Bilfinger SE

Bilfinger SE Company Presentation

October 2017

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** 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 >60% recurring business

€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**

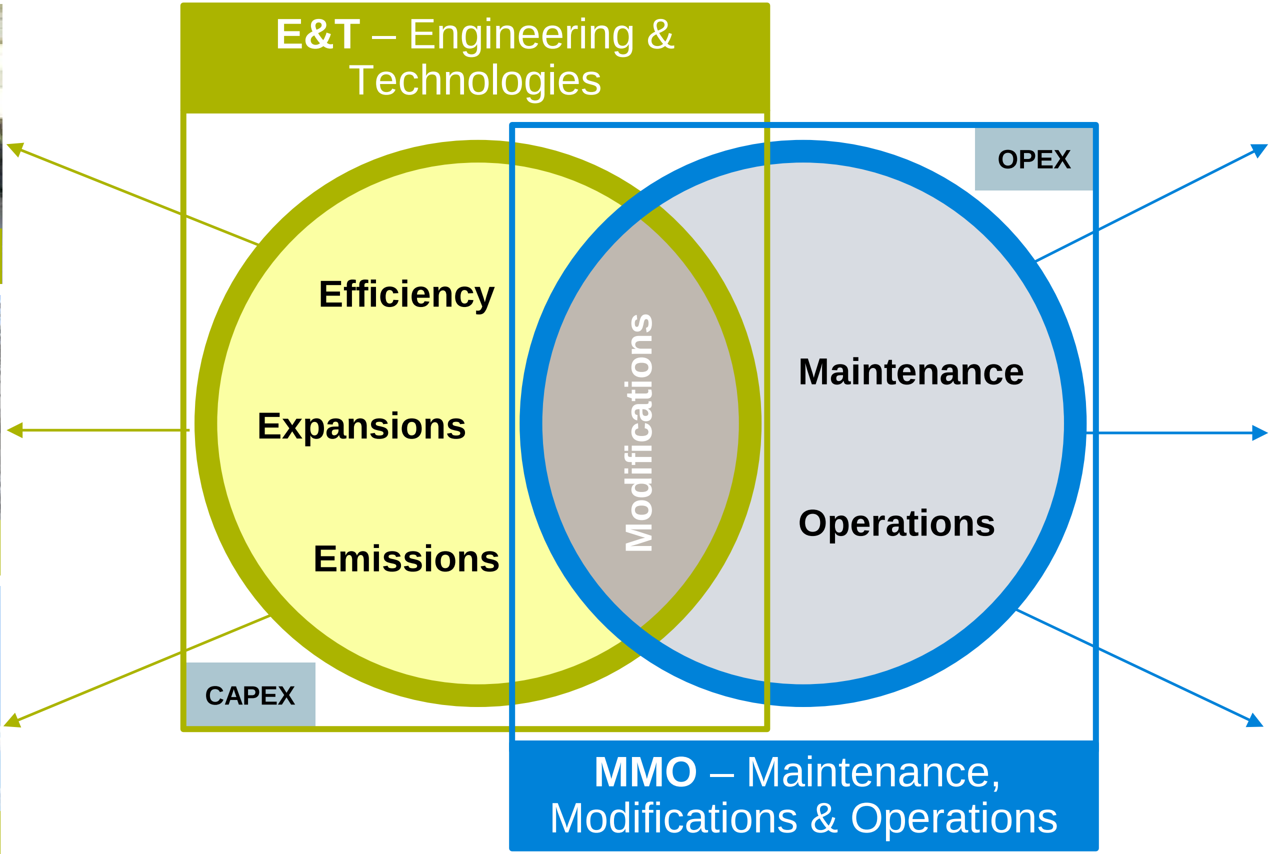
Service Portfolio

Strong offering for capex and opex driven services

Packaged Units

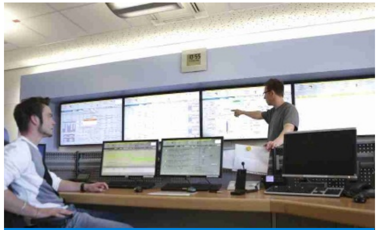
Plant Expansions

De-Sulfurizations



Turnarounds

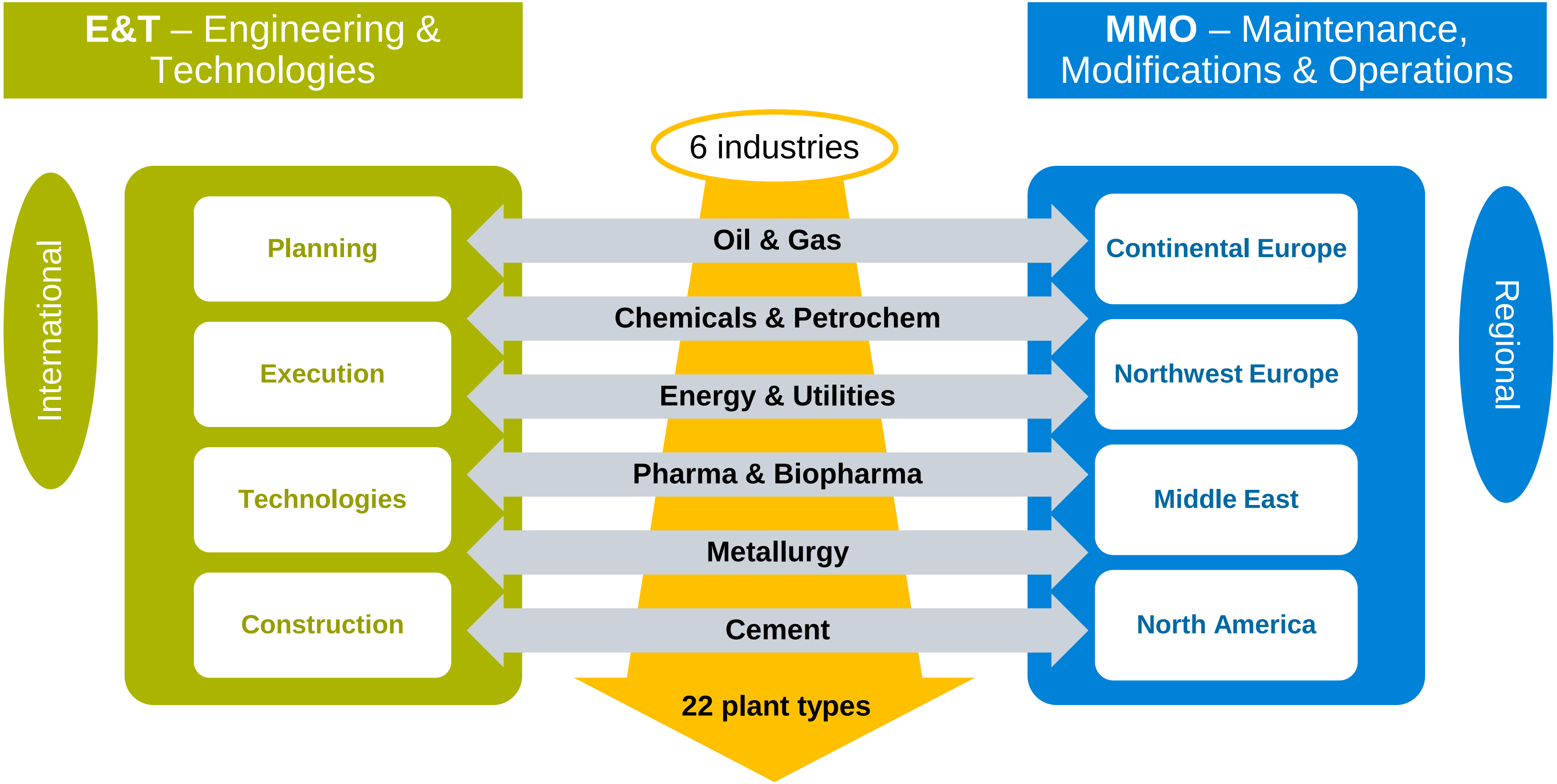
Maintenance Contracts



Operations

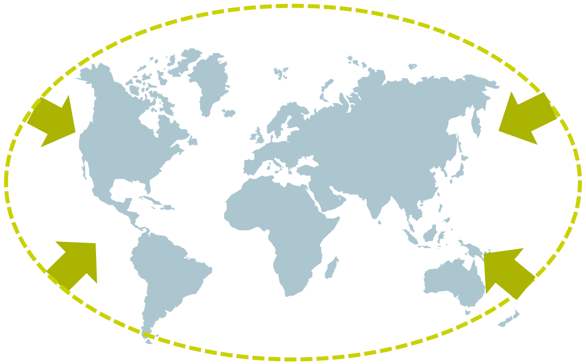
