Bilfinger SE

Bilfinger SE Company Presentation

November 2020

Overview and strategic outline

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** service lines, **four** business units and **six** focus industries
- Combination of excellence in services **covering the lifecycle of industrial plants** (E&M) and **innovative solutions** (T)
- Large share of business with long-term **frame contracts** and **high retention rates**
- **Well-established customer base** with focus on process industries
- **Highly recognized safety and quality** performance
- **Digital pioneer** for the process industry

€4.33bn revenue

thereof >50% recurring business

€57m Free cash flow

€104m EBITA adjusted

Approx. 34,000 employees

based on FY 2019

2-4-6 still holds

2 Service Lines, 4 Business Units, 6 Focus Industries

Our ambition

We engineer and deliver process plant performance

Where to play

2 Service Lines

- **E&M** – Engineering & Maintenance
- **T** – Technologies

4 Business Units

- E&M Europe
- E&M North America
- E&M Middle East
- Technologies

6 Focus Industries

- Chemicals & Petrochem
- Energy & Utilities
- Oil & Gas
- Pharma & Biopharma
- Metallurgy
- Cement

Success factors

People
Our people, their performance, skills and dedication to reach our goals is our most valuable asset

Assets
We strive to support our customers in delivering superior performance from their assets

Data
We measure performance by numbers, data and facts

Global trends

Aging Assets & Asset Integrity

Europe & US: Aging assets

- Increasing maintenance costs
- Asset life time extensions
- Efficiency & Emissions

Middle East: Maturing assets

- World class CAPEX
- Sub benchmark performance

ESG / Climate Change

- CO_2 limits
- Emissions & Air pollution
- Clean energy
- Distributed power generation
- Power to liquids
- Circular Economy
- Sustainable finance

EU: Green Deal

Skilled Labor Shortage

Europe

- Demographics
- Vacant apprenticeships

US

- Shrinking unemployment
- Craft labor shortage

Middle East

- Quality not quantity

Data & Artificial Intelligence

- Machine learning
- Predictive / prescriptive maintenance
- Virtual reality & Augmented reality
- OEE (overall equipment efficiency)
- Risk reduction
- New business models

Bilfinger core capabilities

Skilled labor

- Europe’s #1 Maintenance Services Company
- Leading Employer Branding
- Bilfinger Academy
- Trade craft accreditation
- ~34,000 full time equivalents
- Thousands of temporary employees

Domain Expertise

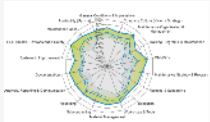
- Engineering / Process knowledge
- Focus on key industries
- Customer intimacy / collaboration
- Long term contracts
- High customer stick rates (>90%)
- Cross-border unified operating models

Digitalization

- Bilfinger Digital Next
- Convergence of BMC & BCAP to digital BMC
- Electronic Workflow to drive internal productivity
- A.I. (PIDGraph, algorithm training ….)
- Partnership models

Our capabilities addressing global trends

Global Trends affecting our business

Bilfinger capabilities	Aging Assets & Asset Integrity	ESG / Climate Change	Skilled Labor Shortage	Data & Artificial Intelligence
Skilled labor	Fabric maintenance 	Circular economy 	Employer of choice 	Cloud analytics 
Domain Expertise	Maintenance analytics 	Pollution 	BMC BMC BILFINGER MAINTENANCE CONCEPT	PIDGraph-AI 
Digitali-zation	Digital twins 	Water 	Augmented Reality 	BCAP 

Strategic Assumptions

Geographic focus

- Europe
- North America
- Middle East

Industry focus

- Chemicals & Petrochemicals
- Energy & Utilities
- Oil & Gas
- Pharma & Biopharma
- Metallurgy
- Cement

Digitalization

- Enabling opportunity
- Driving productivity
- Strategic partnerships

Engineering & Maintenance and Technologies

- Technologies support Engineering & Maintenance opportunities
- Strengthen our strengths

War for talent

- Skilled blue collar is a differentiator in the market
- Craft labor strength and breadth

