Bilfinger SE

Bilfinger SE Company Presentation

April 2018

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

€ 4.0bn revenue

thereof recurring business >60%

€3m EBITA adjusted

Approx. 36,000 employees

based on FY 2017

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

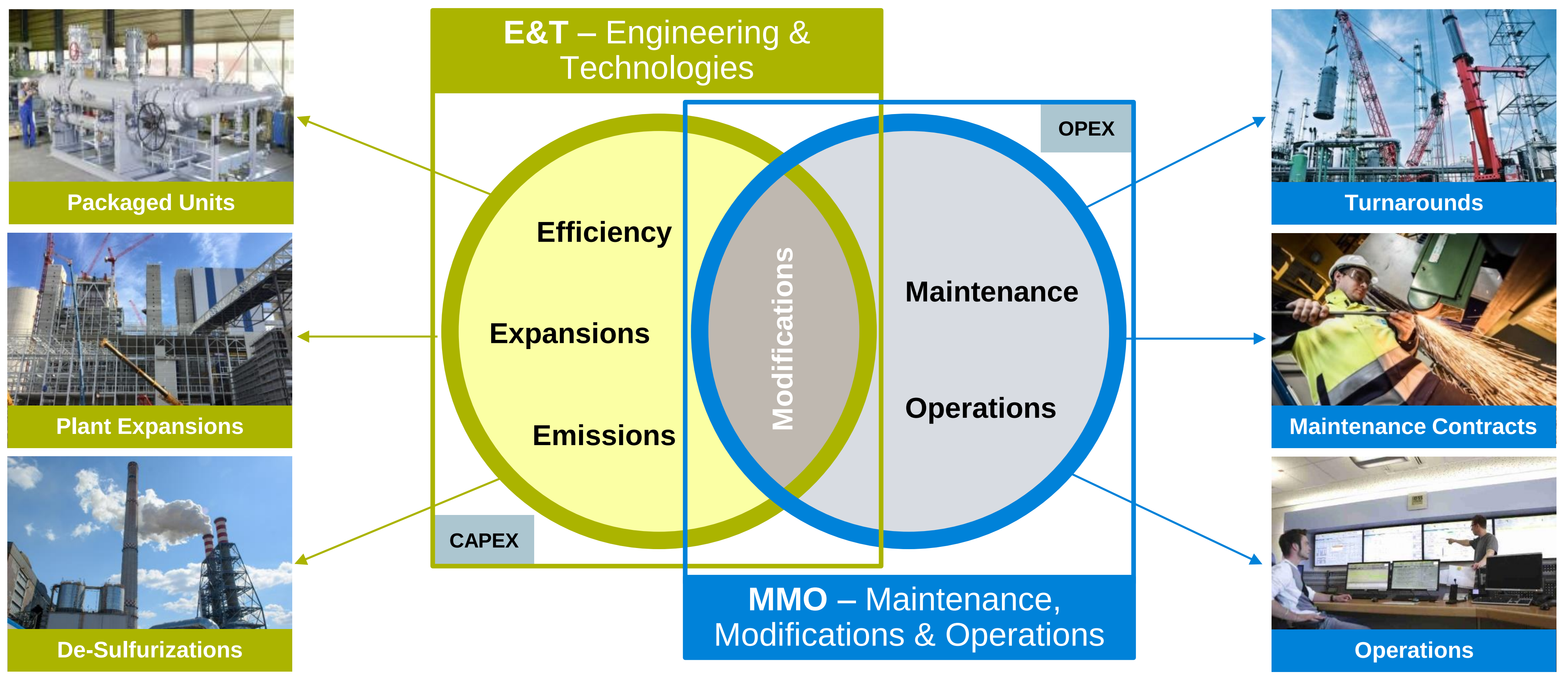
Customer & Innovation

Organization & Structures

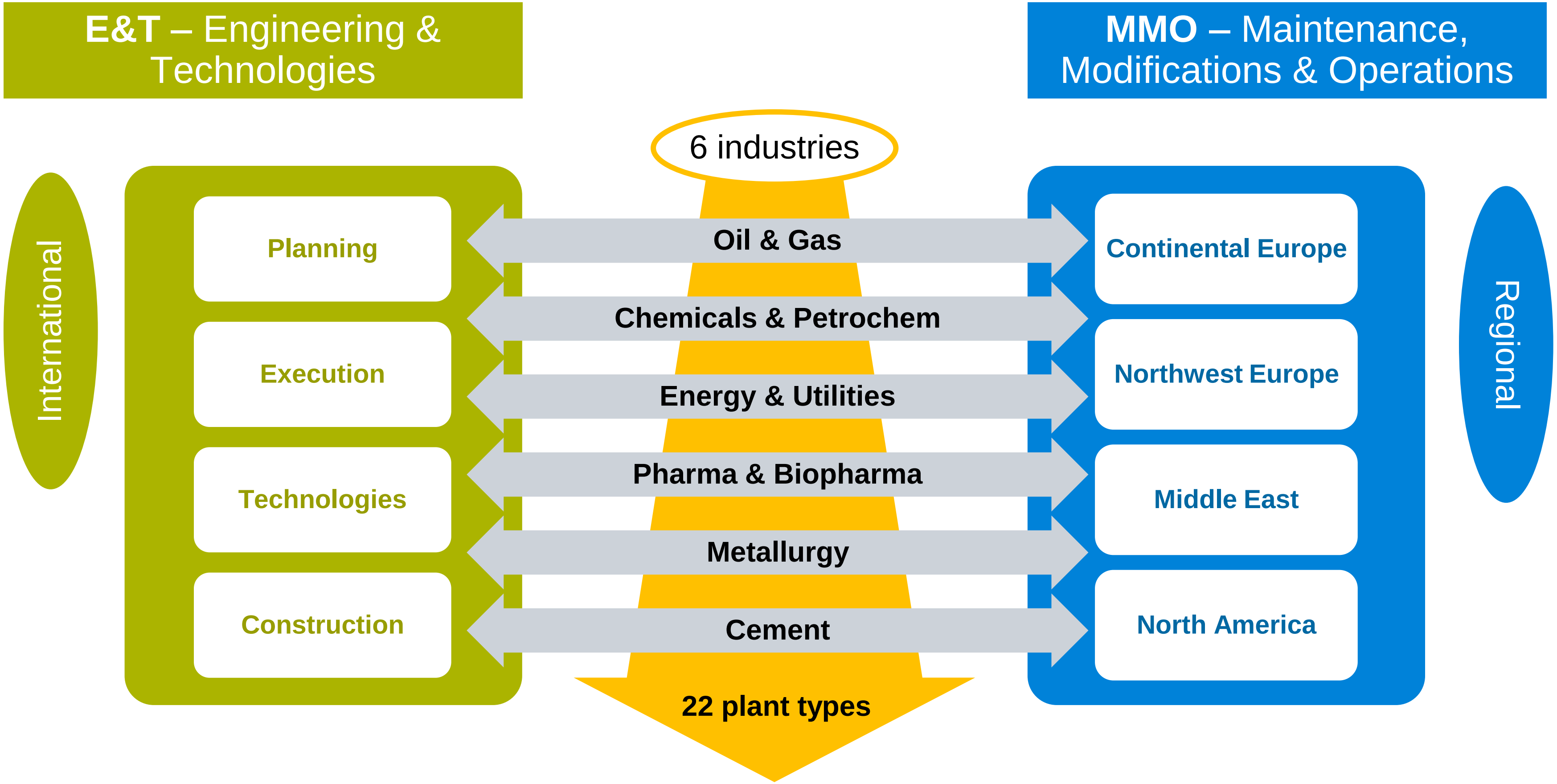
Financials

Service Portfolio

Strong offering for capex and opex driven services

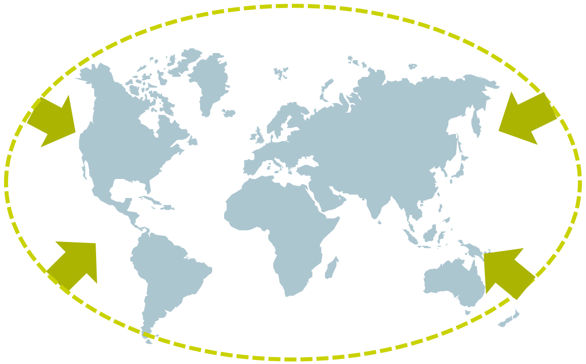


Go-To-Market organization
Market focus, customer centric



Organizational setup supports strategy implementation and 2020 ambition