Go-To-Market organization

Market focus, customer centric



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

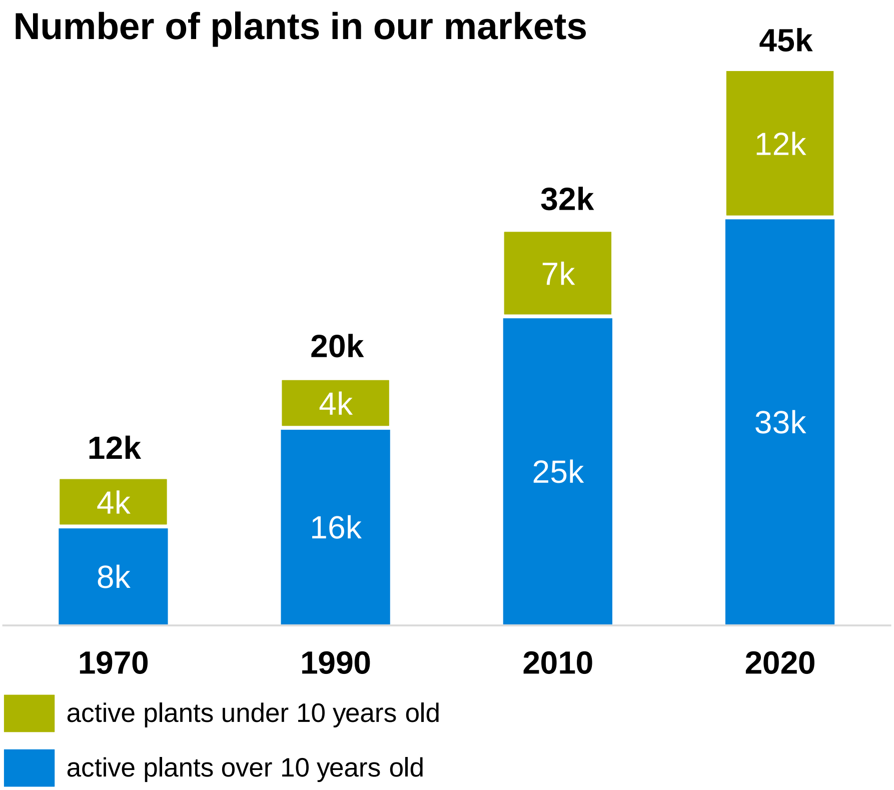
❯ Use Regional Scale

Raising the growth potential

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)

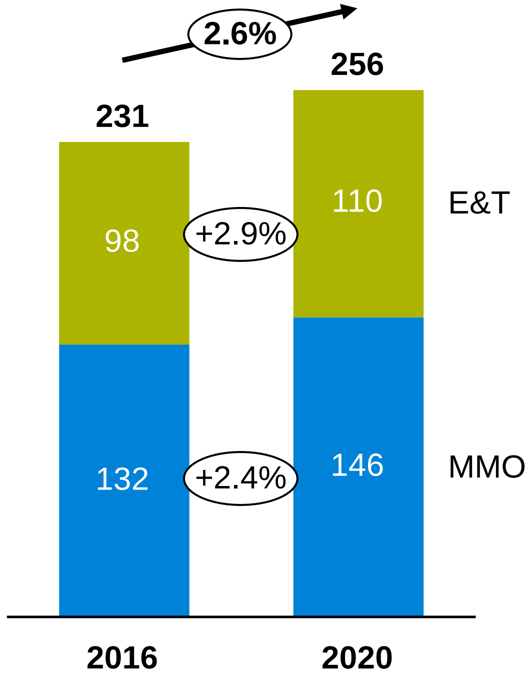
Structural demand for industrial services



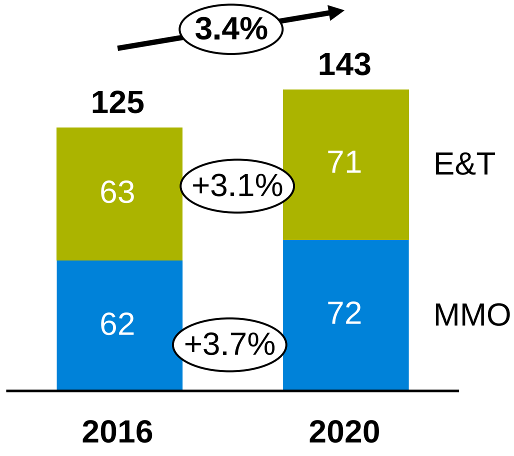
Source: Industrial Info Research

Bilfinger Market Model
Contracted out market is USD 125 bn and rising

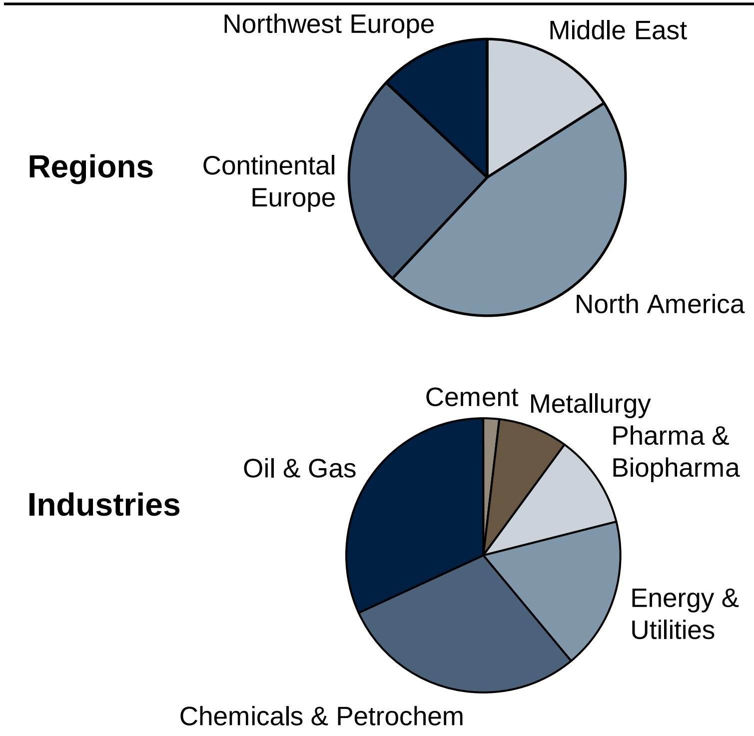
Total service market (2-4-6)
[USD bn]



