Bilfinger SE

Bilfinger SE Company Presentation

June 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 >60% recurring business

€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

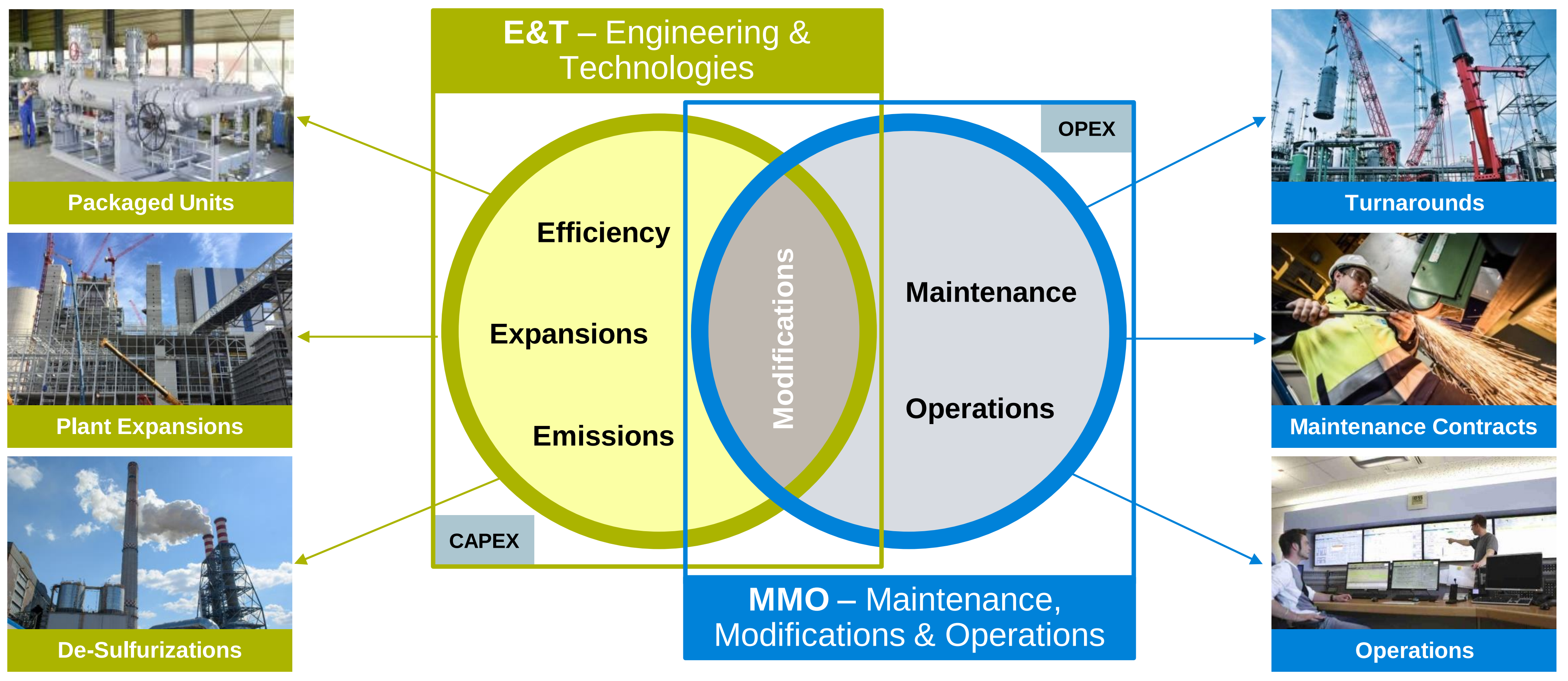
Customer & Innovation

Organization & Structures

Financials

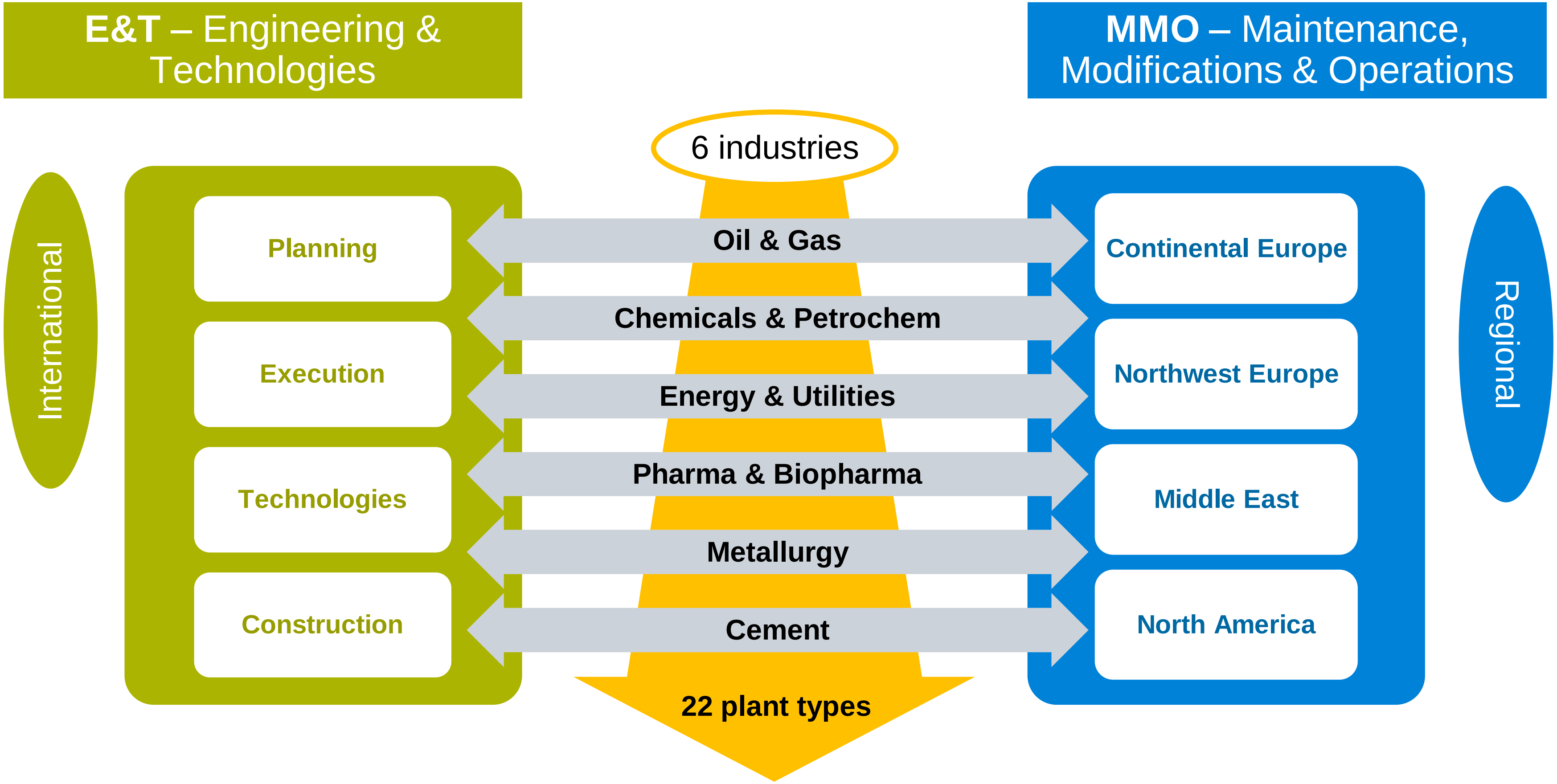
Service Portfolio

Strong offering for capex and opex driven services



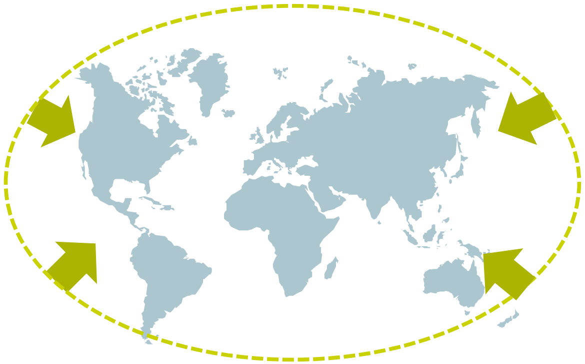
Go-To-Market organization

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