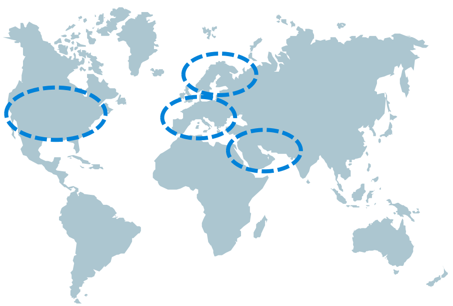
E&T



- 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

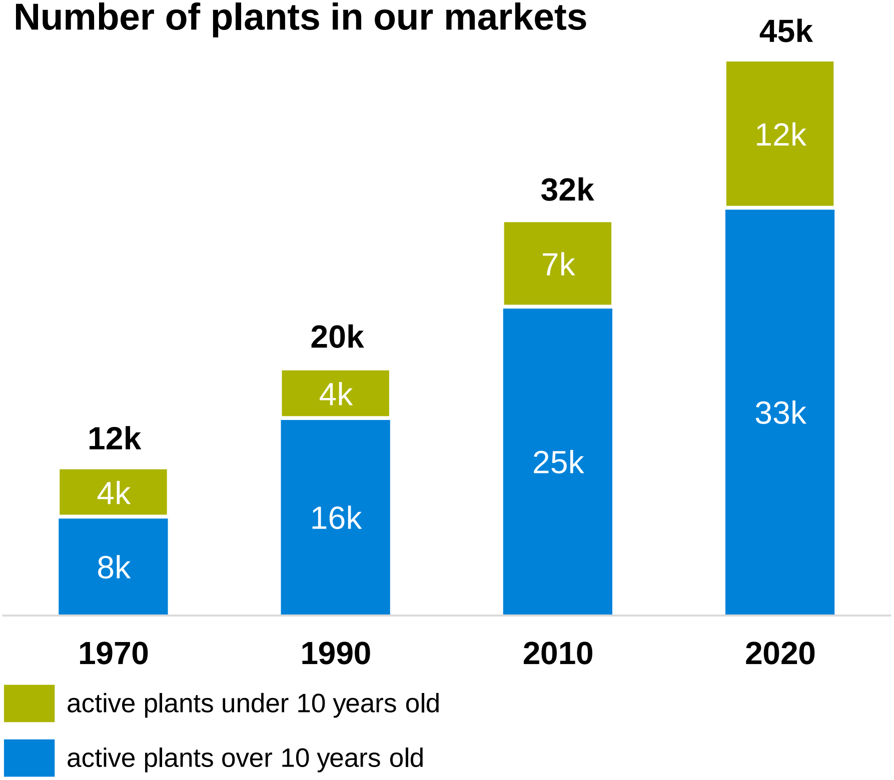
Industrial service market

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

Number of plants in our markets

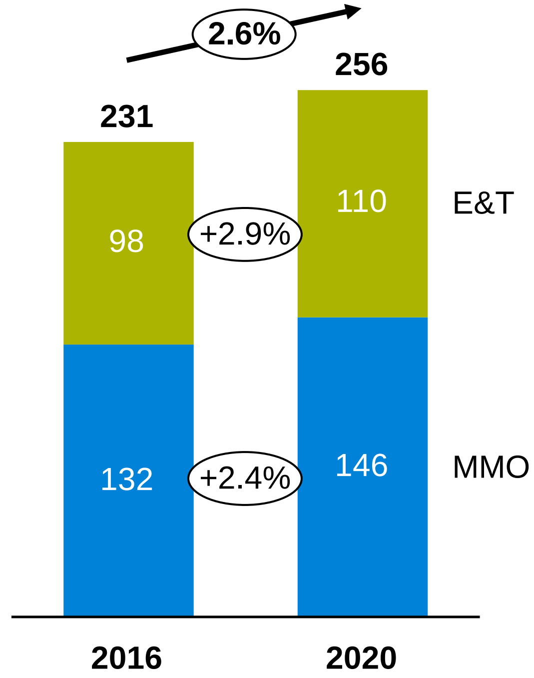


Source: Industrial Info Research

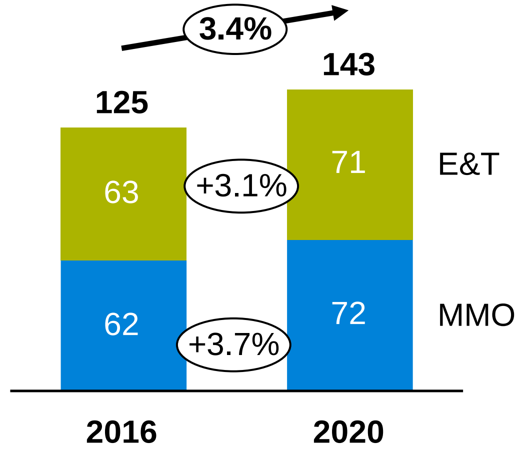
Bilfinger Market Model

Contracted out market is USD 125 bn and rising

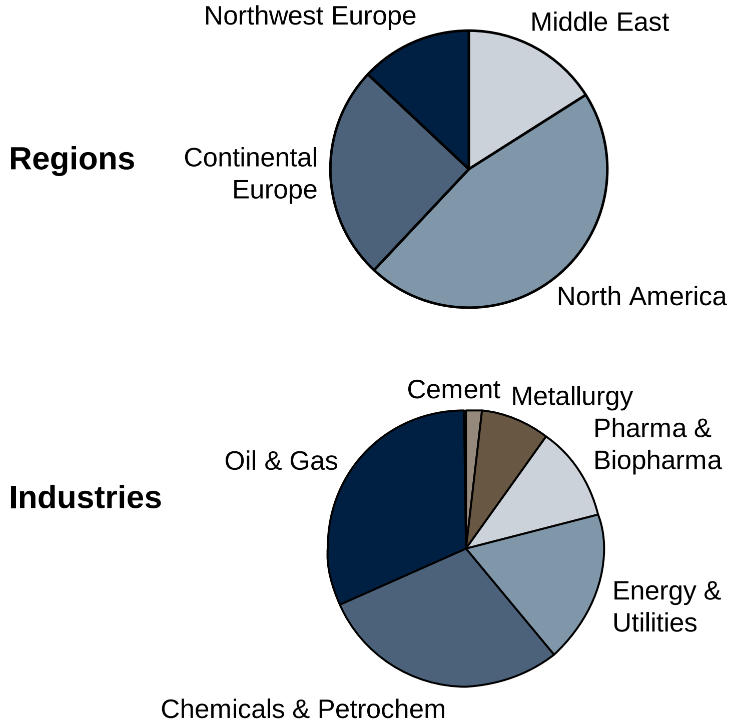
Total service market (2-4-6) [USD bn]



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



Contracted out market by regions and industries (2016)