Strategic Imperatives

Integrity & HSE

- We will not compromise

People

- Attract
- Motivate
- Retain
- Develop

Unique service offering/ Differentiators

- Multi-service provider
- Continue to innovate our service and commercial offering
- Extend portfolio, leverage integrated solutions
- Digitalization

Asset light model

- ROCE focus
- Strict working capital management
- Disciplined M&A criteria

Margin growth

- Project Risk & Execution
- Margin protection
- Pricing
- Portfolio rotation

SG&A Efficiency

- Lean management
- De-complexing (e.g. legal entity reduction)
- Purpose over process
- Leverage harmonized systems

Relevant E&M footprint in North America

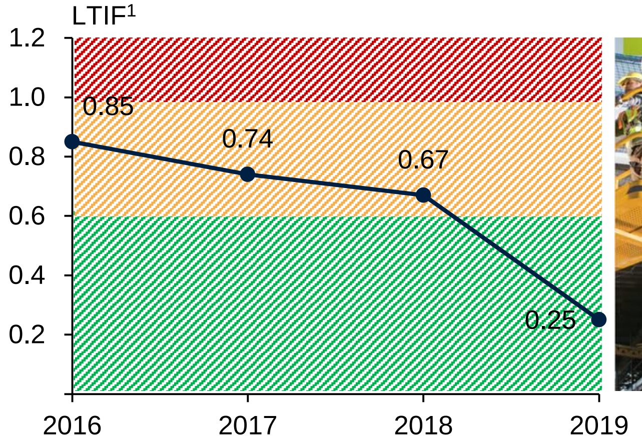
- Leveraging existing market & customer access
- Grow organically and optionally non-organically
- Introduce Maintenance concepts

Middle East profitable top line growth

- Increase Oil & Gas activities
- Pro-actively support customers in their outsourcing and maintenance efforts
- Partnering

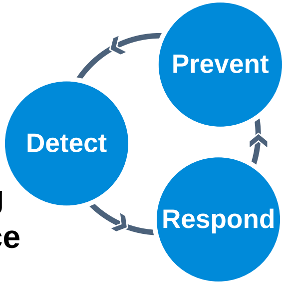
We never compromise on integrity and safety

Safety is good business



Integrity is non-negotiable

Self-optimizing compliance cycle



- Fully integrated
- Established compliance culture
- Sustainable focus
- Continuous learning
- Part of our DNA

Governance | **Operational focus** | **Leadership**

1) LTIF: Lost Time Injury Frequency per 1 million man hours

2 Service Lines

Engineering & Maintenance

FY 2019: E&M Europe: Revenues €2,578m, EBITA adj. €106m
E&M International: Revenues €912m, EBITA adj. €42m

E&M covers the entire lifecycle of an industrial plant:

- Engineerung services and commissioning
- Maintenance and efficiency enhancement
- Expansions, conversions and shutdowns

Characteristics

- Higher added value to maintenance business, potential for cost savings in SG&A
- Superior customer perception, market leader in key European markets
- Regional focus: Europe, North America, Middle East

Combination of E and M leverages our business to higher-end services and higher margins

Technologies

FY 2019: Revenues €538m, EBITA adj. €-28m

T provides solutions for the process industry:

- Technological and digital innovations
- Service, construction and digital networking of components and systems
- Focus on economic, emission-friendly operation of energy and industrial plants

Characteristics

- Proven technological competence
- Product and manufacturing excellence
- Centralized capacities, serving the global market

Focusing on Technologies drives stronger growth and higher margins

2 Service Lines

Engineering & Maintenance: Excellence in services covering the lifecycle of industrial plants

Engineering

AVR
The Netherlands, Duiven

- Conceptual engineering and construction management
- First industrial scale CO_2 capture installation
- Captures 60,000 tons of CO_2 per annum from waste-to-energy generation

Maintenance

Chevron
USA, Offshore, Gulf of Mexico

- Industrial and inspection services
- Services to 4 Deepwater platforms
- Contract expanded from corrosion protection to full service

Turnarounds

Neste refinery
Finland, Porvoo

- Turnaround services and projects. Engineer, scope, schedule and execution.
- Local team supported by group expertise, Mobilization of 300+ personnel to Finland
- Bilfinger Turnaround Concept (BTC) in action