Growth potential through digitalization

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

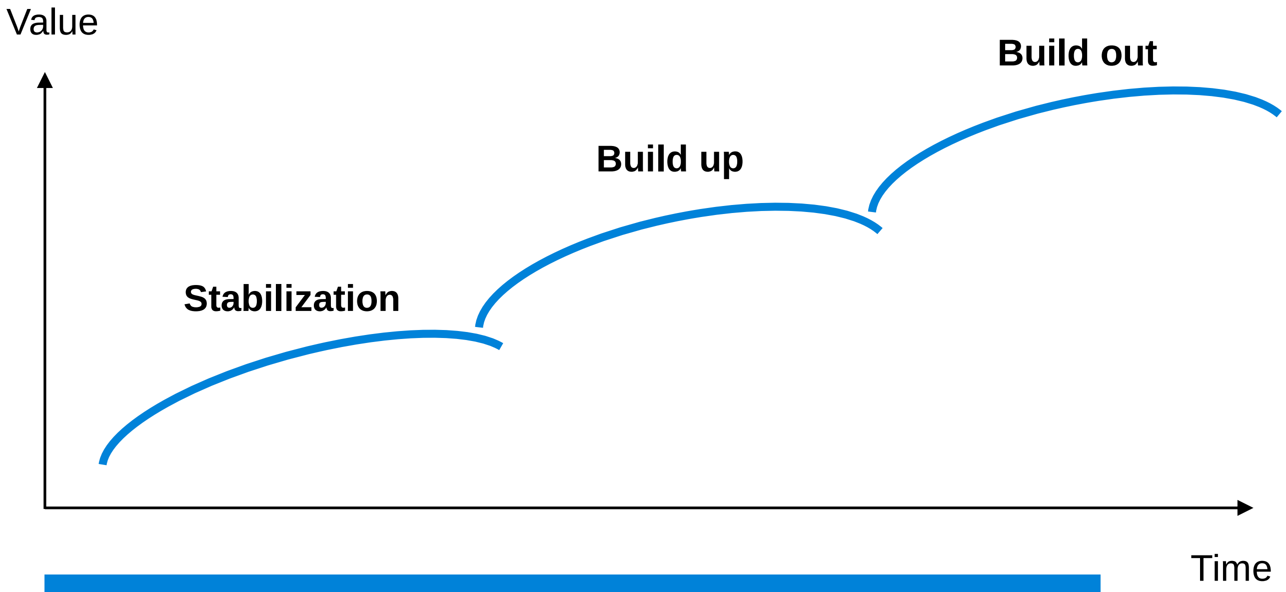
Growth opportunities digitalization

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

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?

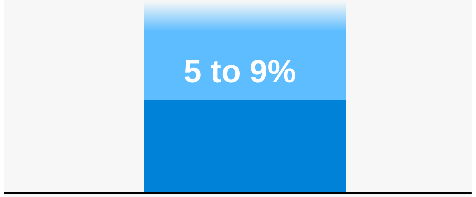
Margin ambition is supported by an extensive profit-pool analysis

E&T EBITA

Adjusted EBITA margin FY 2016

E&T FY 2016

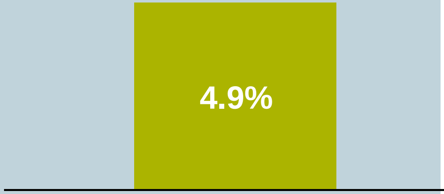
Profit pool according to Bilfinger profile[1] (Mix FY 2020)



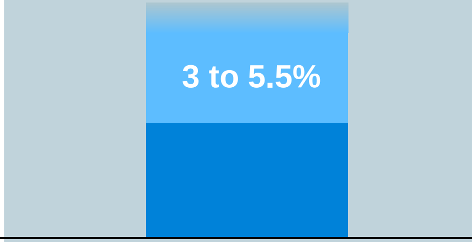
Blended margin range Bilfinger profile 2020

- 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

Quarterly Statement Q1 and Guidance FY 2018

Q1 2018
Development as planned in an increasingly positive environment

- Orders received with growth in the fourth consecutive quarter
  Book-to-bill at 1.2
- Revenue once again with organic increase
- EBITA adjusted above prior-year
- Net profit improved
- Operating cash flow below very good prior-year quarter
- Outlook 2018 confirmed