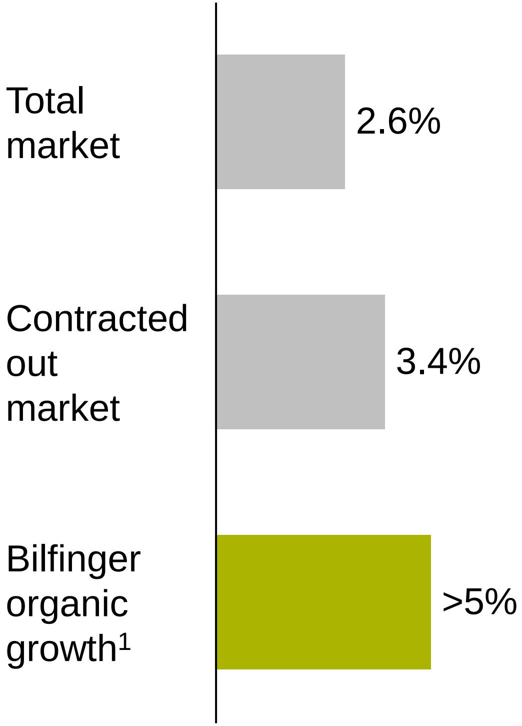


Note: E&T market volume comprises projects up to USD Mio 100

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

Market development

Expansion of our service portfolio: Example Cement

Customer situation	Bilfinger solutions	Optimization potentials	
Increasing number of emission regulations	Proven procedures for emission control (e.g. SCR**)	Emissions	-95%
High share of energy costs (about 30%)	Expanding the use of possible fuels	Energy costs	-5%
Often reactive maintenance	Innovative (predictive) maintenance concepts (BMA, BMC, BCAP*)	Effectiveness of the plant	5-30%

* BMA: Bilfinger Maintenance Analysis, BMC: Bilfinger Maintenance Concept, BCAP: Bilfinger Connected Asset Performance
** SCR: Selective Catalytic Reaction

Digitalization in the process industry

Initial situation

- Limited productivity improvements, potentials exhausted
- Plant complexity is increasing
- Increasing M&A activities among our customers
- Customers demand greater efficiency and lean approaches
- Demographic change requires knowledge transfer
- Regional, digital solutions at Bilfinger

Potentials through digitalization

- **Asset performance**
- **Efficiency enhancement**
- **Tap into new markets**
- **Collaboration and access to knowledge**

Customer proximity and technical competence as basis for digital success at Bilfinger

BCAP – Bilfinger Connected Asset Performance

New digital approach to enhance process industry performance

Customer benefit

7-15%: Enhanced effectiveness of the overall plant

10-30%: Reduced maintenance costs

15%: Increased work productivity

up to 25%: Reduction of unplanned downtimes

Competitive advantages Bilfinger

- Detailed knowledge of the needs and processes of industrial customers
- Expertise derived from on-site presence
- Comprehensive digitalization competences and experience
- High speed of implementation
- Partner throughout the entire life cycle‘
- Platform-independent solution
- Expansion of the proven BMC (Bilfinger Maintenance Concept)

Generally amortization of employed capital within one year

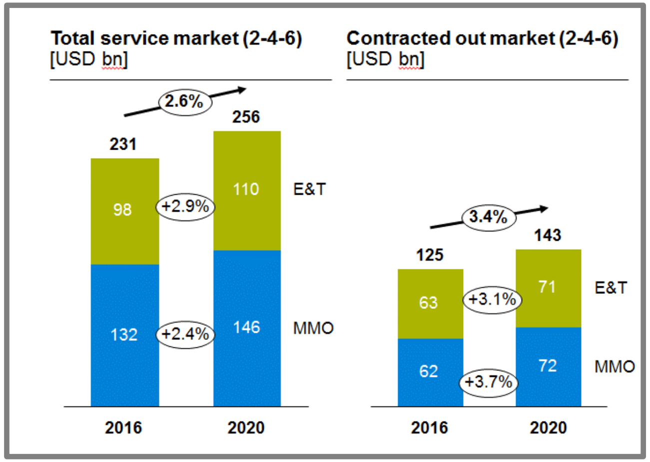
Growth opportunities digitalization

Our service range for the process industry

Phase 1	Phase 2	Phase 3	Phase 4
Consulting	**Networking**	**Visualization and analysis**	**Optimization**
Consulting	Engineering	Digital services	Software licensing
• Actual analysis • Concepts • Costs/benefits • Planning	• Implementation • Connectivity • Sensor technology	• Data collection in the IoT cloud • APP´s • Creation of algorithms • Digital twin	• Dashboards • Forward-looking maintenance • Courses of action • Quality • Plant performance
Creating a foundation	Plant digitalization	Intelligent plant	Future foreseeable

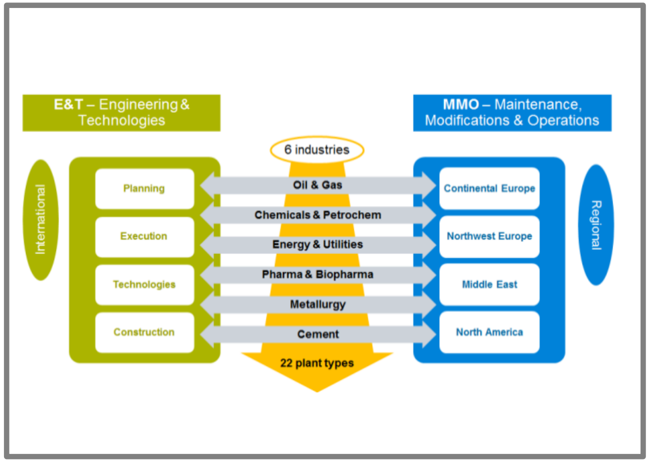
Our analysis for sustainable und profitable growth

Our market



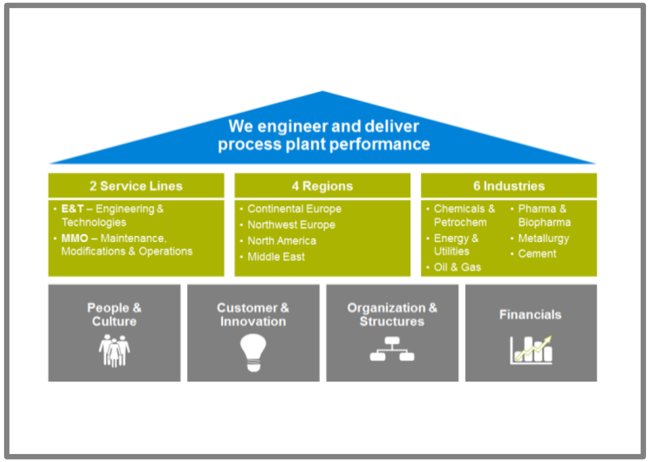
$ 125 bn CAGR ~3.4 %

What we are



2-4-6 Market Focus & Customer Centric

How to win



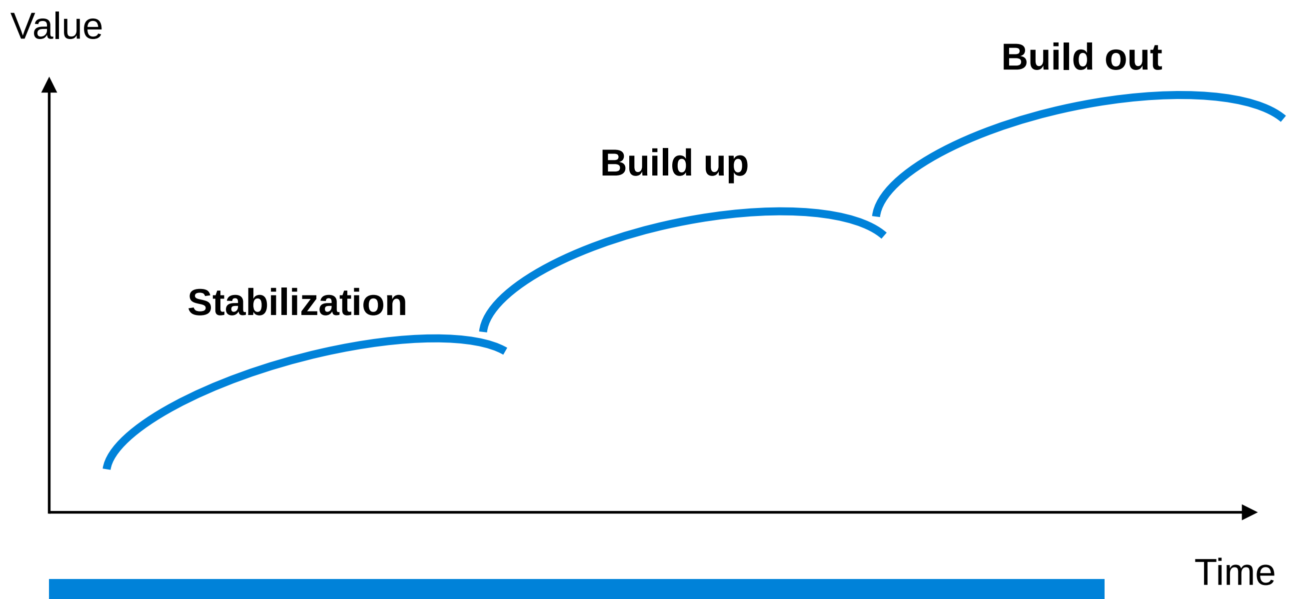
People, engineering, credentials, customer proximity, innovation