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



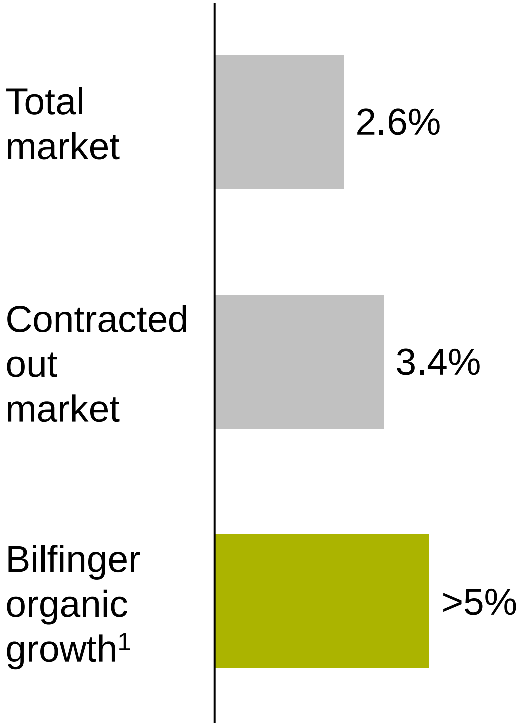
Contracted out market by regions and industries (2016)



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

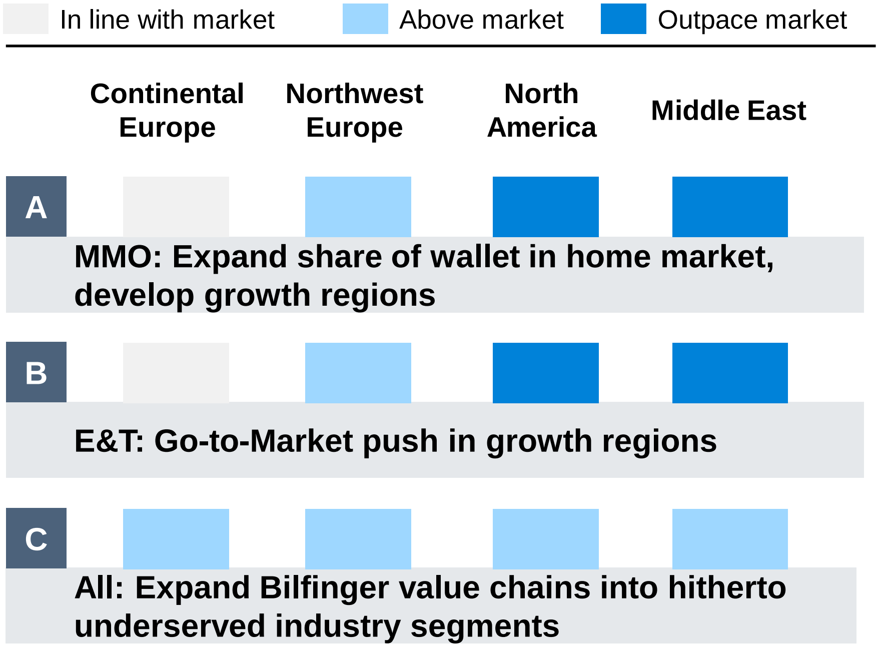
Driving profitable growth
Three major growth levers for above market profitable growth

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



[1] CAGR 2017-2020 in %

Growth levers and growth impact



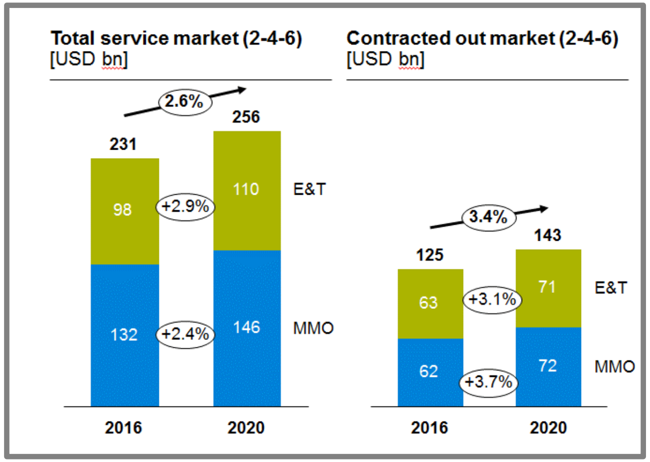
More than 20 growth initiatives detailed, including:

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

Tracking will be included in group wide tracking tool B TOP

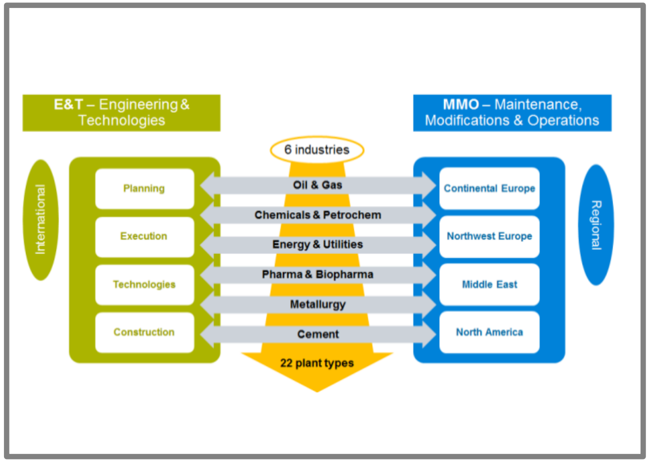
Our analysis for sustainable und profitable growth

