Press Release

Bilfinger SE

Carl-Reiß-Platz 1-5
68165 Mannheim
Deutschland

Contact
Peter Stopfer
Phone +49 621 459-2892
Fax +49 621 459-2500
peter.stopfer@bilfinger.com
www.bilfinger.com

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Bilfinger 2020: Back to profitable growth

- **2-4-6 positioning: Two segments, four regions, six industries**
- **Stable pillars: Engineering & Technologies (E&T) and Maintenance, Modifications & Operations (MMO)**
- **Development phases: Stabilization, build up, build out**
- **Adjusted EBITA margin by 2020: Increase to approx. 5 percent**

- **Financial year 2016: Sound performance in challenging environment, forecast met**
- **Intended dividend payout for financial year 2016: €1**
- **Share buyback intended: Up to €150 million from 2017**

Bilfinger has now introduced its strategy 2020 and the associated implementation plan. Effective structures (2-4-6) form the foundation for profitable growth. Two business segments: E&T and MMO. Four regions: Continental Europe, Northwest Europe, North America and the Middle East. Six industries: Chemicals & petrochem, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. The Group will initially be stabilized before it is built-up and then built-out – organically and through targeted acquisitions. The EBITA margin will increase to approx. 5 percent by 2020.

CEO Tom Blades: “In our target industries, the number of plants is increasing and, at the same time, plants around the world are getting older and more maintenance intensive. We are bundling our own strengths more effectively so that we can profit from this development. We make plants fitter, strengthen their immune system and reduce costs. We are aligning ourselves with the needs of customers and combining international engineering with regional maintenance. With this strategy, we will grow profitably – and at a rate that is stronger than the market.”

Two business segments: Engineering & Technologies (E&T) and Maintenance, Modifications & Operations (MMO)

Bilfinger has bundled its services into the E&T and MMO business segments. In the E&T segment, services delivered by Bilfinger include: Development and expansion of industrial plants, efficiency enhancements for plants as well as environmental technologies that reduce emissions. In the MMO segment, the objective is to assume responsibility for maintenance, modification and operations processes on behalf of the customer. The goal is to make plants more efficient, secure a high level of availability and reduce maintenance costs.

E&T is internationally positioned with services offered in all core regions. MMO, on the other hand, is regionally positioned with services offered locally and executed directly at customer sites. The MMO business will be managed decentrally in the four defined regions.

Bilfinger has taken a close look at the markets the company will focus on. Figures from the company's market model show that the core regions and industries are very attractive and offer potential for profitable growth. The number of newly-built plants is increasing at an annual rate of 5 percent while the share of plants that are more than ten years old and therefore have substantial modernization needs is 75 percent. In addition, plant complexity is constantly on the rise, bringing with it demand for sophisticated maintenance concepts. Stricter environmental standards also increase demand for improved plant efficiency and lower emissions. The entire contracted-out market – the market that is relevant for Bilfinger – will grow by 3.4 percent CAGR (compound annual growth rate) to USD 143 billion by 2020.

Four core regions

Bilfinger is focusing its service range on the regions Continental Europe, Northwest Europe, North America and the Middle East. The contracted-out market in Continental Europe is mature and, according to estimates from Bilfinger, will grow at a moderate annual rate of approximately 2.1 percent. Markets in Northwest Europe, North America and the Middle

East in particular, promise higher rates of growth. In Europe, Bilfinger has been number 1 among industrial services providers for the process industry for many years.

Six industries

Bilfinger is focusing its attention on six industries that offer the company the greatest potential for profitable growth: (1) chemicals & petrochem, (2) energy & utilities and (3) oil & gas, which together contribute more than 80 percent of current sales volume. Bilfinger is also focusing on (4) pharma & biopharma, (5) metallurgy and for the first time more intensively on (6) cement.

Sustainable and profitable growth

Bilfinger is building on three key levers to drive growth: (1) The share of wallet in established market segments will be expanded through a more intensive and global penetration of the Bilfinger Maintenance Concept, for example – with both current and potential customers. (2) In addition, Bilfinger will expand its market share with innovative and digital applications such as 3D laser scanning, 3D plant design or scrubber processes. (3) Bilfinger will also bundle its capacities more effectively and efficiently by focusing on selected regions and industries – and will launch more than 20 growth initiatives.

Stabilization, build up, build out

In financial year 2017, the focus of activities will be on streamlining company structure, implementing best practice experience throughout the Group and rolling out the entire service range at E&T and MMO. As soon as operating units have successfully completed the stabilization phase, the build-up phase will follow. In this period, the performance with the Group will be increased, in part through potential targeted bolt-on acquisitions. In the subsequent build-out phase, organic growth will be driven further and suitable acquisitions in the target regions will come into play.

Clear financial goals for 2020, share buyback intended

Bilfinger anticipates that the repositioning of the Group will enable the company to grow by an average of at least 5 percent per year by 2020 – based on output volume from 2017. Plans call for a reduction in sales, general and administrative expenses in relation to output volume of about 3 percentage points to the benchmark of about 7.5 percent and a 2 percentage-point improvement in the gross margin. The goal is an adjusted EBITA margin of about 5 percent – achieved by 2020 and resulting in a return-on-capital-employed after taxes of between 8 and 10 percent. Adjusted free cash flow is expected to be positive from 2018 at the latest and an investment grade rating will again be reached in the medium to long term.

