



November 10, 2016

# Interim Report Q3 2016

Investors and Analysts Conference Call on November 10, 2016

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

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# Third quarter 2016: Highlights

## Sound performance in challenging environment

➤ Adjusted EBITA: improves to €21 million despite substantial decline in volume

➤ Net profit: Sale of real estate services results in a significant increase to €457 million

➤ Cash flow from operating activities above prior year figure, net liquidity rises significantly due to proceeds from the sale

➤ Stronger balance sheet with substantially higher equity ratio

➤ Outlook 2016 confirmed



# Q3 2016:

## Market situation Industrial and Power

### **Industrial: Europe**

- Chemicals and Pharmaceuticals: Stable demand for ongoing maintenance, good demand for turnarounds
- British and Scandinavian oil and gas sector remains restrained, maintenance budgets stuck at a low level
- Higher demand for projects in biotech pharma, however generally limited willingness of customers to invest

### **Industrial: USA**

- Project business impeded by end of shale gas boom, slight revival of investing activities in Chemicals
- Demand for maintenance services in process industry more stable

### **Power: Fossil fuel**

- Demand in project business remains extremely low
- European countries: Substantial price pressure due to market overcapacities, volume of services requested declining especially in Germany as a result of insufficient capacity utilization and profitability of power plants
- Middle East and South Africa: Demand in services business stable

### **Power: Nuclear**

- Individual projects offer medium term prospects

# Q3 2016:

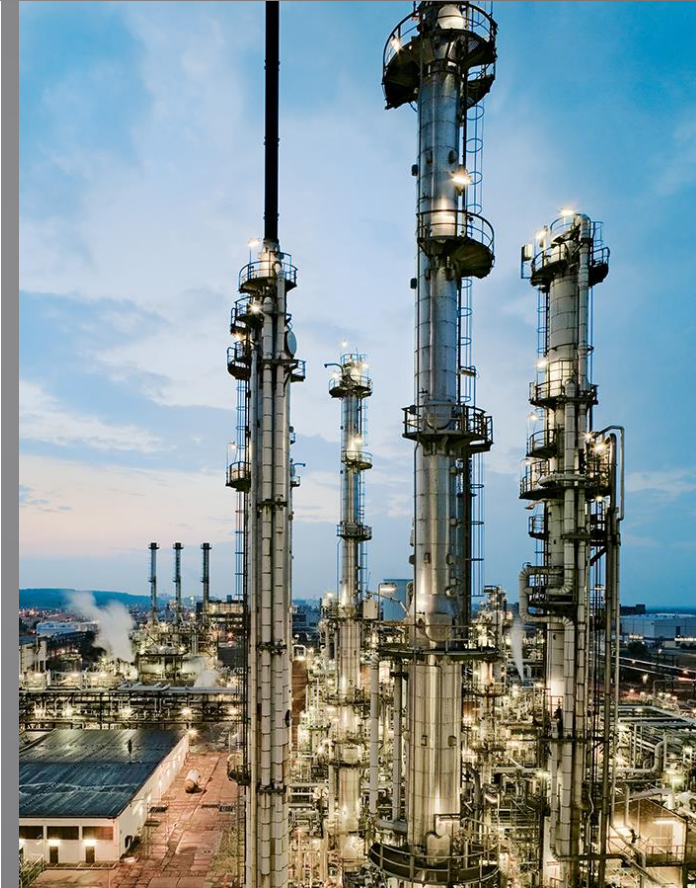
## Segment development in line with expectations

### Industrial

- Orders received 3 percent above prior-year quarter
- Order successes in what remains a demanding environment: Improved customer orientation and market-oriented service offerings
- Decrease in EBITA but margin of 5.1 percent slightly above previous year with substantially lower output volume
- Restructuring taking hold, cost base decreasing

