution of presented strategy as well as on economic outlook at the time. Subject to necessary approvals by supervisory Board

Ambition 2020 will be reached in three phases with clear milestones



Stabilization

- Strategy defined ✓
- Organization announced ✓
- Execution master plan ✓
- Top Management Team ✓
- Dividend proposed ✓
- B TOP rolled out
- LOA Process rolled out
- SAP roll-ins commenced
- CRM implementation started ✓
- Cash focus in incentive system increased ✓
- Operating performance improved

Build up

- Top line growth resumed
- First successes in new growth areas
- New organization in full swing
- Consistent project management process established
- Net Profit break-even
- Adj. FCF positive latest in FY 2018
- Share buyback completed
- Successfully refinanced

Build out

- Process and System harmonization fully rolled out
- Performance culture established
- Productivity wheel in full swing
- Complexity significantly reduced

➤ **Financial ambition reached**

Wrap-up

Tom Blades, CEO

Bilfinger 2020

Financial ambition

Organic Growth

>5% CAGR
based on FY 2017

Profit

- **EBITA adjusted ~5%**
- Gross margin improvement by ~200bps
- SG&A ratio reduction by ~300bps

Cash

- Positive **adj. FCF** at the latest from 2018 onwards
- Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)[1]

Return

Post-tax
ROCE[2] reported:
8 to 10%

Capital Structure	Investment Grade (mid-term perspective)
Dividend Policy	Sustainable dividend stream going forward Policy: 40 to 60% of adjusted net profit

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

[2] Capital Employed w/o PPN

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

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
- 40% equity ratio
- Strong net cash position
- Financial participation in Apleona with significant upside potential

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 to be executed in FY 2017 and 2018*

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

WE CREATE. WE CARE. WE CAN.

WE MAKE IT WORK.