Management follows a sustainable dividend policy and intends to have a floor of €1.00 per share for the following financial years. Taking foreseeable medium-term development of the Group into account, plans call for a pay-out ratio in the future of 40-60 percent of adjusted net profit.

The company plans to cancel its treasury shares in the amount of about 4 percent, less the shares needed for the employee share program. A proposal will also be made that the Annual General Meeting approve a new authorization to buy back shares in the maximum amount of 10 percent. On the basis of anticipated business development, the Executive Board intends to propose to the Supervisory Board a share buyback program with a volume of up to €150 million which should begin in financial year 2017.

Financial year 2016: Bilfinger with sound performance

In 2016, Bilfinger showed a sound performance in a challenging environment. Financial year 2016 was characterized by far-reaching changes. The sale of the Building, Facility Services and Real Estate divisions together with changes to the selling process in the Power business segment necessitated an adjustment in the reporting in the middle of the year.

Business in the Industrial business segment was shaped by lower project volumes and the restrained market situation in the oil and gas sector. In the Power business segment, a decline in home markets as well as in the German and international project business led to lower output volume.

Output volume declines significantly, earnings significantly improved

As expected, **output volume** in the Industrial business segment of €3,197 million (previous year: €3,650 million) and in the Power business segment of €967 million (previous year: €1,284 million) decreased significantly. In the wake of these developments, Group output volume also declined significantly to €4,219 million (previous year: €5,003 million). Orders received decreased to €4,056 million (previous year: €4,301 million) while order backlog at the end of the year amounted to €2,618 million (previous year: €2,902 million).

Despite the significant drop in output volume, **adjusted EBITA** improved significantly as expected to €15 million (previous year: -€23 million). Adjusted EBITA in the Industrial segment was €120 million. On a comparable basis – adjusted for deconsolidation and exchange rate effects – EBITA was at the prior year level of €128 million. The margin rose to 3.7 percent (previous year: 3.5 percent). In the Power business segment EBITA of -€30 million (previous year: -€69 million) improved significantly but remained negative. The adjusted EBITA margin was -3.1 percent (previous year: -5.3 percent).

The forecasts in the outlook issued for the development of output volume and adjusted EBITA were thus reached.

Net profit improved considerably to €271 million (previous year: -€510 million). The capital gain from the sale of the Building, Facility Services and Real Estate divisions of €538 million contributed significantly to this development. This was countered by burdens primarily from restructuring expenses and losses incurred in the course of streamlining the portfolio, restructuring programs and the further development of the compliance system. In the previous year, a goodwill impairment in the amount of €330 million and higher operating losses in the Power segment were also incurred.

Outlook

In financial year 2017, Bilfinger anticipates organic growth in orders received at Group level, but expects a mid to high single-digit decrease in organic output volume. The Group expects that the adjusted EBITA margin will improve by about 100 basis points.

Intended dividend payout for financial year 2016: €1.00

Considering the sound balance sheet and planned positive business development, the Executive Board – subject to a corresponding resolution from the Supervisory Board – will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016, despite the negative adjusted net profit. In relation to the share price at the end of 2016, this represents a dividend yield of 2.7 percent.

Preliminary figures for the Group *€ million*	Q4			Full-year		
	2016	2015	∆ in %	2016	2015	∆ in %
Orders received	1,069	1,011	+6	4,056	4,301	-6
Order backlog	2,618	2,902	-10	2,618	2,902	-10
Output volume	1,058	1,313	-19	4,219	5,003	-16
EBITA adjusted	7	22	-68	15	-23	
EBITA margin adjusted (in %)	0.7	1.7		0.4	-0.5	
Adjusted net profit from continuing operations	-4	11		-8	-30	
Adjusted earnings per share from continuing operations (in €)	-0.08	0.25		-0.17	-0.68	
Net profit	-53	5		271	-510	
Cash flow from operating activities	22	149	-85	-224	39	
Adjusted cash flow from operating activities	54	188	-71	-71	173	
Capital expenditure on P, P & E	25	15	67	70	62	13
Employees (number at December 31)	36,946	42,365	-13	36,946	42,365	-13

Bilfinger is a leading international industrial services provider. The Group enhances the efficiency of assets, ensures a high level of availability and reduces maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, assembly, maintenance, plant expansion as well as turnarounds and also includes environmental technologies and digital applications.

The company delivers its services in two business segments: Engineering & Technologies as well as Maintenance, Modifications & Operations. Bilfinger is primarily active in the regions Continental Europe, Northwest Europe, North America and the Middle East. Process industry customers come from sectors that include chemicals & petrochem, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. With its 37,000 employees, Bilfinger upholds the highest standards of safety and quality and generates an annual output volume of about €4 billion.

Additional information
You can find the presentations of the annual results 2016 and of the future corporate strategy on the Bilfinger website at www.bilfinger.com

Media Call (German):
Tuesday, 11:00 am CET
Stream

Analyst Call (English):
Tuesday, 2:00 pm CET
Stream