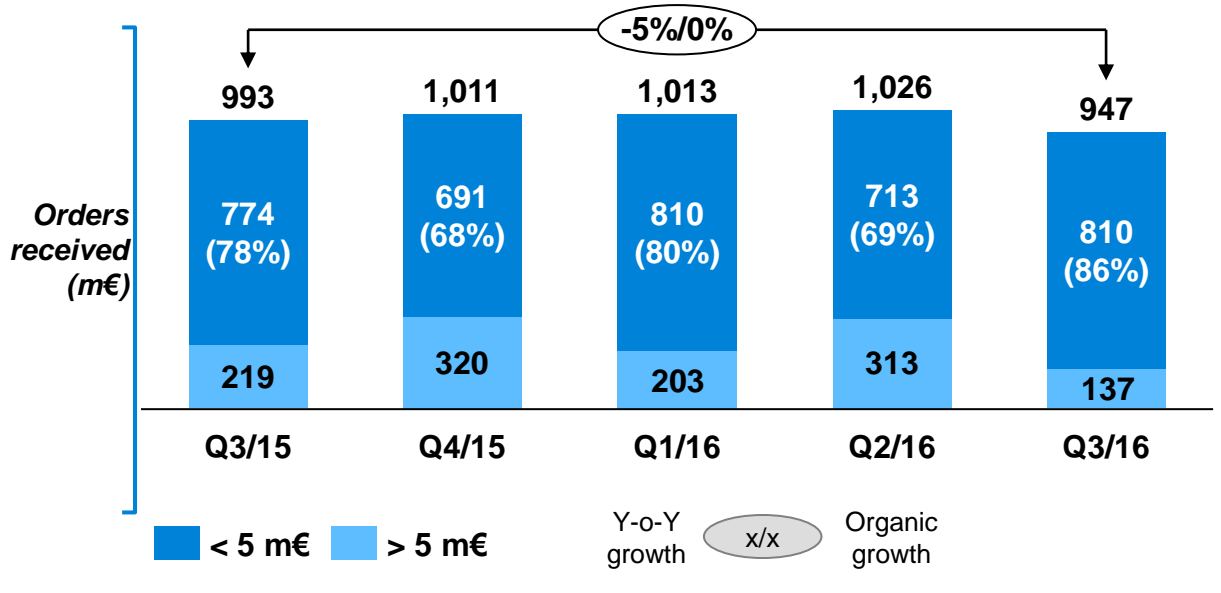
### Power

- Orders received of -30 percent well below prior year, as expected
- EBITA of -€1 million, but output volume continues to decline significantly



# Orders received nominal minus 5%, but on a comparable base on prior-year level despite lower share of large projects

## Development Orders Received

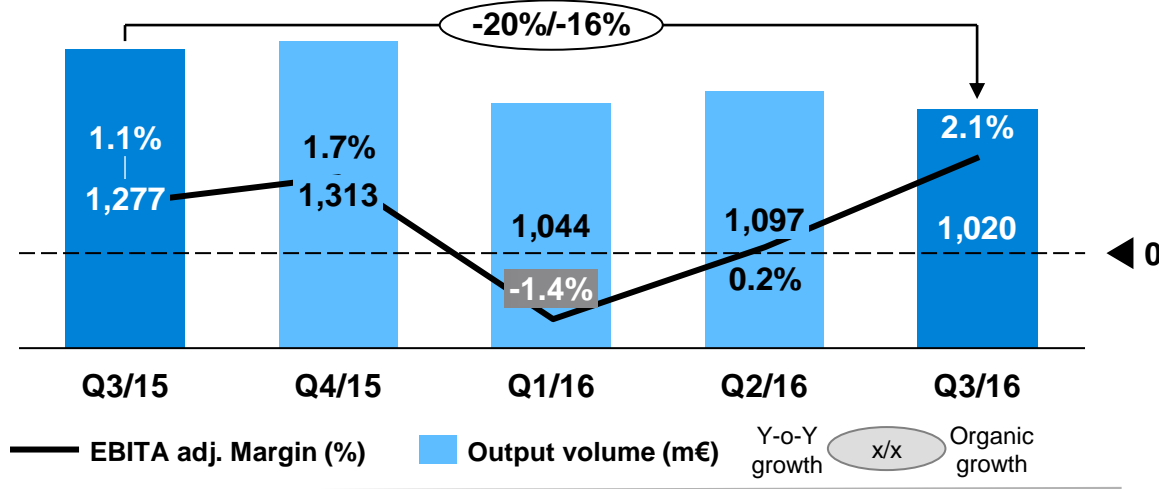


- **Orders Received:** 5% below prior year (org.: 0%)
- **Order Backlog:** decrease by 19% (org. -15 %), both in Power and Industrial
- Lower share of **large orders**