Our market



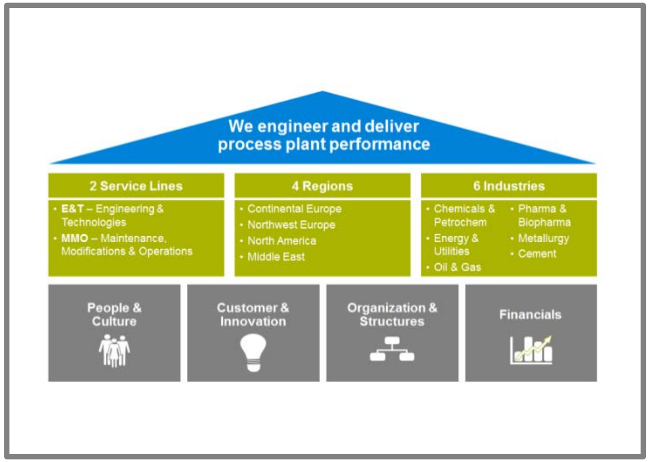
$ 125 bn CAGR ~3.4 %

What we are



2-4-6 Market Focus & Customer Centric

How to win



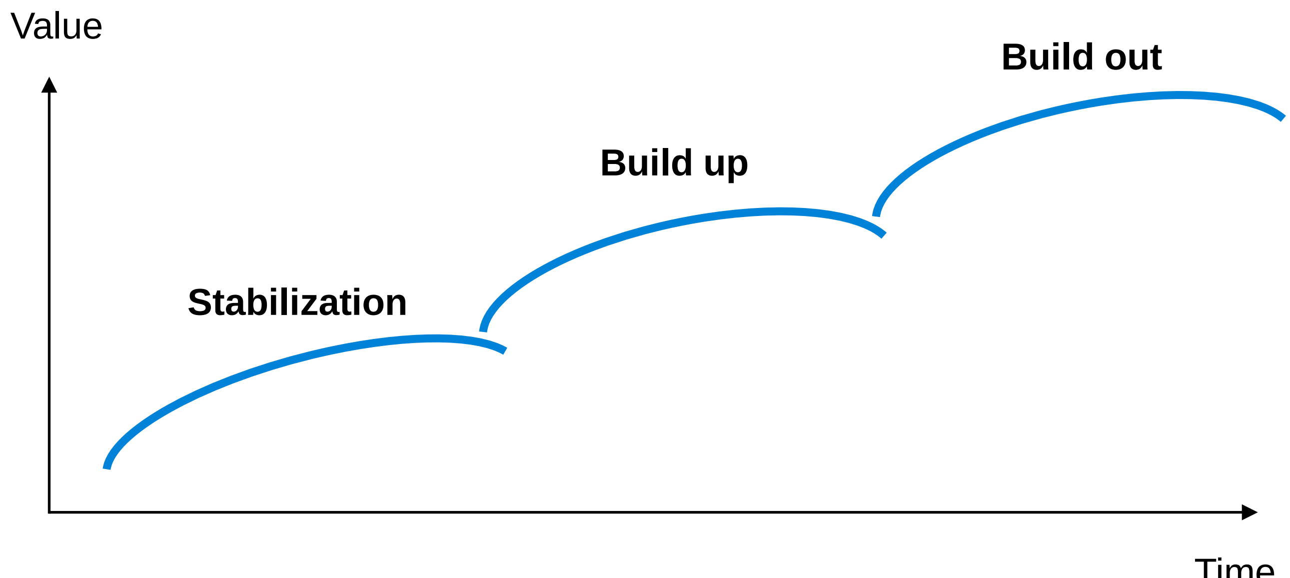
People, engineering, credentials, customer proximity, innovation

>5 % top line CAGR[1]

[1] CAGR 2017-2020 in %

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?

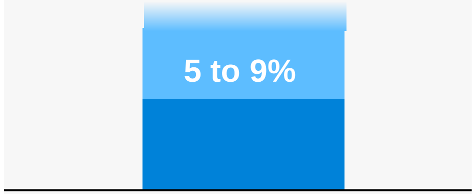
Margin ambition is supported by an extensive profit-pool analysis

E&T EBITA

Adjusted EBITA margin FY 2016

E&T FY 2016

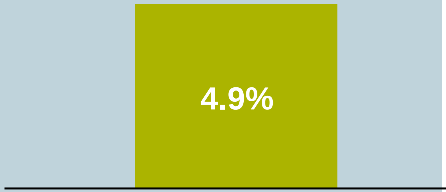
Profit pool according to Bilfinger profile[1] (Mix FY 2020)



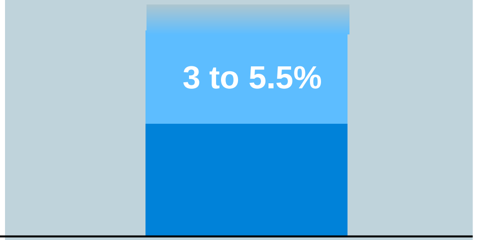
Blended margin range Bilfinger profile 2020

- 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



MMO FY 2016



Blended margin range Bilfinger profile 2020

- 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

- 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

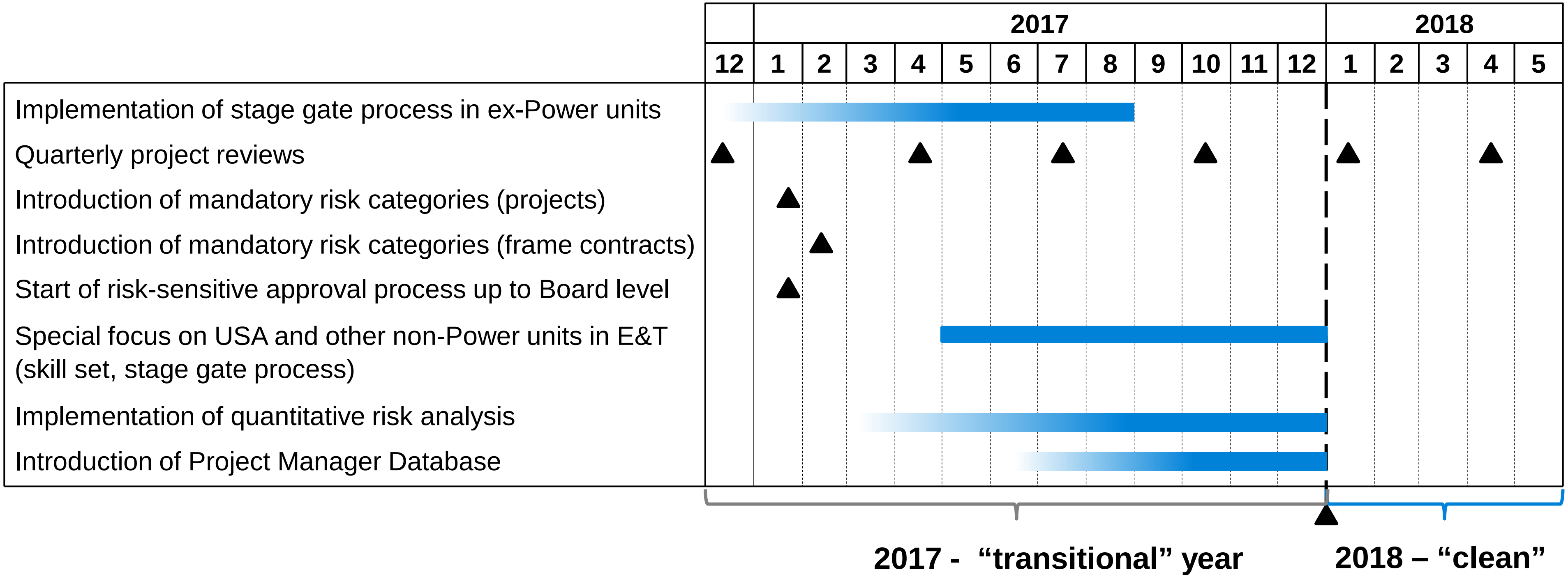
Impact on SG&A ratio ~300bps

AMBITION[2]