Current market situation E&T

Oil and gas:
- Continued cautious investment sentiment in European project business in Oil, some activities in gas supply and gas pipelines
- Increase in activity in US shale oil and gas (mid-stream) in various fields
- Signs of recovery in Middle East, projects moving from early prospects to approval and RFQs

Chemicals and petrochemicals:
- In Europe brownfield investments still very active, more greenfield projects expected
- Still many key opportunities in North America with focus on the US Gulf Coast
- The Middle East market remains challenging, increasing demand for owner's engineering services
- 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 alternative energy, growing interest for emissions control

Pharma and biopharma:
- Demand in Europe continues to be strong
- Requests also from Emerging Markets

Current market situation MMO

Oil and gas:
- Demand for maintenance services starts to improve, (smaller) projects now beginning to advance from idea to approval
- Market remains competitive

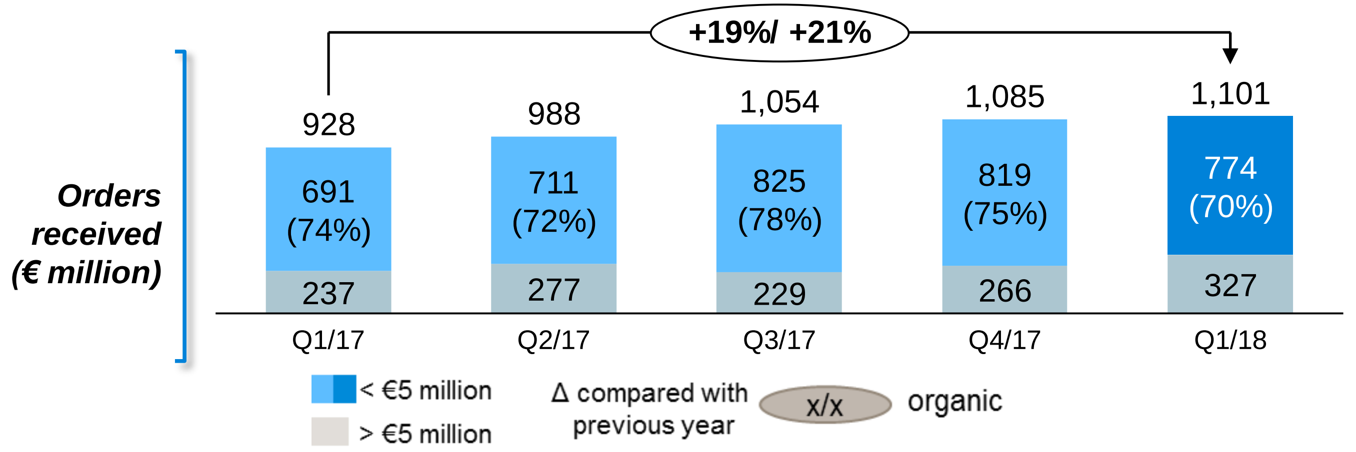
Chemicals and petrochemicals:
- Furthermore stable demand in Europe in maintenance business and growing willingness to invest, increasing number of requests for small MMO-projects (brownfield, e.g. de-bottlenecking)
- Middle East customers stable on OPEX

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

Metallurgy:
- In Europe Aluminum with stable demand on good level, Steal with signs of improvement, but industry faces structural changes (consolidation, potential US import tariffs)

Continuing positive momentum in orders received: fourth consecutive quarter with growth, book-to-bill at 1.2