>5 % top line CAGR[1]

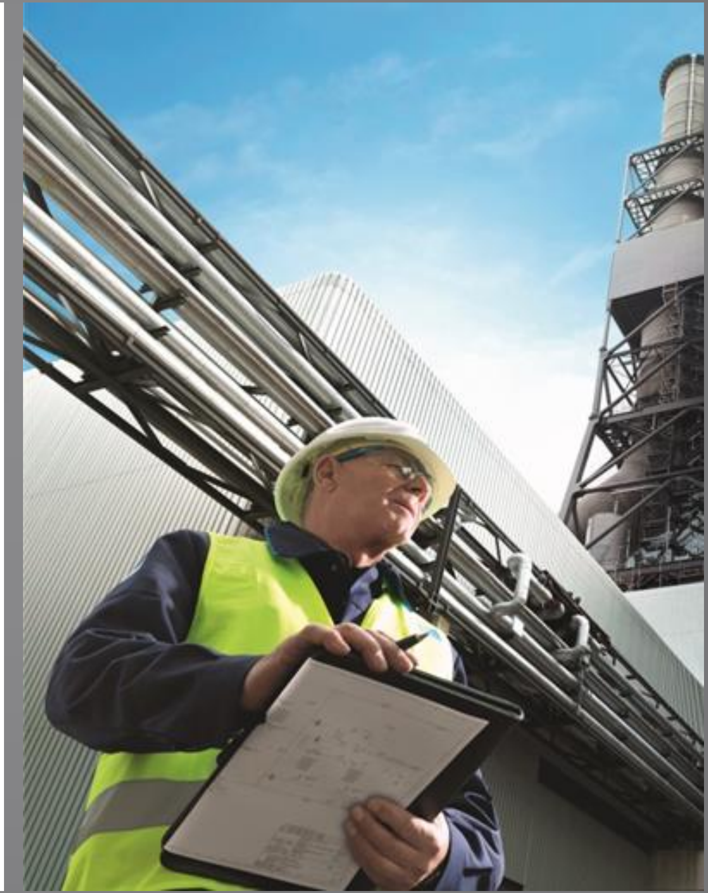
[1] CAGR 2017-2020 in %

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

	Adjusted EBITA margin FY 2016	Profit pool according to Bilfinger profile[1] (Mix FY 2020)	
E&T EBITA	-2.4% (E&T FY 2016)	5 to 9% (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	4.9% (MMO FY 2016)	3 to 5.5% (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

Preliminary Figures FY 2017 and Guidance FY 2018

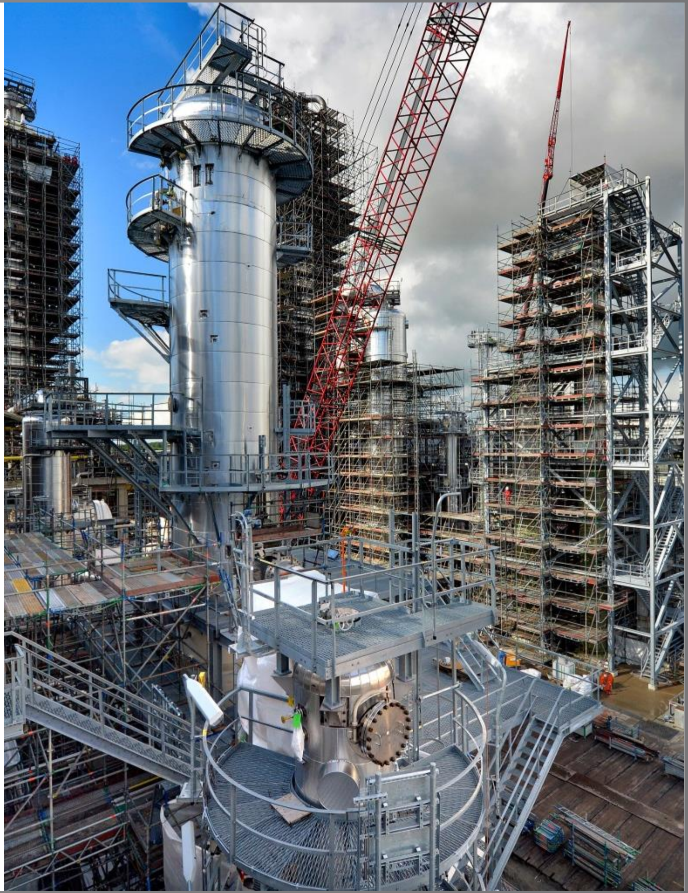
FY 2017: Orders received have bottomed out, organic increase after three years of decline

Orders received
FY 2017: significant organic increase, book-to-bill ~1
Q4: organic growth at +6%, book-to-bill >1

Output volume
FY 2017: organically stable at > €4b and hence above expectations
Q4: organic growth in second consecutive quarter

EBITA adjusted
FY 2017: positive at €3m despite burden of ~€50m from US legacy projects
Q4: strong year-end rally

Net profit
FY 2017: net profit significantly lower than prior-year figure which was supported by sale of Apleona. Adjusted net profit at prior-year level



Outlook 2018: significant improvement of earnings

Liquidity
Cash flow still affected by cash-out for efficiency enhancements
FY 2017: Cash flow improved against prior year

Balance sheet / dividend
Solid balance sheet supporting a repeat dividend proposal[1)] of €1.00 per share; share buyback plan to be continued as planned

Outlook 2018
Organic growth of orders received in mid-single-digit percentage range, revenue organically stable to slightly increasing
Significant improvement of EBITA adjusted despite strong increase of start-up costs for business development and digitalization

1) Intended dividend proposal of Executive Board, subject to a corresponding resolution from the Supervisory Board

Market situation E&T

Oil and gas:
- Continued cautious investment sentiment in European project business
- Positive dynamic in selected areas such as gas supply and gas pipelines in Europe and Middle East
- Positive development in US shale gas, e.g. Exxon

Chemicals and petrochemicals:
- Market growth in North America with focus on the US Gulf Coast continues
- The Middle East market remains challenging, but opportunities for value-adding services
- Increasing number of requests for small- and midsized projects in Europe
- Increased trend towards digitalization, especially from small- and mid-caps, with the goal of optimizing production processes and efficiency enhancements

Energy and utilities:
- In Europe growth perspectives mainly in nuclear, also from emissions control, modernization and efficiency enhancements at existing plants
- Market for fossil fuel power plants remains difficult
- In Middle East shift from conventional to alterative energy

Pharma and biopharma:
- In Europe further increase in demand
- Investments increasingly being made in emerging markets, first steps in Middle East and China

Market situation MMO

Oil and gas:
- Customers keeping OPEX budgets at low level despite a higher oil price, i.e. increase in demand for maintenance not expected before second half of 2018, but generally increased optimism in offshore market