# Improved EBITA adjusted despite significant decrease in output volume

## Development Output Volume and Profitability

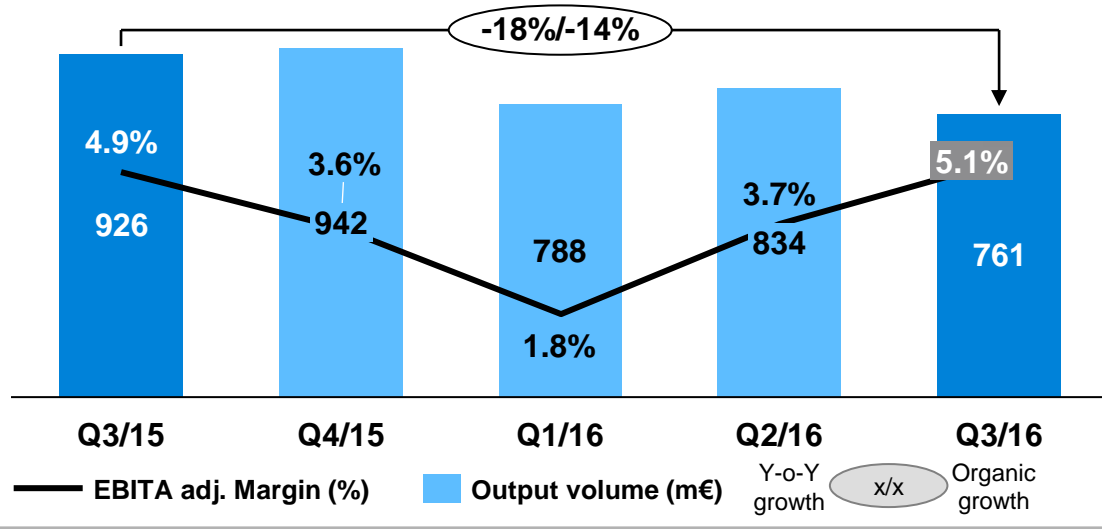


- **Output volume:** -20% (org. -16 %), as expected both segments with a decrease
- **EBITA adjusted:** Special items in the amount of € 74 Mio.

|                        |     |     |     |     |     |
|------------------------|-----|-----|-----|-----|-----|
| <b>EBITA adj. (m€)</b> | 15  | 22  | -15 | 2   | 21  |
| <b>EBITA (m€)</b>      | -80 | -32 | -54 | -64 | -53 |

# Industrial:

## Efficiency-enhancement measures taking hold

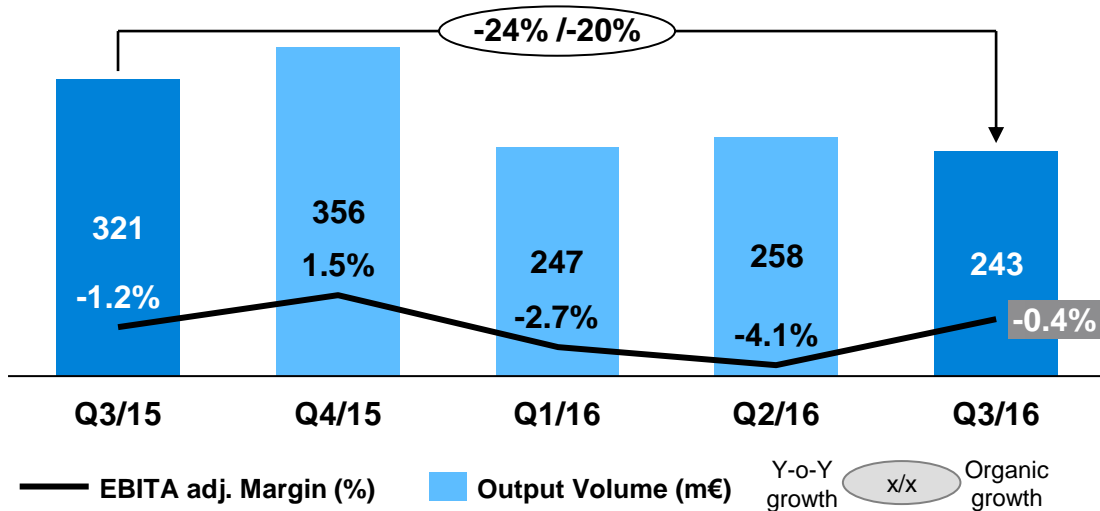


- **Adj. EBITA margin slightly above prior-year**, in absolute terms in Q3 as well as YTD below prior-year
- Despite **Book-to-bill at 1**, **double-digit decrease** in output volume expected for Q4 (year-on-year)

|                     |     |     |     |     |     |
|---------------------|-----|-----|-----|-----|-----|
| <b>Book-to-Bill</b> | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 |
| <b>EBITA adj.</b>   | 46  | 34  | 14  | 31  | 39  |

# Power:

## Selective order intake in challenging markets

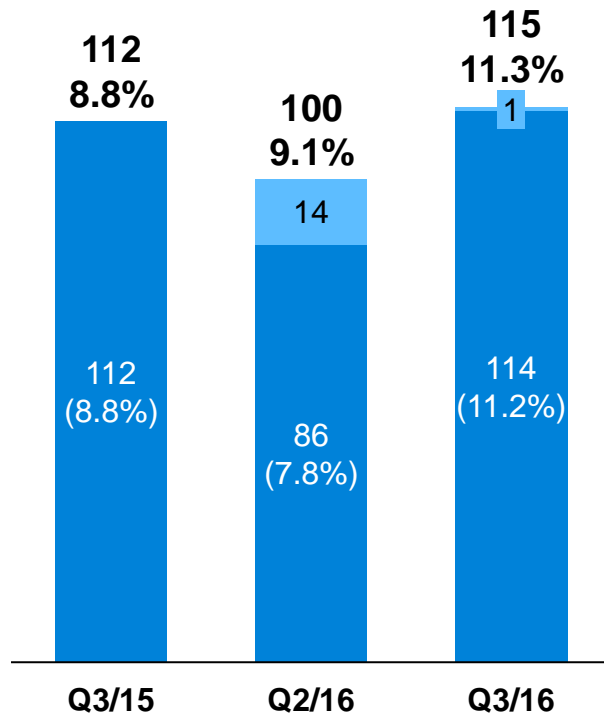


- **Low book-to-bill** will lead to further **substantial decrease in output volume** in Q4 (year-on-year)
- Further **restructuring expenses** planned in Q4 2016, as part of already announced mid-double digit million euro amount in FY 2016