Development of orders received



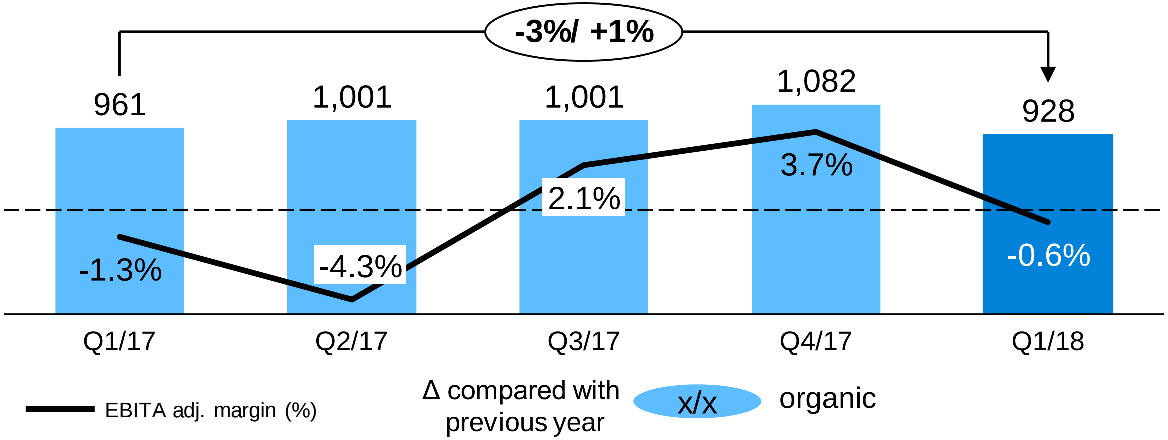
	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Book-to-bill ratio	*1.0*	*1.0*	*1.1*	*1.0*	*1.2*
Order backlog (€ million)	*2,568*	*2,502*	*2,536*	*2,531*	*2,689*

- **Orders received:**
  19% above prior-year (org.: +21%),
  Double-digit increase in both segments
  Share of orders >€5 million increased
- **Book-to-bill:** 1.2
- **Order backlog:**
  +5% above prior-year
  (org.: +9%)

Revenue with a year-on-year organic increase for the third time in a row, EBITA adj. with significant improvement

Development of revenue and profitability

Revenue (€ million)



	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
EBITA adj. (€ million)	-14	-43	21	40	-6
EBITA (€ million)	-50	-64	-6	2	-11

- **Revenue**:
  Q1 typically with lowest revenue in the course of the year
  In comparison to prior-year: decrease by -3%, but once again organic increase of +1%
- **EBITA adjusted** :
  Negative, but significant improvement against prior-year quarter
- **Special items:**
  Burdens from special items declining: €5 million vs. €36 million in the prior-year quarter

Outlook 2018 confirmed:
Significant improvement of adjusted EBITA expected

in € million	**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
Adjusted EBITA	3	Significant increase to mid-to-higher double-digit-million € amount [2)]

1) As reported, based on output volume/ comparable based on revenue: €4,079m
2) Despite significant increase in upfront costs for business development and digitalisation of € ~20 million, under the assumption of comparable F/X basis

Targets 2020 and Wrap-up

Dividend 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 of €1.00 for FY 2017 (FY 2016: €1.00)
Interest in Apleona	• Vendor claim: value of €109m 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: ~56% | Current volume: ~ €85m**
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.

**Status: May 18, 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

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
- 38% 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 started in FY 2017 and will end in FY 2018

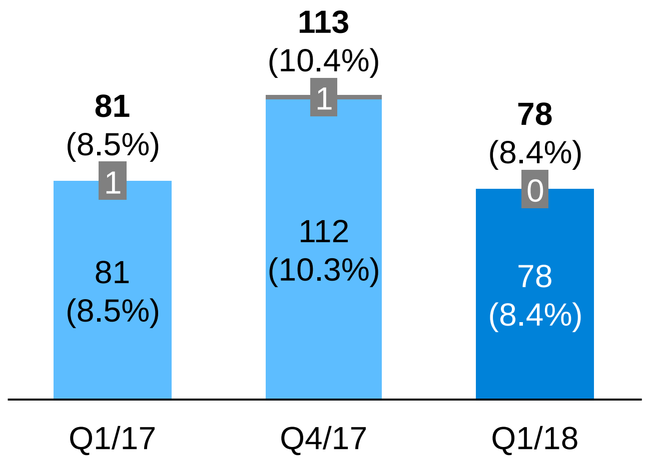
* Based on current expectations and execution of presented strategy as well as on economic outlook at the time.