No. 1 services provider for the process industry

2 Service Lines
Technologies: Excellence in products, manufacturing and innovative solutions

Nuclear services

EDF Hinkley Point
United Kingdom

- New Build & Waste Management of a nuclear plant
- Specialist engineering, fabrication and installation
- CO_2 reduction by using nuclear power

New energy

Cryostar LNG stations
Germany, Poland, France, BeNe

- Turnkey service, safe and reliable
- 50+ Shell LNG stations across Europe powering freight fleets
- Unrivalled European coverage to drive efficiency

Fabrication & Installation

BP Deutschland (Ruhr Oel GmbH)
Germany, Gelsenkirchen-Scholven

- Turnkey Project: Concept, engineering design, modular fabrication, installation
- 180 interconnecting piperacks with 320 valves, 25 km piping and 260 tie-ins into process units
- Integrated tender by entities in Technology and E&M Europe

No. 1 services provider for the process industry

Deep Dive Technologies: individual weaknesses with high impact

Dedicated programs identified to secure successful turnarounds

Final exit from conventional power performance projects
Focus on Nuclear

Exit local p/chemical in loss making entity

Energy & Utilities 45%

Pharma & Biopharma 35%

Petro-chemicals 10%

Other industries 10%

BILFINGER

Technologies
FY 2019
Revenues: €538 m
EBITA adj.: -€28 m

Legal Entity 1

Legal Entity 2

Legal Entity 3

Legal Entity 4

Legal Entity 5

Ex-Power unit, still in trans-formation, further restructuring

Formerly family-owned, changes in leadership, poor execution, process weaknesses

Deep Dive: Technologies

Intensive care and structured transformation approach for the two struggling LEs

Baseline	Changes impacting 2020
Suffering from legacy projects	**New projects with solid stage gate approval process and intensified project control mechanisms. Exit projects/sectors**
Operational inefficiencies and costs of poor quality	**Dedicated initiatives (lean, PMO, procurement, etc.) established**
Significant capability gaps in project delivery	**Leadership changed, internal delivery partnerships, PMI qualifications and training**
Broad and non-integrated product portfolio	**Focus on Pharma, Emissions and Nuclear, exit loss making segments**
Weak margin contribution and limited competitiveness	**High value markets retained, cost base improved locally and through lower cost outsourcing**
Complex business processes and administration	**Standardized tools, streamlined organization set-up with impact on SG&A**

Improving our financial performance

Outlook 2020

Positive earnings and free cash flow

	Actual FY 2019	Outlook FY 2020
Revenue	€4,327 million	Decrease of ~20%
EBITA adjusted	€104 million	Positive
Free cash flow reported	€57 million	Positive

Assumption: the current lockdown measures will not have a material negative influence on business development.

Financial targets 2024

CMD 2020

Revenues	EBITA margin reported sustainably min.	ROCE	Free Cash Flow reported
>5	5	8-10	>200
€bn	%	%	€m

i.e. organic growth of ~5% CAGR from 2020 onwards

Investment Grade (mid-term perspective)

Sustainable dividend stream going forward
Policy: 40 to 60% of adjusted net profit

Note: All targets on organic base, ROCE: Capital Employed including Apleona book value

Sustainable value creation

Top Line
+5% revenue CAGR

1. Increase integrated services
2. Intensify customer collaboration
3. Capitalize digitalization & innovation
4. Lift value offering to customers

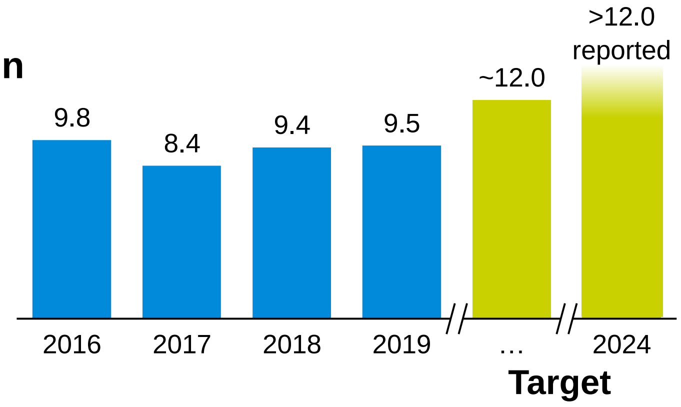
Bottom Line
>200 bps. gross margin

5. Boost execution performance
6. Decrease operational costs
7. Utilization & efficiency increase
8. Strengthen performance culture