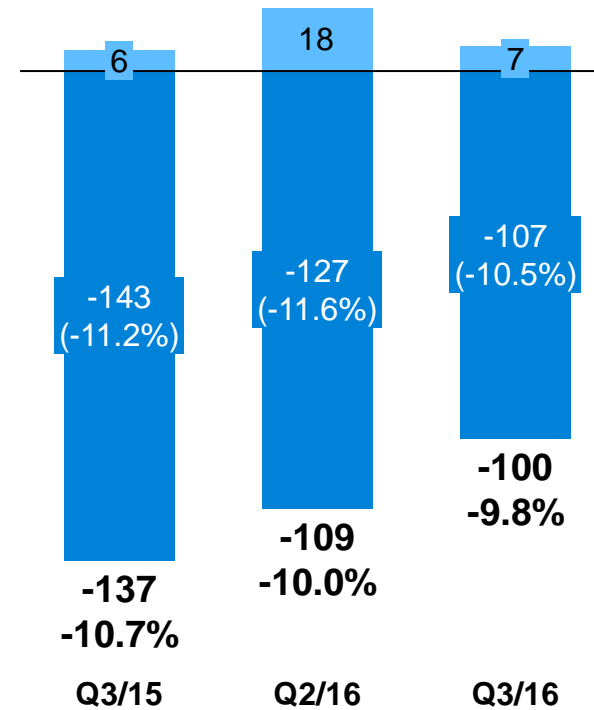
|                     |     |     |     |     |     |
|---------------------|-----|-----|-----|-----|-----|
| <b>Book-to-Bill</b> | 0.7 | 0.5 | 0.9 | 0.7 | 0.6 |
| <b>EBITA adj.</b>   | -4  | 6   | -7  | -11 | -1  |

# Improvement in gross margin and SG&A costs

Gross Margin (m€)



Selling and administrative expenses (m€)

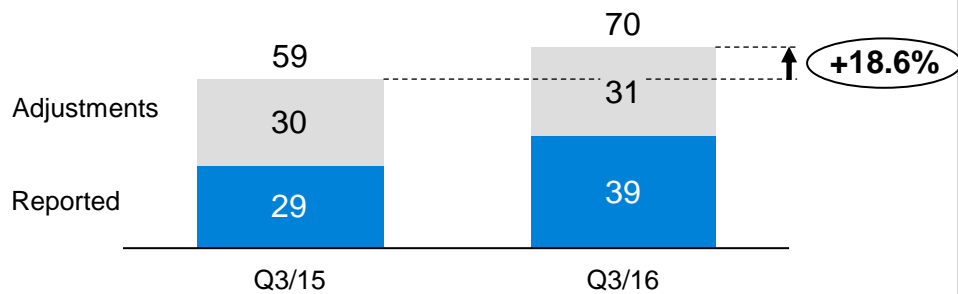


Adjustments  
Reported

# Positive cash flow from operating activities

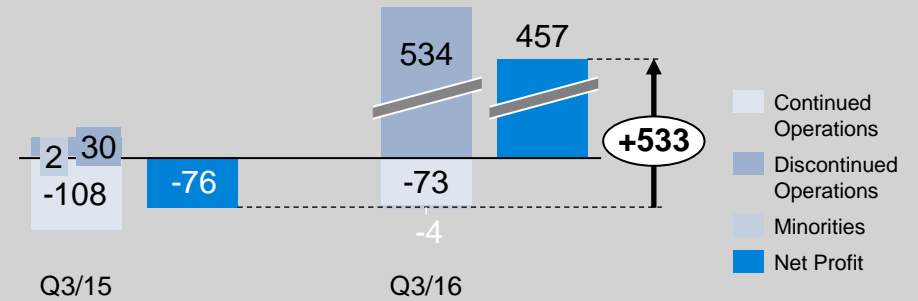
## Net profit and net liquidity rise significantly due to divestments