EBITA margin increase of ~500bps by 2020

1) Limits of authority 2) Mid-cycle targets

Overview of improvement measures
Verticalized organization in E&T supports centralized project governance approach



Current Trading and Guidance 2017

Q2 2017: development as expected
Counteracting positive and negative effects from legacy projects

- Orders received organically stable
- Output volume decline in line with expectation
- Adj. EBITA negative due to risk provisions for legacy projects in USA
- Earnings after taxes from discontinued operations with positive effect in connection with a legal dispute in Qatar
- Net profit significantly improved, overall positive impact from legacy projects
- Operating cashflow improved
- Outlook 2017: orders received and output volume confirmed, adj. EBITA break-even

Market Situation E&T

Oil and gas:
- Continued cautious investment sentiment in the project business
- Positive dynamic in selected areas such as gas supply and gas pipelines in Europe

Chemicals and petrochemicals:
- Market growth in North America continues
- Overall growing trend toward digitalization with the goal of optimizing production processes, efficiency enhancements a focus in Europe

Energy and utilities:
- Market for fossil fuel power plants remains difficult
- In Europe, growth perspectives from emissions control, modernization and efficiency enhancements at existing plants as well as in nuclear power, in the Middle East through conversion and retrofitting of old power plants

Pharma and biopharma:
- Good demand development, including new labs
- Investments increasingly being made in emerging markets

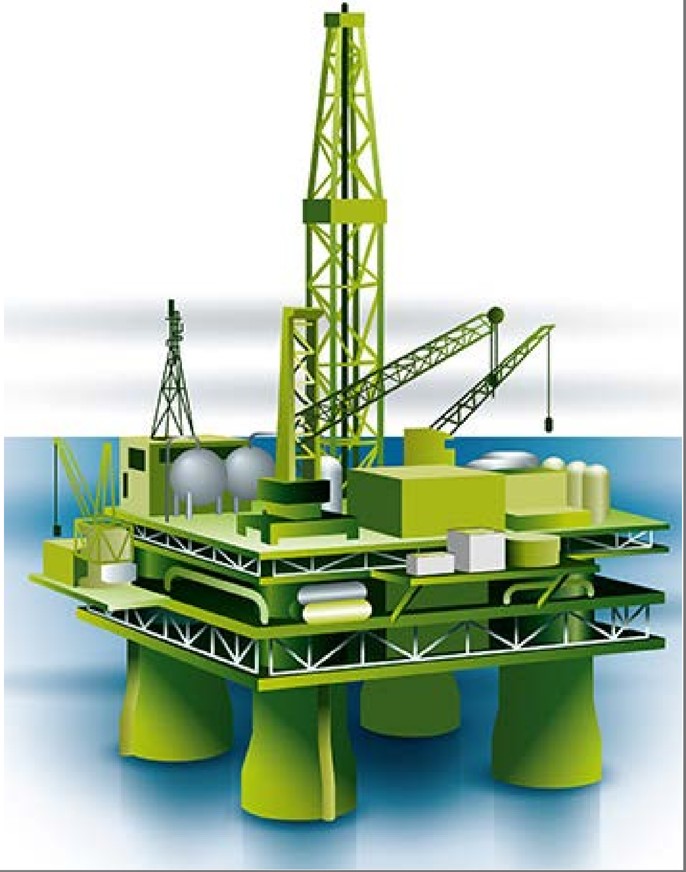
Market Situation MMO

Oil and gas:
- Low point in austerity cycle in Northwest Europe has been reached, though still no upturn in continuing intensely competitive environment
- Efficiency enhancements remain a focus

Chemicals and petrochemicals:
- Stable demand in Europe in the maintenance business
- In the Middle East, impetus from expansion of vertical integration driving import of required expertise

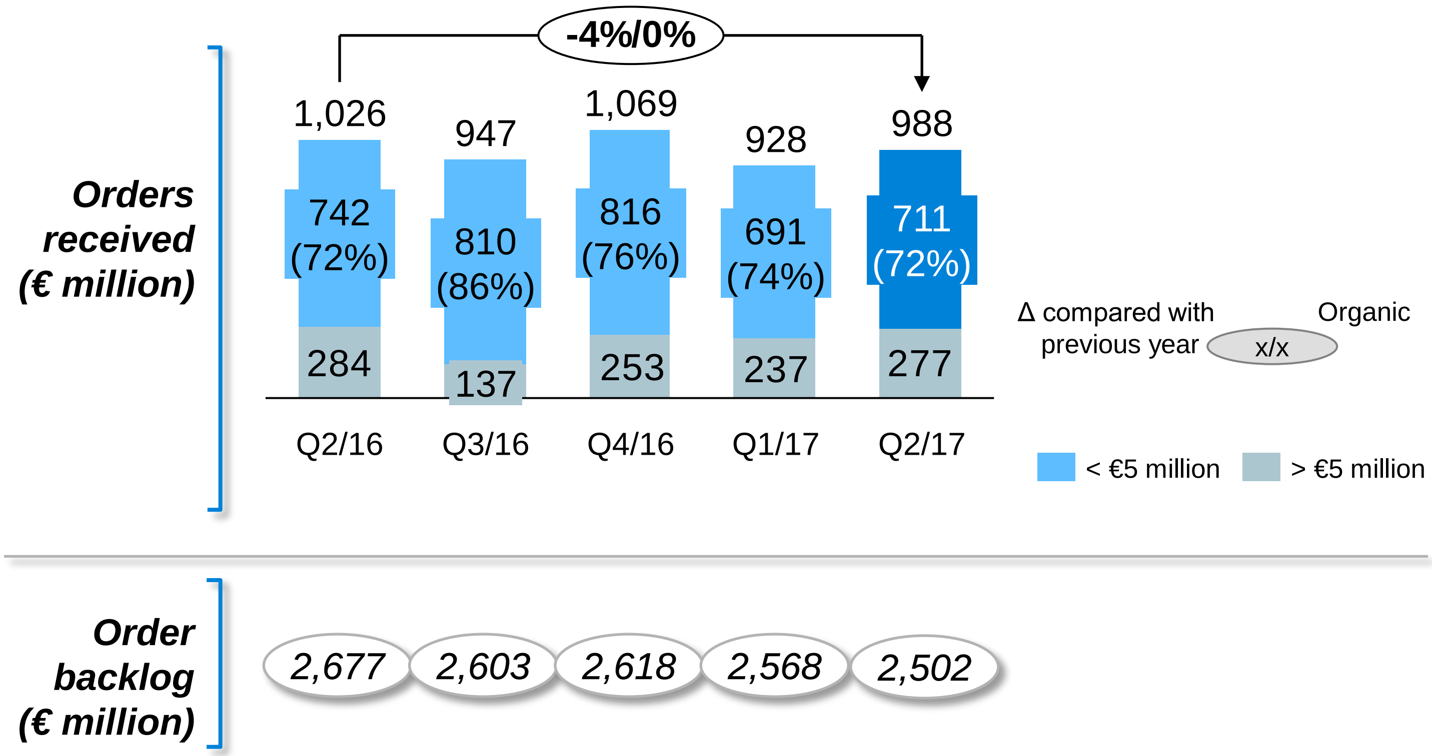
Energy and utilities:
- Increasing demand in the Middle East, in particular for water treatment
- In Europe ongoing limited demand for traditional power plant services, instead more partnership models, digitalization as trend, focus on renewables