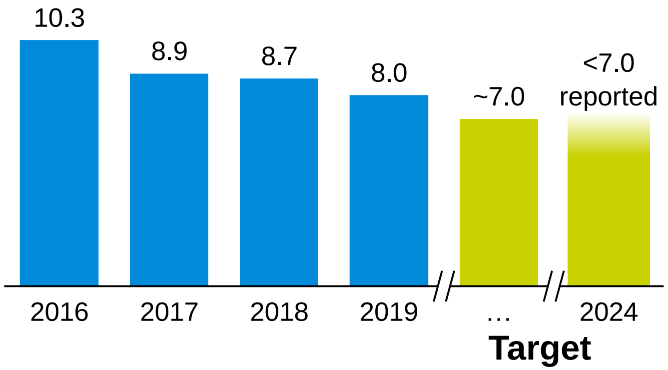
Solid revenue growth I Significantly improved execution performance I Reduced complexity

Gross margin improvement and SG&A efficiency will lead to 5% adjusted EBITA margin target

Adjusted gross margin [%]



Adjusted SG&A ratio [%]



Gross margin improvement to a margin of >12% by 2024

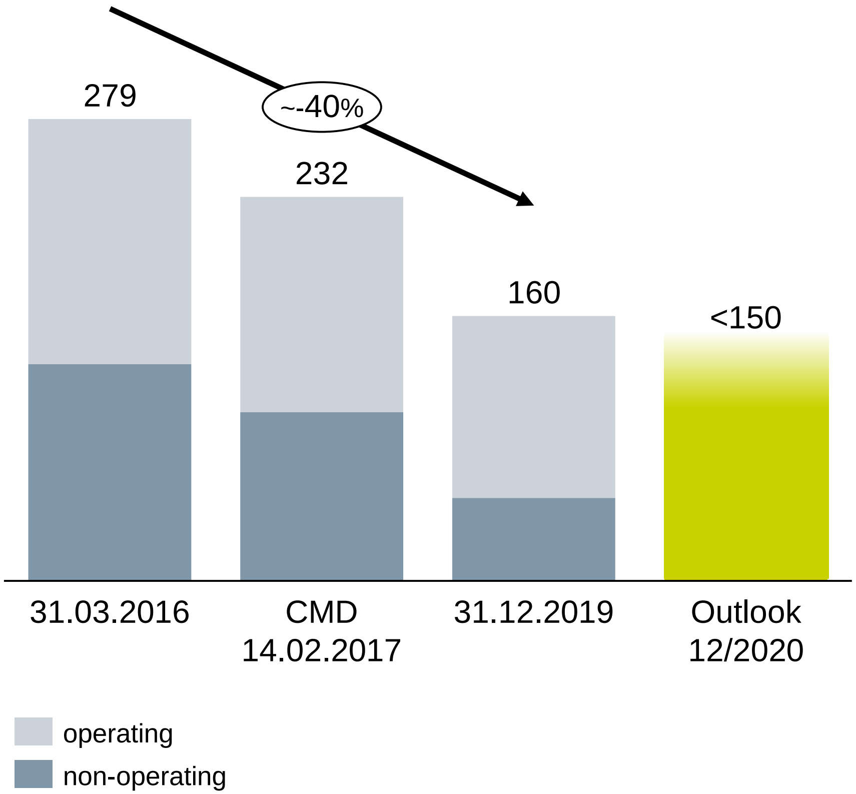
- Execution improvement
- Disciplined hurdle rates for future contracts
- Improved utilization rates

Additional SG&A savings to a ratio of 7.5% mid-term and sustainably of <7.0%

- New organization effective since January 1, 2020
- Full-year savings effective in 2021, significant portion already in 2020
- Continue to reduce legal entities, increase SSC/automation