Appendix

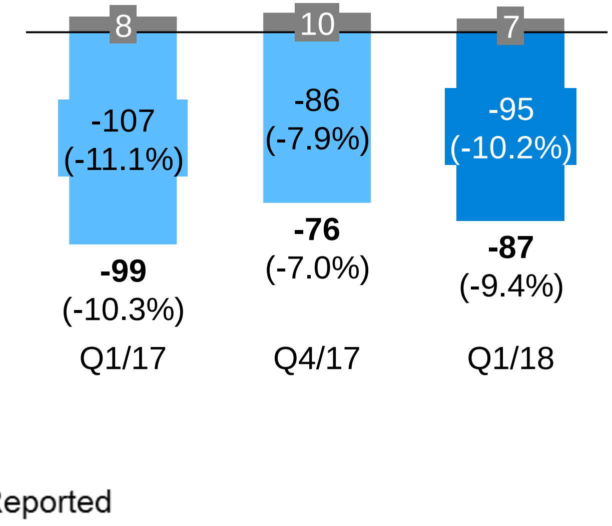
APPENDIX

Gross margin at prior-year level
SG&A expenses below very good prior quarter, but positive trend visible

Adjusted gross profit (€ million)

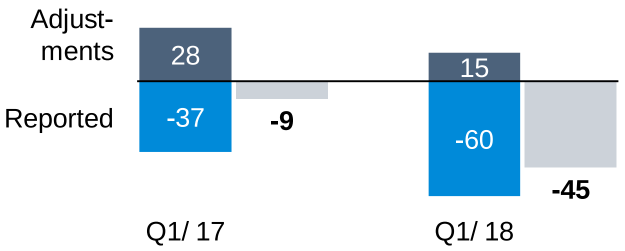


Adjusted selling and administrative expenses (€ million)



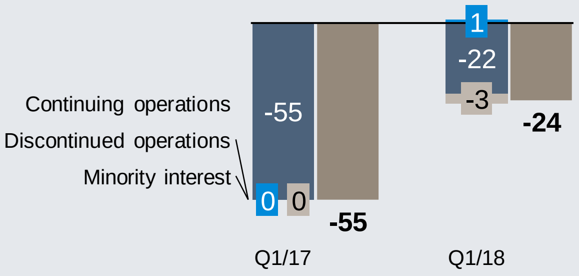
Operating cash flow negative caused by seasonality and below very good prior-year quarter, net profit significantly improved due to lower burden from special items

Adjusted operating cash flow[1] (€ million)

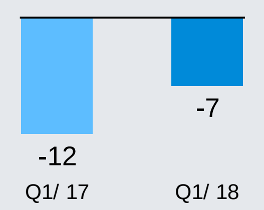


[1] Adjustments correspond to EBITA adjustments

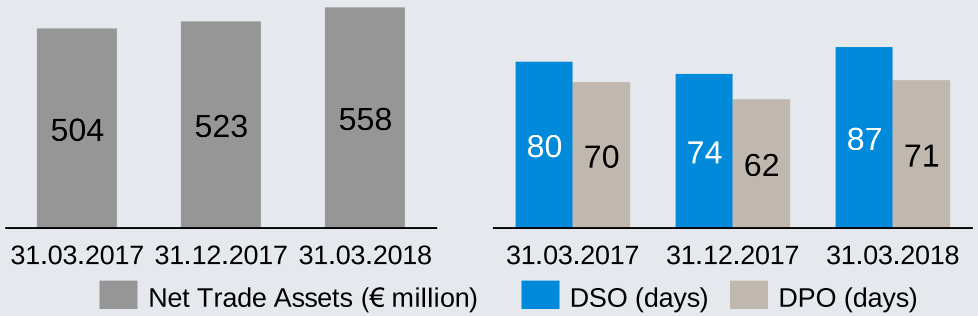
Net profit (€ million)



Adjusted net profit (€ million)

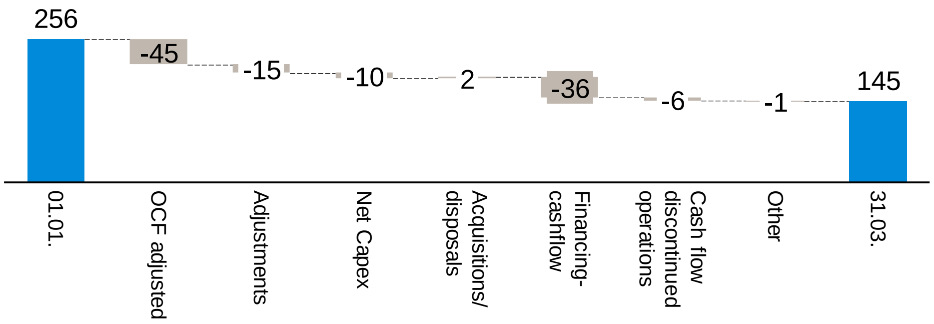


Net Trade Assets (€ million)