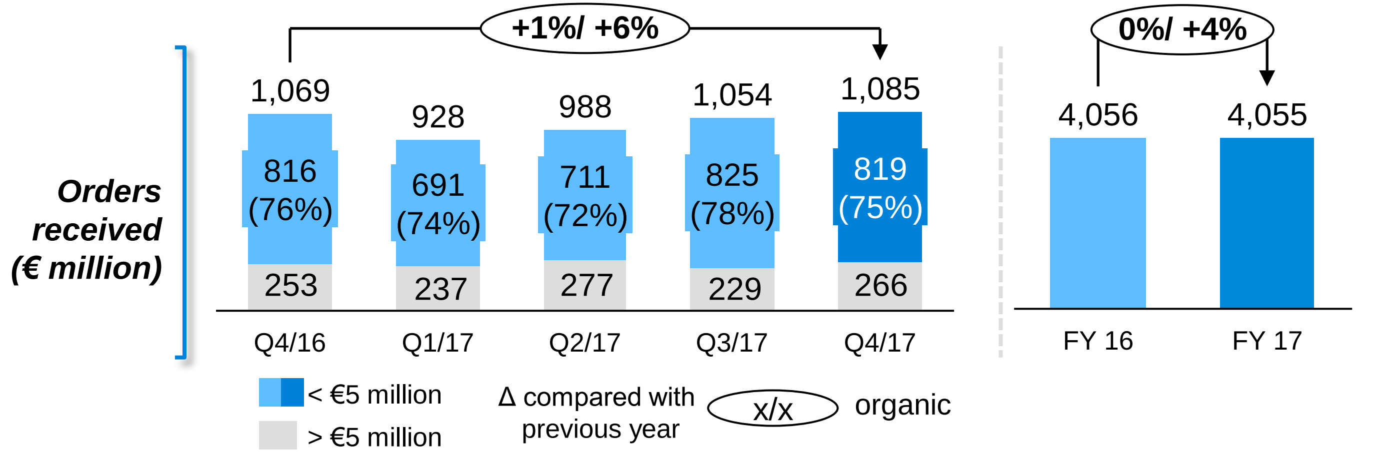
Chemicals and petrochemicals:
- Stable demand in Continental Europe in maintenance business and growing willingness to invest, slight increase in number of requests for small MMO-projects (brownfield, e.g. de-bottlenecking)
- Key customers in onshore/downstream market in U.K. with significant budgets
- In the Middle East, impetus from expansion of vertical integration driving import of required expertise, asset performance and energy efficiency

Energy and utilities:
- In Middle East shift from conventional to alterative energy
- In Europe ongoing limited demand for traditional power plant services, instead more decentralization and outsourcing, digitalization as trend, focus on renewables

Metallurgy:
- Slight pick-up / increase in pre-studies in Middle East and Europe, especially in Norway

Orders received: back to organic growth after three years of decline

Development of orders received



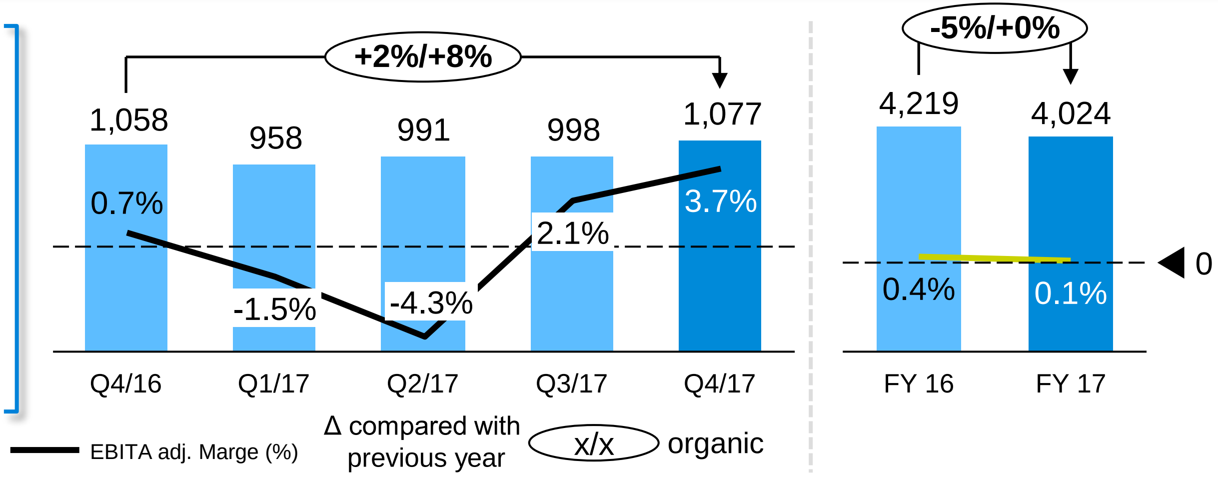
	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	FY 16	FY 17
Book-to-bill ratio	*1.0*	*1.0*	*1.0*	*1.1*	*1.0*	*1.0*	*1.0*
Order backlog (€ million)	*2,618*	*2,568*	*2,502*	*2,535*	*2,530*	*2,618*	*2,530*

- **Orders received:**
  In Q4 1% above prior-year figure (org.: +6%)
  Full year at prior-year level (org.: +4%)
  Positive organic development supported by extension of framework contracts in MMO
- **Book-to-bill: ~1**
- **Order backlog:**
  -3% below prior-year (org.: +2%)

Output volume and earnings with strong year-end rally

Development of output volume and profitability

Output volume (€ million)



	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	FY 16	FY 17
EBITA adj. (€ million)	7	-14	-43	21	40	15	3
EBITA (€ million)	-49	-50	-64	-6	2	-221	-118

- **Output volume**:
  Full year above expectations
  Q4: organic growth in second consecutive quarter
- **EBITA adjusted:**
  Strong year-end rally, but full year burdened by ~€50m from US legacy projects
- **Special items**:
  Full year as expected: €121m from devaluation, asset impairments, restructuring, IT investments and compliance

Initiatives for cost structure improvement

IT PROJECTS

- ✓ **Status of process and system harmonization:** Roll-in of first pilot executed, further pilots in preparation
- ✓ **HRcules:** Roll-in of pilot entities completed, further roll-ins in preparation
- ✓ **CRM:** group-wide roll-out completed by 70%, 100% planned for first half of 2018

PURCHASING INITIATIVE

- ✓ Alignment of global sourcing organization based on categories
- ✓ Initiatives regarding fleet and telecoms started, significant savings potential identified and partly realized
- ✓ Implementation of **BTOP tools**: progress in program roll-out and in development of first actions

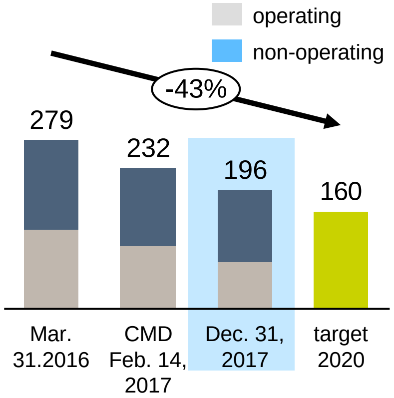
MERGER OF OPERATING UNITS

Two mergers of operating units were completed by BET and Bilfinger UK. For 2018, further mergers are planned.

→Reduces number of legal entities
→Increases quality and efficiency
→ Offers customers a greater range of services from a single source

REDUCTION IN THE NUMBER OF LEGAL ENTITIES

Complexity reduction within the organization through significant simplification of legal structure



Outlook 2018:
Significant improvement of adjusted EBITA expected

in € million	FY 2017	expected FY 2018
Orders received	4,079	Mid single-digit organic growth
Revenue	4,044	Organically stable to slightly growing
Adjusted EBITA	3	Significant increase to mid-to-higher double-digit-million € amount*

*Despite significant increase in upfront costs for business development and digitalisation of € ~20 million, under the assumption of comparable F/X basis
Remark: as of January 1, 2018, Bilfinger changes its reporting from output volume to revenue. Orders received will therefore be computed on the basis of revenue. The FY 2017 figures were adjusted accordingly.