Levers for SG&A efficiency improvement

Target of 160 legal entities achieved one year ahead of schedule
Further reduction of organizational complexity ongoing



Current status of legal entity reduction project

Target of reduction to 160 legal entities reached one year earlier than planned

Going forward

- Consolidation of companies in same markets & regions is ongoing
- In addition, bundling of tasks, e.g. back office activities, in each regional cluster ("lead company concept")
- Implementation of SSC:
  - Germany ✓
  - Austria ✓
  - USA: on the way, to be completed by 2020
  - Netherlands: in preparation, to be completed by 2021

New target set: <150 by 12/2020

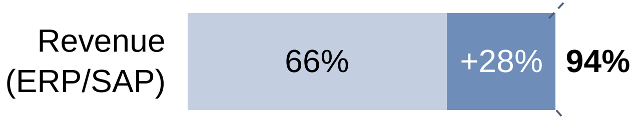
Levers for SG&A efficiency improvement

Process and system harmonization with substantial program extensions

Extended functionality

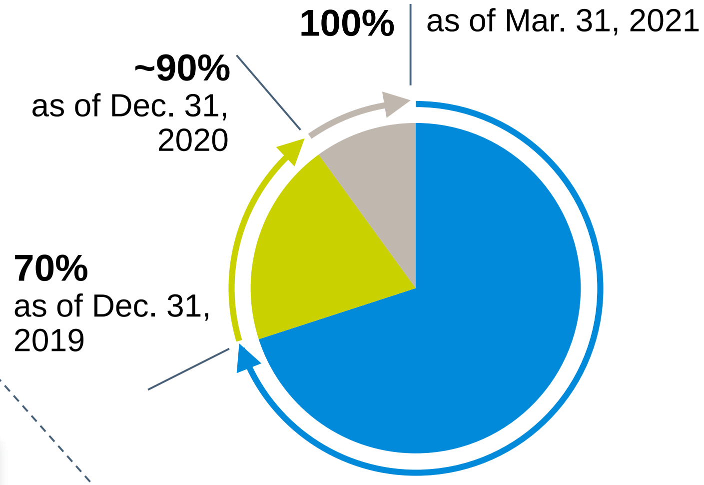
Additional add-ons for ERP (e.g. Travel and Expenses) DONE

Extended target scope



Degree of target achievement ERP/SAP

in terms of revenue



Roll-out of HRcules has been finalized by end-2019

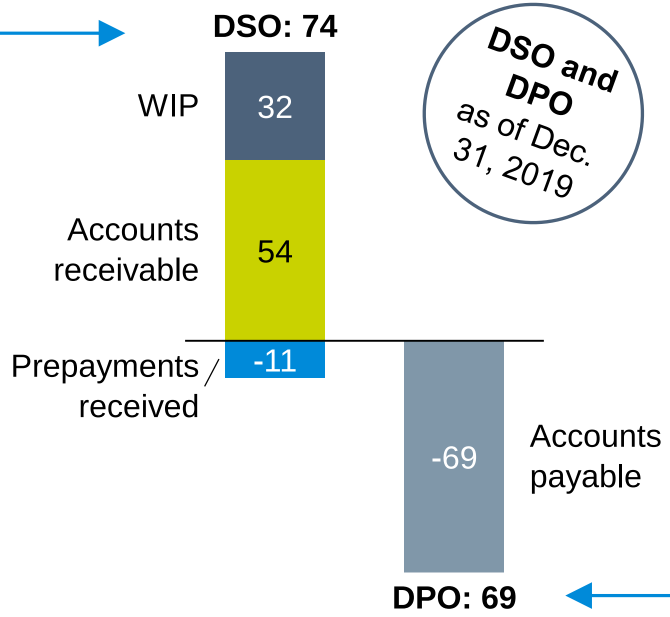
Additional ERP functionalities/scope come with one-time expenses of ~€20 million going forward

Working capital management
Key to higher cash conversion

DSO measures

Reduction of WIP as main objective

- Project business: improvement of contract and claim management
- Framework and Service contracts: billing conditions / quality, payment terms