Metallurgy:
- Positive outlook in Europe, weaker for Middle East



Orders received organically stable, book-to-bill ~1

Development of orders received



- **Orders received:**
  4% below prior-year (org.: 0%)

  Book-to-bill ~ 1

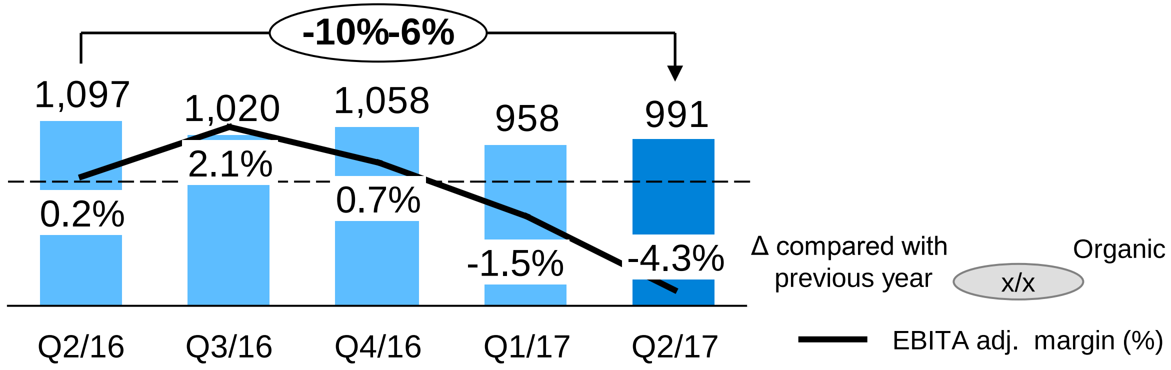
  Organic increase expected for full year with an upswing in demand in the second half of the year
- **Order backlog**:
  7% below prior-year (org.: -3%)

  Roughly 88% of planned output volume for 2017 already in order backlog

Output volume declines as expected
Adj. EBITA negative due to risk provisions for legacy projects in USA

Development of output volume and profitability

Output volume (€ million)



	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17
EBITA adj. (€ million)	*2*	*21*	*7*	*-14*	*-43*
EBITA (€ million)	*-64*	*-53*	*-49*	*-50*	*-64*

- **Output volume**:
  -10% (org.: -6 %)
  Includes a technical effect due to the booking of risk provisions in the amount of -3%points
- **EBITA adjusted**:
  Negative due to risk provisions for legacy projects in USA in the amount of €53m
- **Special items**:
  €21m especially disposal losses, restructuring and IT investments

Initiatives to reduce SG&A costs are consequently implemented
Target 2020: ~7.5% of output volume

IT PROJECTS

- ✓ **Status process and system harmonization:**
  Design phase for six core processes completed
  Roll-in of first pilot entity planned for year-end
- ✓ **Status HRcules:** pilot projects start in Q4
- ✓ **Status CRM:** global roll-out essentially completed by end of 2018

PURCHASING INITIATIVE

- ✓ **Global sourcing organization** in roll-out phase
- ✓ **Key positions in global procurement** newly appointed
- ✓ First cost saving measures in **BTOP**

„LEAD COMPANY“ CONCEPT

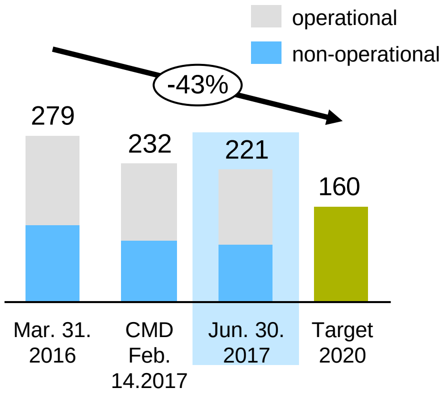
Example **Division NorthWest Europe** (MMO):
Concept created:
Implementation „Lead Company“ concept in BeNe

1. Step: integration of back office
2. Step: operative integration

→ Completed by end of 2018
→ **Increases quality and efficiency**
→ **Lowers SG&A costs**

REDUCTION LEGAL ENTITIES

Complexity reduction within the organization through significant simplification of holding structure



Outlook 2017: Orders received and output volume confirmed
Adjusted EBITA break-even

	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	15	Break-even*

**Assumption: on a comparable F/X basis*
For further outlook information see: Bilfinger Half-year Financial Report 2017, Outlook 2017

Targets 2020 and Wrap-up

Refinancing of syndicated cash-credit line and guarantee facilities completed
Start of share buyback program planned for September 2017

Re-financing	• Successful refinancing of syndicated cash-credit line (RCF) with a volume of €300m, duration of 5 years • Agreements on guarantee facilities in bilateral tranches with a total volume of €860m achieved • Conditions slightly improved
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
Interest in Apleona	• Vendor claim: value increased to €108m due to accrued interest • PPN: P&L-neutral appreciation in the amount of €14m to €209m
Share Buyback Program	• Volume of up to €150m or 10% of shares • Initiated in September 2017 • Share buyback will end at the earliest September 2018, at latest end of 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

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

Bilfinger 2020
Ambition will be reached in three phases with clear milestones

Value

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

Time

Bilfinger 2020
Financial ambition

Organic Growth	Profit	Cash	Return
>5% CAGR based on FY 2017	• **EBITA adjusted ~5%** • Gross margin improvement by ~200bps • SG&A ratio reduction by ~300bps	• Positive **adj. FCF** at the latest from 2018 onwards • Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)[1]	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

[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.

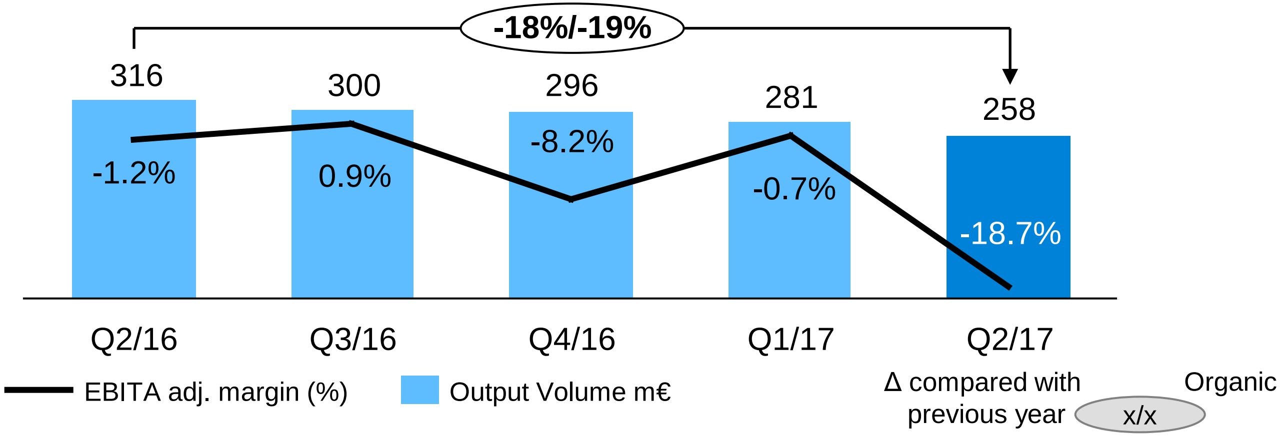
WE CREATE. WE CARE. WE CAN.