Targets 2020 and Wrap-up

Dividend Proposal of €1.00 for FY 2017
Share buyback program advances as planned

Re-financing	• Refinancing of syndicated cash-credit line (RCF) in June 2017 with volume: €300m; duration: 5 years • Agreements on guarantee facilities in bilateral tranches with a total volume of €860m achieved • Conditions slightly improved
Intended Dividend Policy*	• Dividend floor of €1.00 from 2017 onwards • Sustainable dividend stream going forward: 40 to 60% of adjusted net profit • Dividend proposal of €1.00 for FY 2017 (FY 2016: €1.00)
Interest in Apleona	• Vendor claim: value increased to €114m due to accrued interest • PPN: €210m
Share Buyback Program	• Volume of up to €150m or 10% of shares • Started in September 2017 as planned with an end at the earliest September 2018, latest end of 2018 • Degree of completion: ~46% | Current volume: €70m**
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. Dividend 2017: subject to a corresponding resolution from the Supervisory Board

**Status: March 23, 2018

Bilfinger 2020 – Company passes three phases

Strong progress in stabilization phase

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 revenue FY 2017	• **EBITA adjusted ~5%** • Gross margin improvement by ~200bps • SG&A ratio reduction by ~300bps	• Positive **adj. FCF** 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

Favorable business characteristics

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

Financial soundness

- BB+ / stable outlook
- 38% equity ratio
- Strong net cash position
- Financial participation in Apleona with significant upside potential

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

Asset light business

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

Shareholder-friendly distribution*

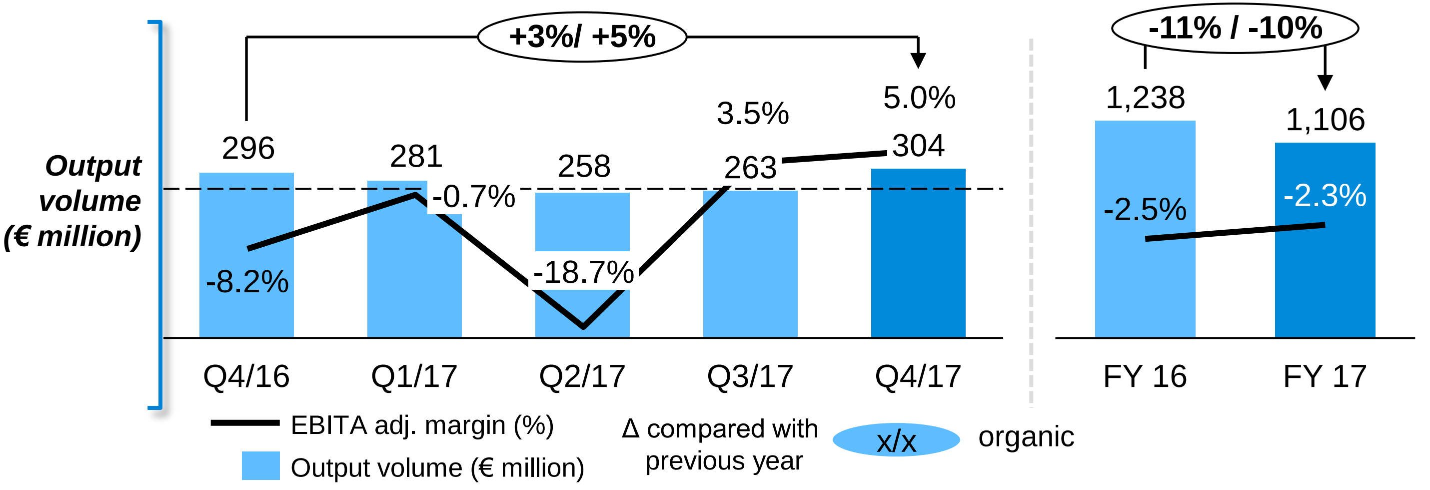
- From FY 2016 onwards:
  1.00€ dividend floor
- Sustainable dividend stream going forward:
  40 to 60% of adjusted net profit
- Share buyback program of up to €150m started in FY 2017 and will end in FY 2018

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

Appendix

E&T: Increase of output volume and earnings in Q4, but book-to-bill still <1

Development of output volume and profitability

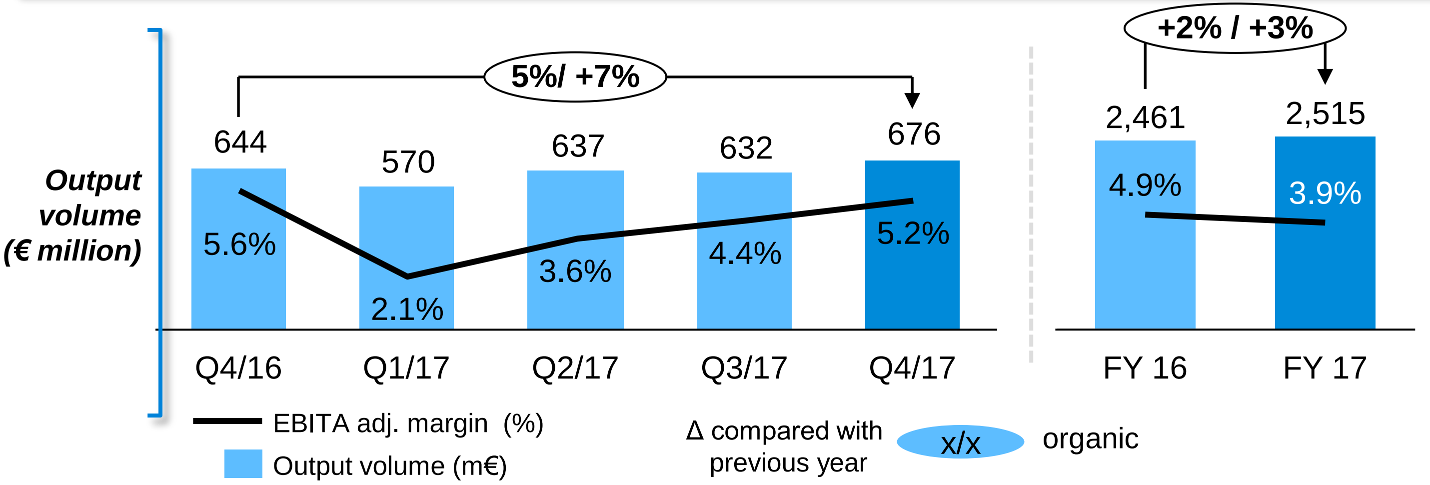


	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	FY 16	FY 17
Book-to-bill ratio	*1.1*	*0.9*	*1.2*	*1.0*	*0.9*	*1.0*	*1.0*
EBITA adj. (€ million)	*-24*	*-2*	*-48*	*9*	*15*	*-30*	*-26*

- **Orders received:**
  In full year decrease by -12% (org. -12%), in Q4 by -14% (org. -15%), but nominally stable against Q3
- **Output volume:**
  Decrease in full year due to lower orders received in prior quarters and challenging market environment in Europe
- **EBITA adjusted:**
  Full year burdened by US legacy projects, but Q4 as expected extraordinarily strong due to project close-outs and flawless execution

MMO: Q4 order intake with significant organic growth, stable earnings

Development of output volume and profitability



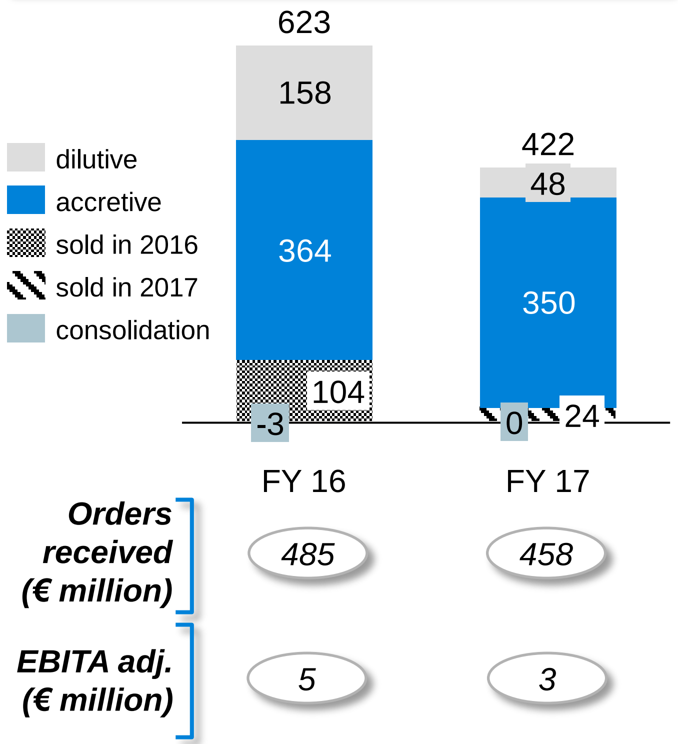
	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17	FY 16	FY 17
Book-to-bill ratio	1.0	1.1	0.9	1.1	1.0	1.0	1.0
EBITA adj. (€ million)	36	12	23	28	35	120	98