- Increased bundling leads to better negotiation position, e.g. payment terms
- Rejection rate / quality in the control of invoices

DPO measures

The working capital incentive system will be further developed towards a quarterly average instead of only year-end figures

Capital allocation priorities

Financial policy

- Actual rating S&P: BB-/outlook stable
- Policy to maintain conservative level of key financial metrics in the range of an intermediate financial risk profile according to S&P:
  - Adjusted net debt / adjusted EBITDA: 2.0x < target < 2.5x
  - Adjusted FFO / adjusted net debt: 30% < target < 45%

Intended Dividend Policy[1]

- Floor of €1.00 is confirmed
- **Sustainable dividend stream going forward: 40 to 60% of adjusted net profit**

M&A Criteria

- **EBITA accretive one year after integration**
- **ROCE exceeds WACC two years after integration**
- Asset light with focus on ROCE
- Immediate start of integration

Mid-term ambition: Investment Grade

1) Provided that earnings and cash flow development is in line with planning

Financials Q3 2020

Q3 2020

Recovery gains pace: strong EBITA and cash flow development
Full-year guidance affirmed

Markets	• Recovering in second half of 2020 as expected
-26% org. **Orders received**	• Orders received at lower level due to fewer projects and mark to market in oil and gas, but order backlog solid; positive expectations for Q4
-18% org. **Revenue**	• Most European entities with sequentially increasing revenues • Oil- and gas-related regions UK and Nordics with approx. -30% year-on-year
€23 million **EBITA adjusted**	• Positive contributions from all European regions including Technologies • E&M International still under pressure in difficult environment
€43 million **Free cash flow reported**	• Continuing robust cash flow thanks to active working capital management • Sound financial position, no additional financing expectations
Outlook affirmed	• Year-on-year revenue decrease of ~20% • EBITA adjusted and free cash flow reported positive

Markets: E&M Europe

	Industries	%*		Overall trend
	Chemicals & Petrochem	40%	• Market starts to recover; some clients have announced large investments going forward • German market keeping up comparably well • Major chemical companies reported 3Q 2020 results slightly ahead of expectations	→
	Energy & Utilities	10%	• ESG climate change drivers still hold, e.g. CO_2 limits, emissions, decentralized power generation • Green energy investments expected to pick up (e.g. renewables, hydrogen) • Nuclear remains in focus in France, UK, and Finland	↗
	Oil & Gas	30%	• After recent deep decline expecting gradual recovery short and midterm • Majority of projects and turnarounds postponed • Midstream (e.g. pipelines, storage, transportation) less impacted	→

* % of segment revenues FY 2019

Markets: E&M International

	Industries	%*		Overall trend
	Chemicals & Petrochem	30%	• Expansion programs and need for modernization projects in Middle East (ME) • Projects delayed but attractive project pipeline in North America (NA)	→
	Energy & Utilities	5%	• In NA, energy investment trends focused on energy storage, wind, solar and CO_2 reduction. Continued but delayed growth • Continued growth in ME population and industry drives further development of alternative and nuclear energy concepts as well as water solutions	↗
	Oil & Gas	45%	• Large oil & gas and LNG investment plans in several ME countries (e.g. UAE, Qatar, Kuwait) for the upcoming years • CAPEX and OPEX spend expected to increase from 2021 onwards in NA	↗

* % of segment revenues FY 2019

Markets: Technologies

	Industries	%*		Overall trend
	Energy & Utilities	45%	• Energy transition focus in all our regions, esp. Europe and USA • Nuclear demand for new builds and maintenance increasing, esp. in France, UK and ME • Nuclear decommissioning capability (waste treatment, services) offers opportunities in Germany and France	
	Pharma & Biopharma	35%	• Mega trends remain unchanged despite Covid-19 • Clients start reviewing their global supply chain routes which will add opportunities in Europe	

* % of segment revenues FY 2019

European business has shown high resilience and will emerge even stronger from this crisis