### Adjusted cash flow from operating activities <sup>1)</sup> (m€)

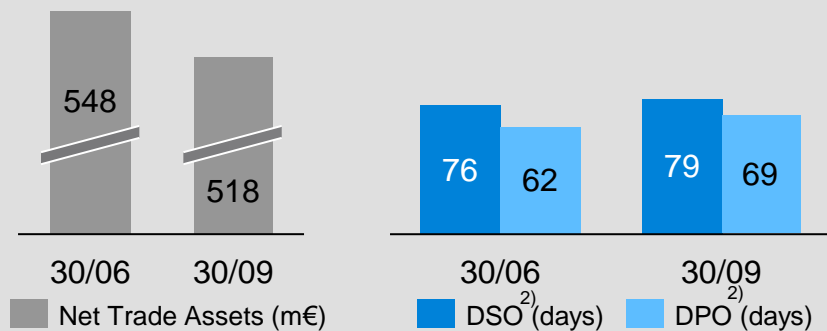


<sup>1)</sup> Adjustments according to EBITA adjusted

### Net Profit (m€)

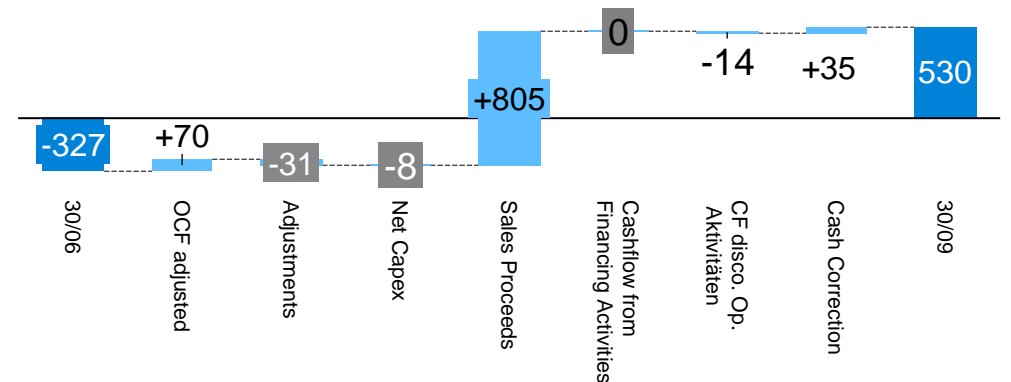


### Trade Working Capital Development



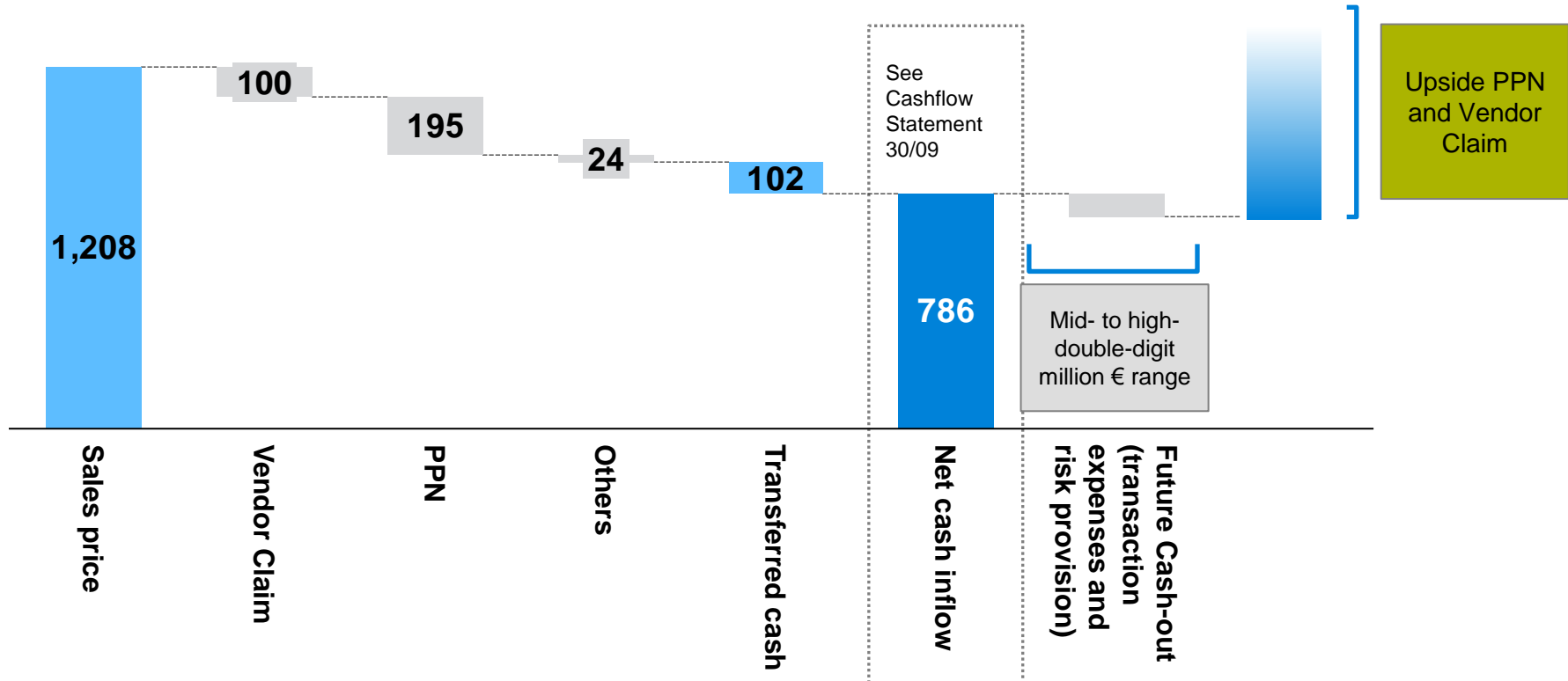
<sup>2)</sup> Definition DSO: Receivables and WIP, DPO: Payables and prepayments received