WE MAKE IT WORK.

Appendix

Q2 2017
E&T: Decrease in output volume as planned
EBITA burdened by risk provisions, underlying development positive

Development of output volume and profitability



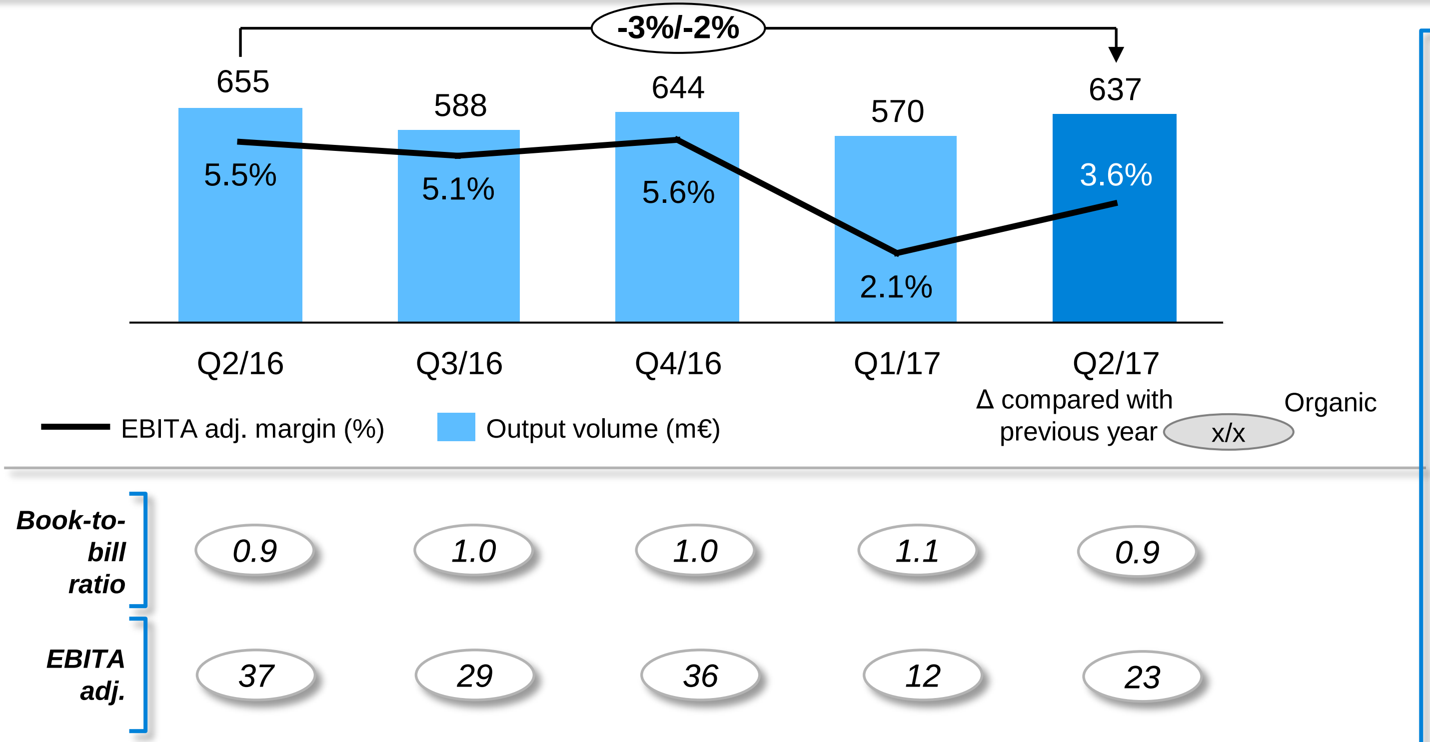
	Q2/16	Q3/16	Q4/16	Q1/17	Q2/17
Book-to-bill ratio	*1.1*	*1.0*	*1.1*	*0.9*	*1.2*
EBITA adj.	*-3*	*2*	*-24*	*-2*	*-48*

- **Book-to-bill >1:**
  Low level of output volume, however, continued selective tendering activity in challenging market environment
- **Output volume:**
  -18% (org.: -19%)
  includes a technical effect from risk provisions in the amount of -9%points;
  consequence of declining orders received in 2016
- **EBITA adjusted**:
  Significantly burdened by legacy projects in USA in the amount of €53 m, positive development

Q2 2017
MMO: output volume decreased slightly, EBITA as planned below comparably high prior-year

APPENDIX

Development of output volume and profitability

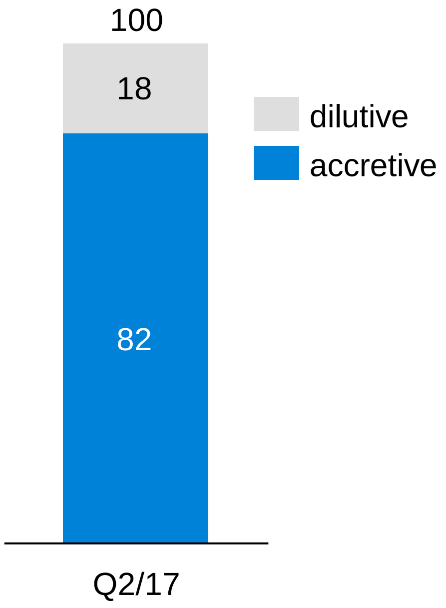


- **Orders received:**
  -4% (org. -3%), but positive development compared to prior year in NorthWest Europe
- **Output volume:**
  As expected slightly below prior-year: -3% (org. -2%)
- **EBITA adjusted:**
  As expected below high prior-year comparable; decrease due to weaker turnaround business, burdens due to framework agreements with new customers in the ramp-up phase as well as lower output volume

APPENDIX

Q2 2017
OOP: Six units already sold in first half, one more signed in September
Further units in advanced sales negotiations

OOP Output volume (€ million)



Dilutive:

Progress M&A track:

- 13 units as of December 31, 2016
- Six have already been sold
  Q2: Book loss of €4 million, cash-out of €1 million
- Few other units are currently in advanced sales negotiations

Accretive:

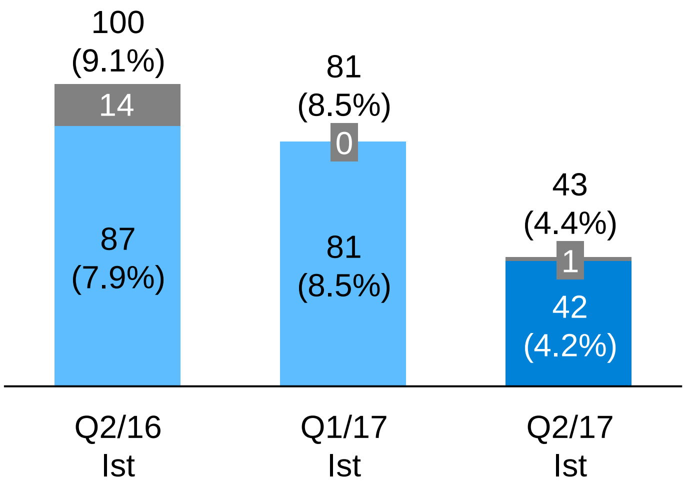
- Additional five units “managed for value”

- Q2/2017: Output volume €100m (Q2/2016: €154m), EBITA adj. €0m (Q2/2016: -€11m)
  Sales-related decrease in volume -35%, organic -11%
- Sale of ‘dilutive’ units: effect of minus ~€30m expected in total (incl. Q1/2017) on cash and on P&L respectively, thereof €2m cash-out and €18m loss in first half

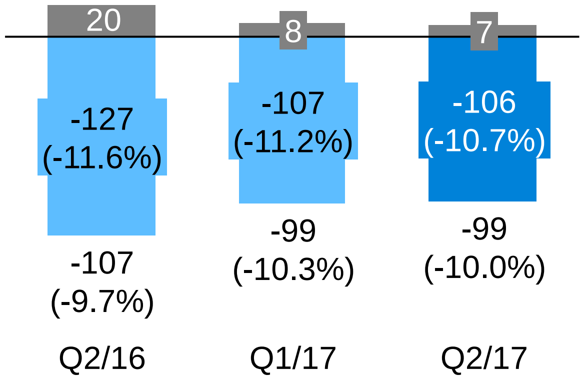
APPENDIX

Q2 2017
Gross margin burdened by risk provisions in the amount of -€53m
Visible improvement in selling and administrative expenses

Adjusted gross profit (€ million)



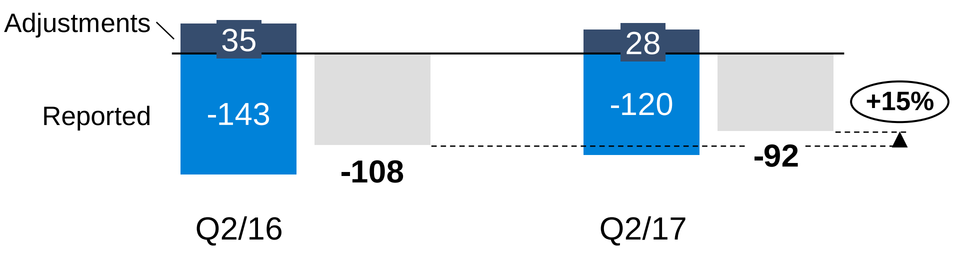
Adjusted selling and administrative expenses (€ million)



Adjustments Reported

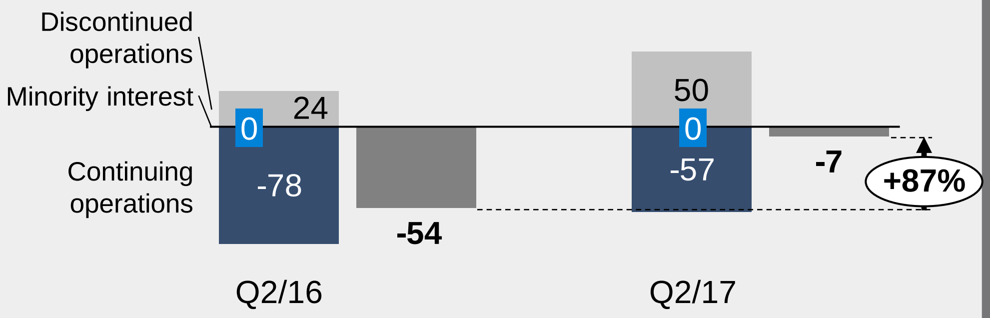
Q2 2017
Operating cash flow improved
Net cash at €262 million

Operating cash flow adjusted[1] (€ million)

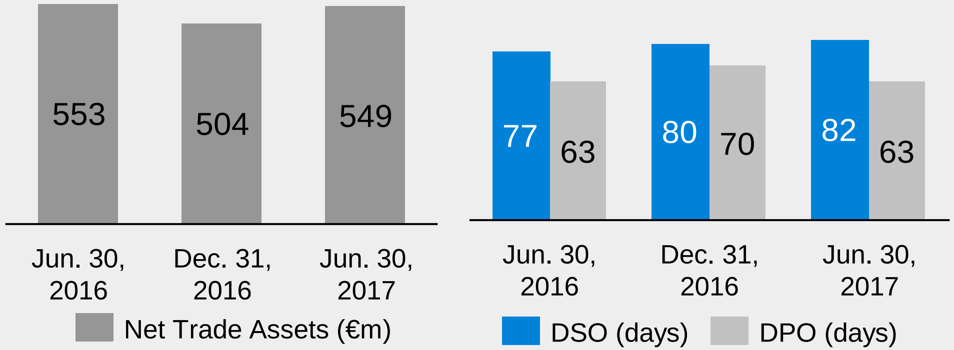


[1] Adjustments correspond to EBITA adjustments

Net profit (€ million)

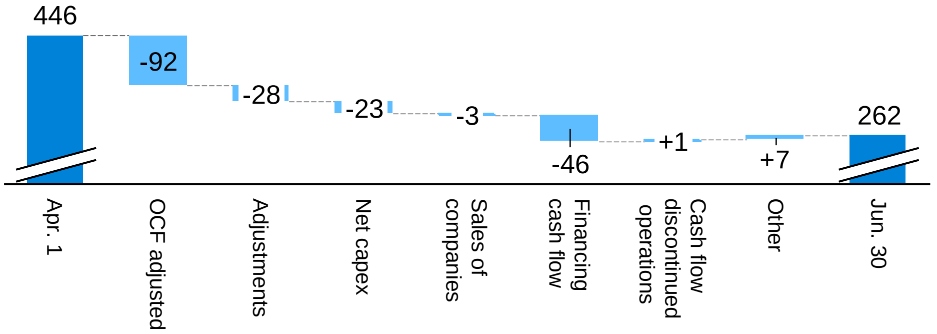


Net trade assets (€ million)



Definition DSO: Trade receivables and WIP, DPO: Trade payables and advance payments received

Net cash (€ million)



Disclaimer

This presentation has been produced for support of oral information purposes only and contains forward-looking statements which involve risks and uncertainties. Forward-looking statements are statements that are not historical facts, including statements about our beliefs and expectations. Such statements made within this document are based on plans, estimates and projections as they are currently available to Bilfinger SE. Forward-looking statements are therefore valid only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Apart from this, a number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in worldwide financial markets as well as the factors that derive from any change in worldwide economic development.

This document does not constitute any form of offer or invitation to subscribe for or purchase any securities. In addition, the shares of Bilfinger SE have not been registered under United States Securities Law and may not be offered, sold or delivered within the United States or to U.S. persons absent registration under or an applicable exemption from the registration requirements of the United States Securities Law.