In Numbers

- **Reduction of ~4,000 employees** year-to-date, majority in North America, Northern Europe, and the U.K.
- Currently **~650 employees are still in furlough** schemes (in U.K., Nordics, Germany, Austria), down from **almost 3,000 at the peak**
- **„Investment“ of ~70m EUR restructuring** expenses**, full payback within ~2 years**
- Strict cost management involving both temporary and sustainable measures reduced the **SG&A expenses well below budget**, full-year expectation ~€310m, **target 2021: <€300m**

Improved cost agility: the positive outcome from a difficult year

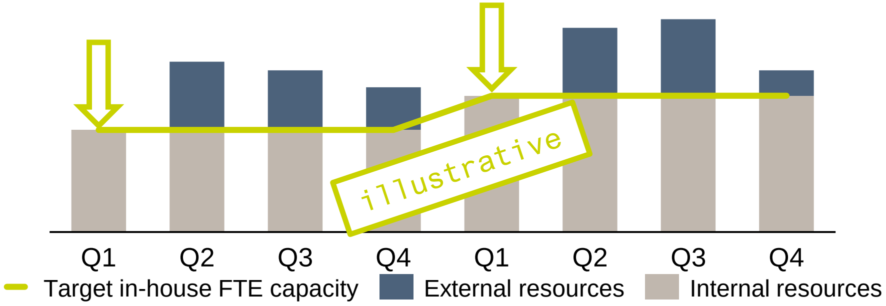
Levers

Balanced workforce utilization planning

- Adjusting in-house capacities to **Q1/low point** in quarterly intra-year revenues
- **Switch** from internal **to external resources**, also using agility of flexible resources from Poland (Bilfinger entity with skilled labor lease, working in various European countries)

Reduce seasonal underutilization to drive gross margin

Split between own resources and external sourcing



Fast alignment with mid-term market outlook

- **Sustainable reduction of personnel** in areas with longer-term subdued outlooks, e.g. oil and gas U.K., North America, targeting operations and SG&A
- Consequent **wind-down unprofitable** business and/or pursuing strategic alternatives, e.g. loss-making areas in Technologies

Starting FY 2021 with a clean cost base

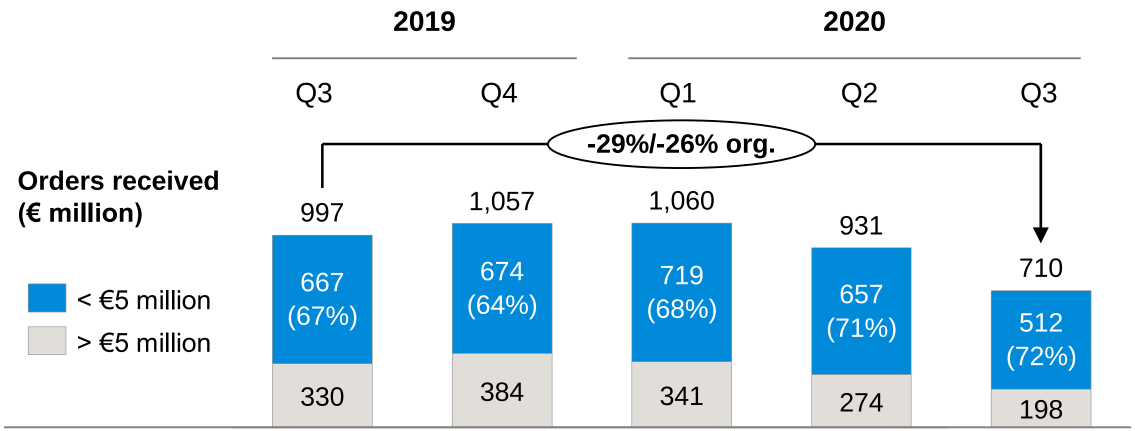
Regions with major headcount reductions

Region / Division	Headcount Dec. 31, 2019	Headcount Sept. 30, 2020	*Change*
UK	3,737	3,058	*-679*
Nordics	3,979	3,449	*-530*
North America	3,123	1,986	*-1,137*
Technologies	2,415	2,352	-63
Group [1)]	**33,327**	**29,375**	***-3,952***

1) Excluding JVs

Orders received on lower level due to limited number of projects and lowered expectations in oil and gas, but solid order backlog; positive expectations for Q4