### Net Liquidity (m€)



# Sale of Building and Facility leads to significant net cash inflow today with further upside in the future

Net cash in sale of Building and Facility (m€)



# Outlook 2016 confirmed

| <i>in € million</i>           | Output volume |  | EBITA adjusted |   |
|-------------------------------|---------------|--|----------------|---|
|                               | 2015          | expected 2016                              | 2015           | expected 2016                               |
| <b>Industrial</b>             | 3,650         | significant decrease to about €3.1 billion | 128            | at prior-year level                         |
| <b>Power</b>                  | 1,284         | significant decrease to about €1.0 billion | -69            | significant improvement, but still negative |
| <b>Consolidation / Others</b> | 68            |  | -82            | at prior-year level                         |
| <b>Group</b>                  | <b>5,002</b>  | significant decrease to about €4.1 billion | <b>-23</b>     | significant improvement                     |



- Continuous growth in the number of industrial plants
- Industrial plants are aging, maintenance costs increasing
- Customers demand greater efficiency and more environmentally-friendly technologies
- Outsourcing of O and M is currently at 50 percent and rising



- Bilfinger delivers global engineering expertise and local implementation from a single source
- Strong in Europe – good position will be expanded further
- North America and Middle East are still a focus: no withdrawal
- Organic growth and selective acquisitions only in core regions



- Strategy planning and strategy implementation as seamless process
- Clear market approach: portfolio, regions, industries and customers
- Clear reporting and management structures
- Clear KPIs: top line CAGR, costs and bottom-line with medium-term goals and milestones

**February 14, 2017: Overall strategy, implementation plan and outlook 2017**



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# Interim Report Q3 2016 - Backup

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- Capital gain from the **sale of the divisions Building, Facility Services and Real Estate of € 534 million**
- A smaller portion of the one time expenses for the **program to reduce administrative expenses**  
In total, we expect an amount in the **high double digit million range in the coming years**. These include investments for the harmonization of our IT systems in the amount of over €50 million
- In Power, **restructuring expenses** in the **mid double-digit million euro range as well as non-cash impairments on property, plant and equipment in the lower double-digit million euro range**
- Non-cash burdens from the **streamlining of the portfolio** in the **mid to high double digit million euro range**
- A portion of the one-time expenses in connection with the further development of our **compliance** system and the conclusion of older cases in the total amount of **approximately €50 million**
- Reported net profit will also be burdened by the **non-capitalization of deferred tax assets** on the negative result of the holding

# Overview financials

BACKUP

| in € million                                  | Industrial |       |     | Power |       |     | Consolidation / other |       |     | Group |       |     |
|---|------------|-------|-----|-------|-------|-----|-----------------------|-------|-----|-------|-------|-----|
|   | Q3/16      | Q3/15 | Δ%  | Q3/16 | Q3/15 | Δ%  | Q3/16                 | Q3/15 | Δ%  | Q3/16 | Q3/15 | Δ%  |
| Orders received                               | 763        | 738   | 3   | 155   | 222   | -30 | 29                    | 33    | -12 | 947   | 993   | -5  |
| Order backlog                                 | 1,993      | 2,186 | -9  | 564   | 941   | -40 | 46                    | 72    | -36 | 2,603 | 3,198 | -19 |
| Output volume                                 | 761        | 926   | -18 | 243   | 321   | -24 | 16                    | 30    | -47 | 1,020 | 1,277 | -20 |
| Investments in property, plant and equipment  | 13         | 12    | 8   | 2     | 2     | 0   | 1                     | 0     | 100 | 16    | 14    | 14  |
| Depreciation in property, plant and equipment | 12         | 16    | -25 | 4     | 5     | -20 | 2                     | 2     | 0   | 18    | 23    | -22 |
| Amortization                                  | -2         | -3    | -   | 0     | 0     | -   | 0                     | 0     | -   | -2    | -3    | -   |
| EBITA   | 39         | 46    | -15 | -1    | -4    | 75  | -91                   | -121  | 25  | -53   | -80   | 34  |
| EBITA adjusted                                | 39         | 46    | -15 | -1    | -4    | 75  | -17                   | -27   | 37  | 21    | 15    | 40  |
| EBITA margin adjusted in %                    | 5.1        | 4.9   | -   | -0.4  | -1.2  | -   | -                     | -     | -   | 2.1   | 1.1   | -   |