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

Net cash (€ million)

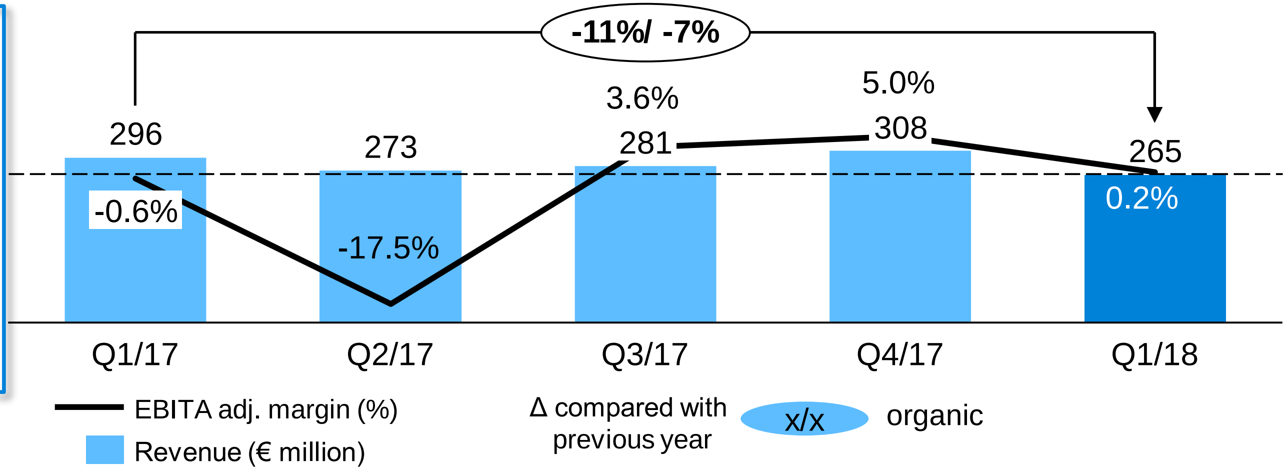


APPENDIX

E&T with positive momentum in orders received

Development of revenue and profitability

Revenue (€ million)



	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Book-to-bill ratio	*0.9*	*1.2*	*1.0*	*0.9*	*1.1*
EBITA adj. (€ million)	*-2*	*-48*	*9*	*15*	*1*

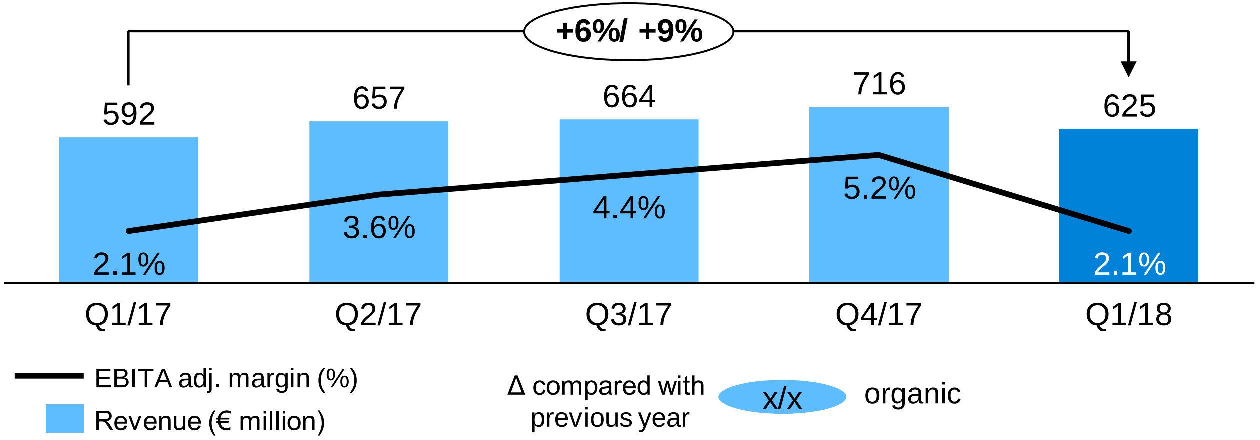
- **Orders received:**
  Strong quarter with +16% (org.: +18%) in comparison to weak prior-year, book-to-bill at 1.1 with significant contracts in all focus industries
- **Revenue:**
  Decrease by -11% (org. -7%) as a consequence out of low order backlog at beginning of the year
  Increasing capacity utilization expected over the course of the year
- **EBITA adjusted**:
  Partly still poor utilization in Europe (Ex-Power) and still low volume in North America, but y-o-y improvement