- **Orders received:**
  Good development in full year at +5% (org. +6%), organically positive development in Q4 +8% supported by extension of framework contracts
- **Output volume:**
  Q4 und FY above expectations
- **EBITA margin adjusted:**
  As expected below high prior-year comparable;
  weaker turnaround business and burdens due to framework agreements with new customers in the ramp-up phase

OOP:
Dilutive „on track“: 10 entities already sold
Accretive units with increase in orders received

APPENDIX

OOP output volume (€ million)



Progress M&A track / Dilutive:

- 13 units as of December 31, 2016
- 10 have already been sold (closed: 9 as of December 31, 2017, one at the beginning of 2018)
  FY 2017: capital loss of €34m, cash-out of ~€13 Mio. €
- One more is currently in advanced sales negotiations
- **Target confirmed that all dilutive units will be sold or closed by mid 2018**
- **Cash-out expected FY 2018: ~€5m, but no further capital losses**

Accretive:

- So far five, in future four additional units “managed for value”
  (after re-integration of Bilfinger VAM to core business)

Business development:

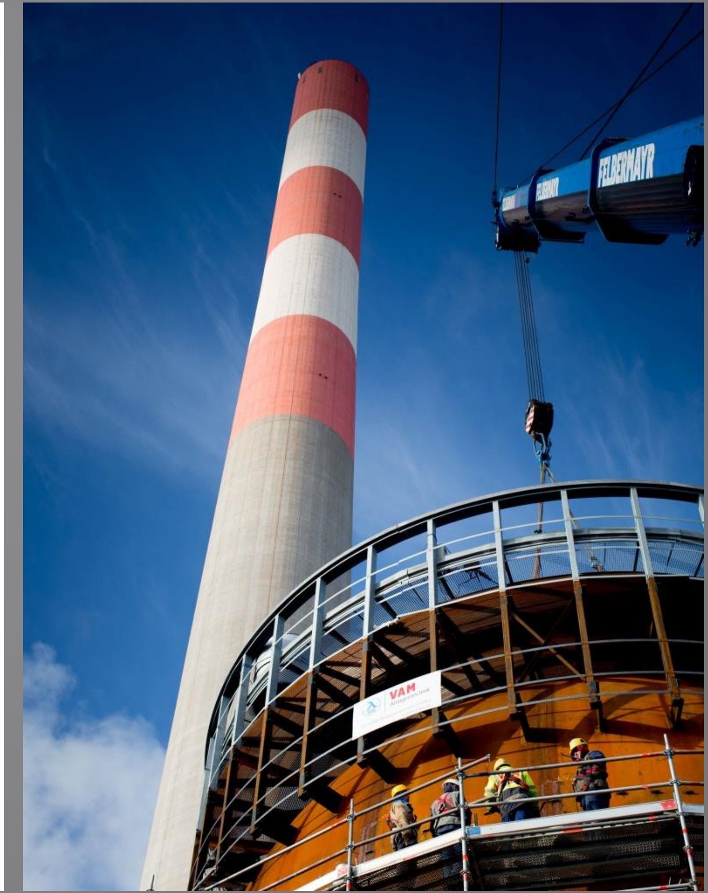
- Orders received in FY -5% below comparable, but organic growth at +23%, in Q4 strong increase of +21% (org. +43%)
- Output volume in FY decreased by -32% (org. -5%), as expected in Q4 decline of -29%, organically slightly positive at +2%
- Decrease of EBITA adj. in FY from €5 m to €3 m, positive one-off in prior-year to be considered

Bilfinger VAM: Top-line synergies due to strong overlaps in customer and service portfolio as well as in regions

APPENDIX

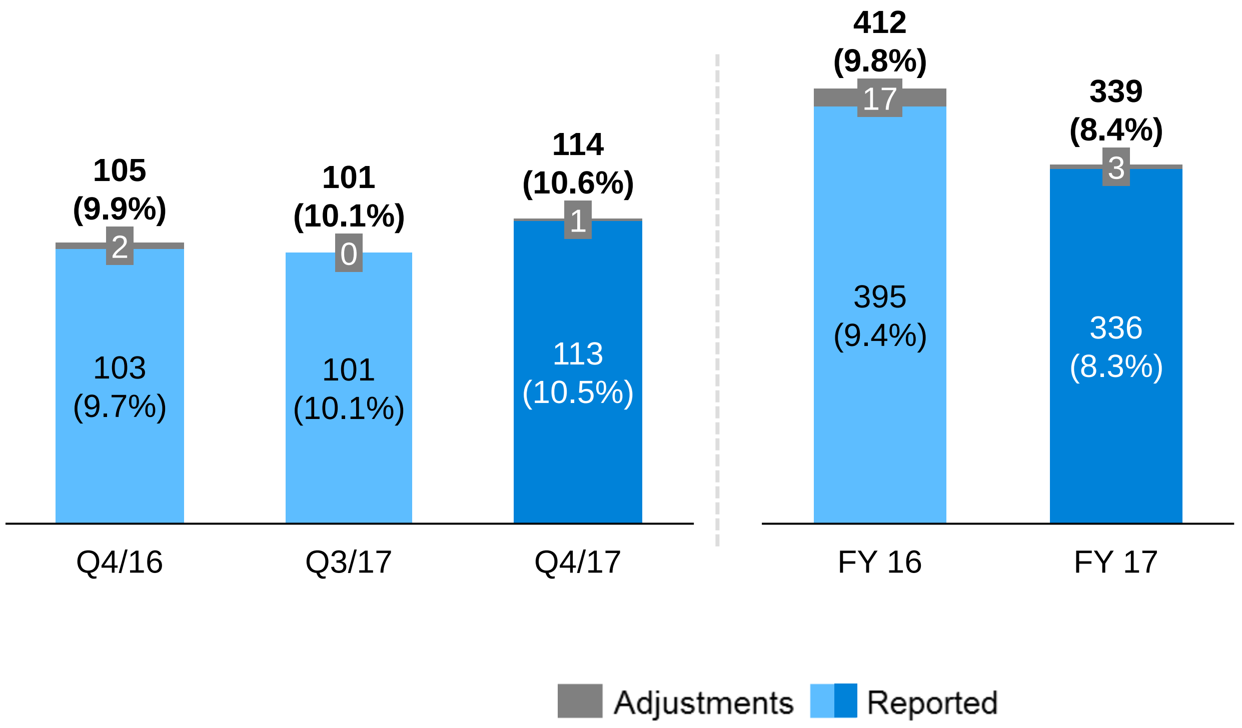
- Re-integration of Bilfinger VAM from OOP/Accretive into core business
- Strategic fit:
  “2 service lines“: esp. turnarounds,
  “4 regions“: Continental Europe (DACH, France, Scandinavia, BeNe)
  “6 industries“: Chemicals & Petrochem., Energy & Utilities, Oil& Gas, Metallurgy
- 2018e: revenue: ~€160m, ~4% EBITA adj.
- ~60% in MMO, ~40% in E&T
- Top-line synergies: esp. with turnarounds and in energy sector
- Cost synergies: consolidation of locations, VAM will be integrated in SG&A efficiency programs (IT, procurement etc.)