# EBITA adjusted and reported above prior year despite significant drop in output volume

BACKUP

| In € million  | Q3/16      | Q3/15      | Δ         |
|---|------------|------------|-----------|
| Output volume   | 1,020      | 1,277      | -257      |
| Revenue   | 1,026      | 1,277      | -251      |
| Gross profit  | 114        | 112        | 2         |
| Selling and administrative expense                            | -107       | -143       | 36        |
| Other operating income and expense                            | -60        | -55        | -5        |
| Income from investments accounted for using the equity method | -2         | 3          | -5        |
| <b>EBIT</b>   | <b>-55</b> | <b>-83</b> | <b>28</b> |
| Amortization (IFRS3)  | 2          | 3          | -1        |
| <b>EBITA</b>  | <b>-53</b> | <b>-80</b> | <b>27</b> |
| Exceptional items in EBITA                                    | 74         | 95         | -21       |
| <b>EBITA adjusted</b>   | <b>21</b>  | <b>15</b>  | <b>6</b>  |

Substantial effects in 2016:  
Portfolio adjustments/  
write-downs (-35),  
Restructuring/ severances (-27)

After depreciation of property, plant  
and equipment of 18 (Q3 2015: 23)

# Strong increase in net profit due to capital gain from sale of Building and Facility

BACKUP

| in € million   |       |       |     |
|--|-------|-------|-----|
|  | Q3/16 | Q3/15 | Δ   |
| <b>EBIT</b>  | -55   | -83   | 28  |
| Interest result  | -6    | -8    | 2   |
| <b>EBT</b>   | -61   | -91   | 30  |
| Income tax expense                                       | -12   | -17   | 5   |
| <b>Earnings after taxes from continuing operations</b>   | -73   | -108  | 35  |
| <b>Earnings after taxes from discontinued operations</b> | 534   | 30    | 504 |
| Minority interest  | -4    | 2     | -6  |
| <b>Net profit</b>  | 457   | -76   | 533 |

Includes capital gain from sale of Building and Facility: 539 m€<sup>1)</sup>,

<sup>1)</sup> Sales-related expenses of €5m already included in 6m 2016. Net profit 9m 2016.: 534 m€

# Overview EBITA adjustments

BACKUP



| in € million   |            |            |            |
|--|------------|------------|------------|
|  | Q1/16      | Q2/16      | Q3/16      |
| <b>EBITA</b>   | <b>-54</b> | <b>-64</b> | <b>-53</b> |
| Portfolio adjustments/<br>write-downs, sales-related<br>expenses | 24         | 4          | 35         |
| SG&A efficiency program  | 4          | 4          | 20         |
| Compliance   | 2          | 6          | 11         |
| Other restructuring  | 9          | 52         | 8          |
| <b>EBITA adjusted</b>  | <b>-15</b> | <b>2</b>   | <b>21</b>  |

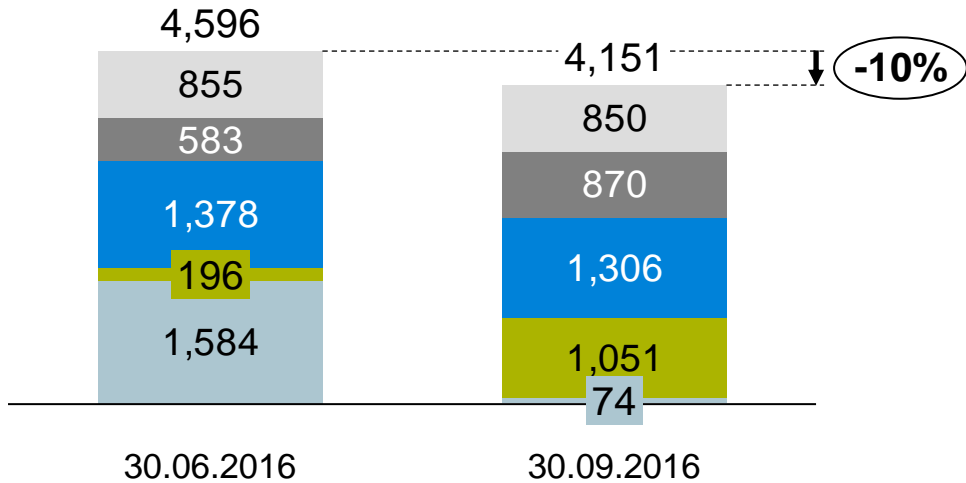
Thereof 15 m€ devaluation of share in Julius Berger Nigeria