APPENDIX

MMO orders received and revenue with significant organic growth

Development of revenue and profitability

Revenue (€ million)

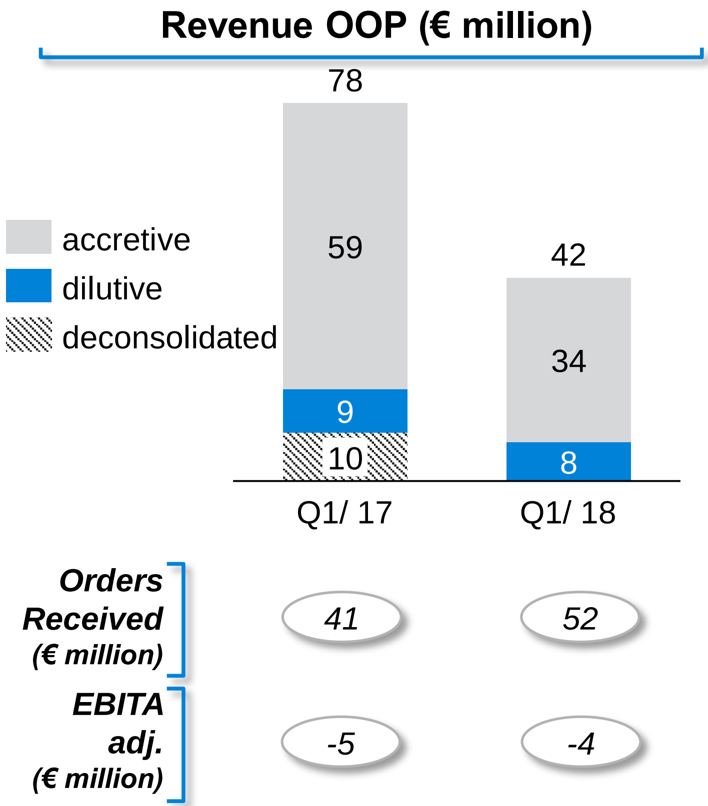


	Q1/17	Q2/17	Q3/17	Q4/17	Q1/18
Book-to-bill ratio	*1.1*	*0.9*	*1.1*	*1.0*	*1.2*
EBITA adj. (€ million)	*12*	*23*	*28*	*35*	*13*

- **Orders received:**
  Strong development with +19% (org. +22%), book-to-bill at 1.2
  Esp. positive development in Continental Europe supported by catch-up effects in framework contracts
- **Revenue:**
  Likewise positive with +6% (org. +9%)
- **EBITA adjusted margin**:
  In the first quarter typically weaker, however, with 2.1% stable y-o-y

OOP[1]):
Dilutive: disposals nearly completed
Accretive: sales process kicked off for two units

APPENDIX



Progress M&A track / Dilutive:

- 13 units as of December 31, 2016
- 11 have already been sold; two more with signing respectively termination
- **Q1 2018: €2m positive P&L- as well as cash-effect**
- **Cash-out expected FY 2018: ~€5m, but no further capital losses**

Accretive:

- Four units “managed for value” (after re-integration of Bilfinger VAM to core business)
- Sales process kicked off for two units

Business development:

- Orders received significantly above weak prior-year comparable (+27%/ org. +35%)
- Strong decrease in revenue by -46% (org. -33%), in South Africa delay in contract awards, projects in transmission line construction do not start before Q2
- Only slight improvement in EBITA adj. from -€5m to -€4m due to temporary lower revenue

1) Part of HQ/ Consolidation/ Other

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