Re-integration effective by January 01, 2018



Gross profit in full year well below prior-year, but strong Q4

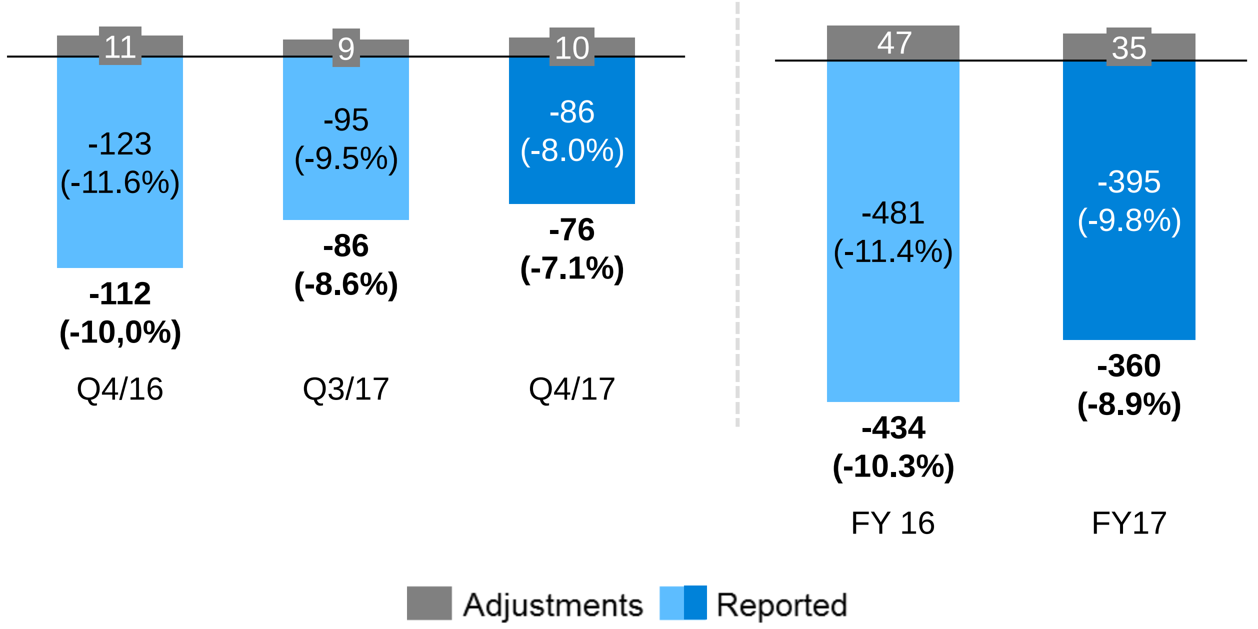
Adjusted gross profit (€ million)



- Full year burdened by US legacy projects
- Strong Q4 due to project close-outs
- Future improvement by optimization of project management as well as IT and procurement initiatives
- FY 2017:
  - Amortisation €8m
  - Depreciation on P, P and E €72m, thereof €3m exceptional

Significantly lower selling and administrative expenses in Q4 and FY

Adjusted selling and administrative expenses (€ million)

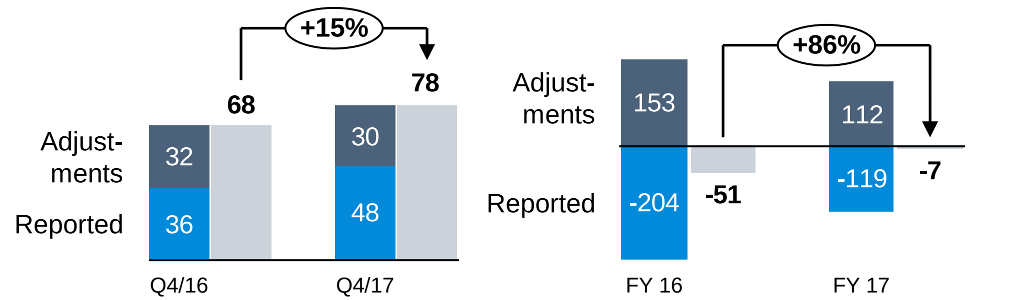


- Adjusted SG&A ratio in full year improved significantly to 8.9%, also due to extraordinary factors
- First positive effects from efficiency and process optimization programs
- 2018 will be affected by increased start-up costs for business development and digitalization in the amount of approx. €20 m
- Target 2020: 7,5% of revenue

APPENDIX

Operating cash flow above prior year, but still impacted by cash out for efficiency improvements

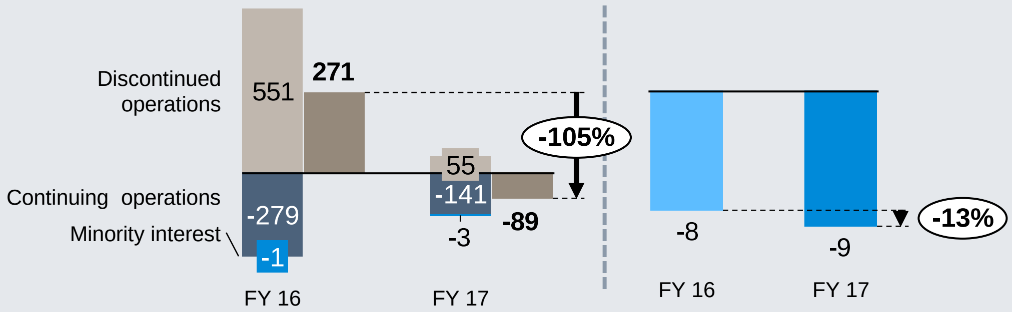
Adjusted operating cash flow[1] (€ million)



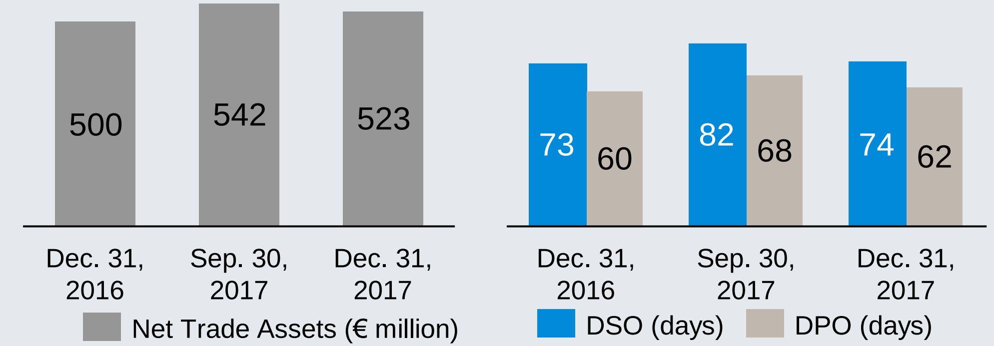
[1] Adjustments correspond to EBITA adjustments

Net profit (€ million)

Adjusted net profit (€ million)

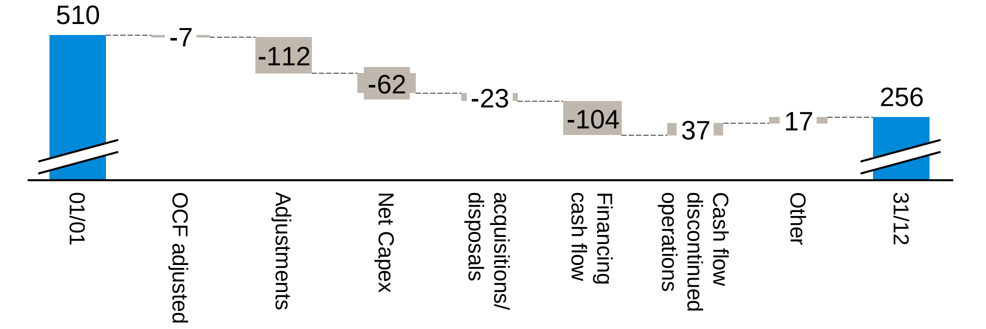


Net Trade Assets (€ million)



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

Net cash (€ million)



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