Thereof 6 m€ Power

# Balance Sheet – Assets:

Decrease in total assets due to deconsolidation of Building and Facility

BACKUP



**Non-current assets:** Increase as a result of non-cash purchase price components from the sale of the Building, Facility Services and Real Estate divisions (vendor note €100 million, preferred participation note: €195 million)

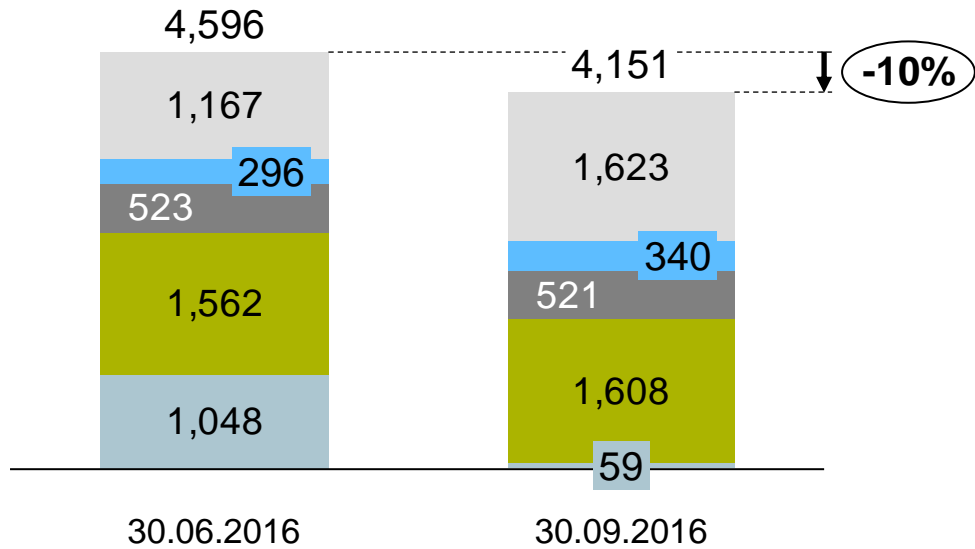
**Current assets:** Increase in cash as a result of the sale of the Building, Facility Services and Real Estate divisions; net liquidity amounts to €530 million.

**Assets classified as held for sale:** Decrease due to sale of the Building, Facility Services and Real Estate divisions; relates primarily to shares still held in Julius Berger Nigeria, marine construction as well as certain Power units held for sale.

# Balance Sheet – Equity and liabilities:

Increase in equity as a result from sale of Building and Facility  
Equity ratio at 39%

BACKUP



|   |      |
|---|------|
| Equity                                    | +39% |
| Provisions for pensions                   | +15% |
| Financial debt                            | 0%   |
| Other non-current and current liabilities | +3%  |
| Liabilities classified as held for sale   | -94% |

**Equity:** Increase as a result of earnings after taxes (€461 million), included in this figure is a capital gain from the sale of the Building, Facility Services and Real Estate division (€539 million); countered by transactions recognized directly in equity (-€25 Mio. €), especially losses from the revaluation of pension provisions (-€35 million). Equity ratio increased substantially to 39 percent (June 2016: 25 percent).

**Provision for pensions and similar obligations:** Increase due to a decrease in discount rates in the eurozone from 1.30 percent to 1.10 percent and due to valuation adjustments in the Industrial segment.

**Financial debt:** Relates primarily to a bond in the amount of €500 million maturing in December 2019.

**Liabilities classified as held for sale:** Decrease due to the sale of the Building, Facility Services and Real Estate divisions; relates primarily to marine construction as well as certain Power units held for sale.

# Valuation net cash

BACKUP



| in € million   | in € million      |                    |
|--|-------------------|--------------------|
|  | Sep 30, 2016      | Jun 30, 2016       |
| Cash and cash equivalents                                      | 1,051             | 196                |
| Financial debt   | -521              | -523               |
| <b>Net cash (+) / net debt (-)</b>                             | <b>530</b>        | <b>-327</b>        |
| Pension provisions   | -340              | -296               |
| Expected cash-in disposals                                     | -                 | Approx. 900        |
| Inter-company loan Building and Facility divisions sold to EQT | -                 | -77                |
| Financial assets   | 319               | 335                |
| Future cash-out restructuring and risk provisions (announced)  | Approx. -250      | Approx. -180       |
| Future cash-out Compliance                                     | -35               | -40                |
| Further intra-year working capital need (seasonal shift)       | -                 | -                  |
| <b>Valuation cash</b>  | <b>200 to 250</b> | <b>Approx. 300</b> |

€195 million PPN and €100 million vendor's claim from disposal Building and Facility divisions, €24 million JBN

Including future cash-out restructuring Industrial and Power, SG&A efficiency program, warranties and fees related to sale of Building and Facility, as well as legacy Tubin

Year-end: minus €150 to 200m



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