Development of orders received



	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Book-to-bill ratio	0.9	1.0	1.2	1.2	0.8
Order backlog (€ million)	2,620	2,567	2,562	2,667	2,458

Orders received

- Decrease by -29% (org.: -26%)
- Lack of project orders especially in E&M International / North America
- Backlog reduction in upstream oil and gas business
- Larger parts of Hinkley Point expected to be mainly booked in Q4 and 2021

Order backlog

- -6% below prior-year level (org.: -3%)

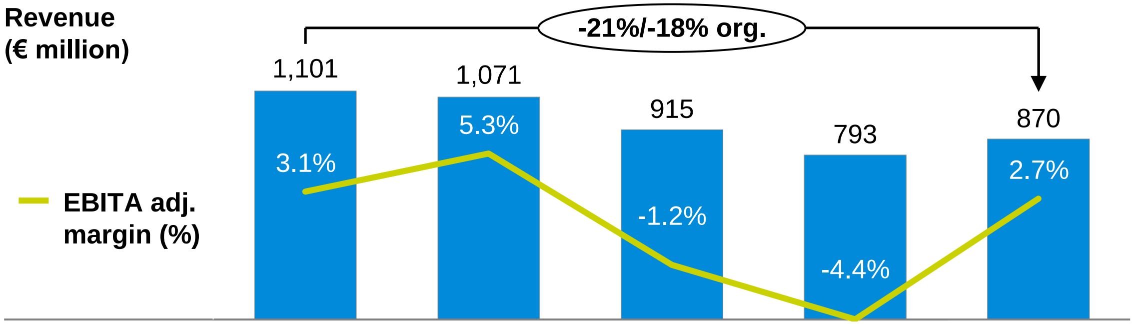
Book-to-bill

- Mirrors low orders received in Q3, but year-to-date at 1.05

Sequential recovery against Q2, solid EBITA adjusted

Development of revenue and profitability

	2019		2020		
	Q3	Q4	Q1	Q2	Q3



	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
EBITA adj. (€ million)	34	57	-11	-35	23
EBITA (€ million)	25	7	-20	-51	0
Adjustments (€ million)	9	49	9	16	24

Revenue

- -21% (org.: -18%) below prior-year quarter, recovery after difficult Q2

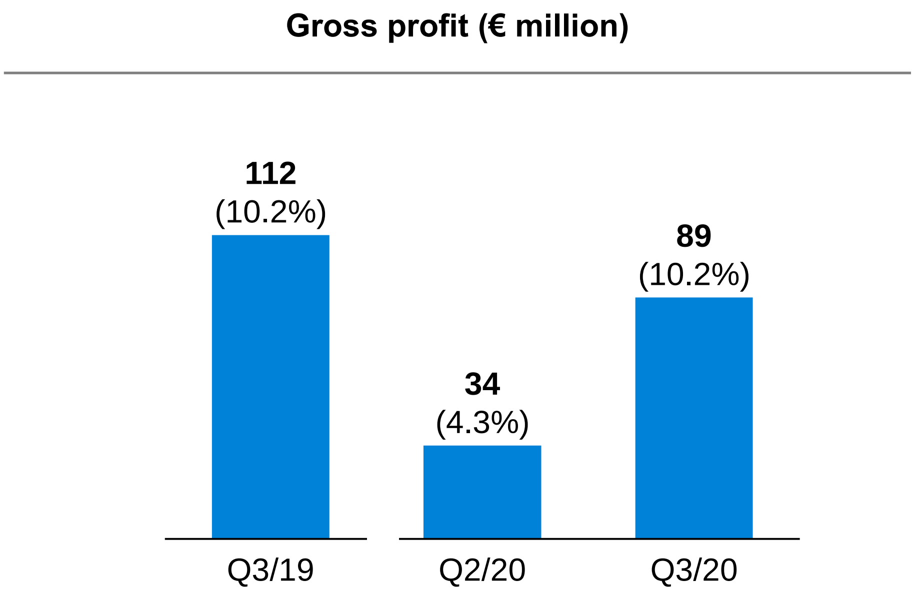
EBITA adjusted

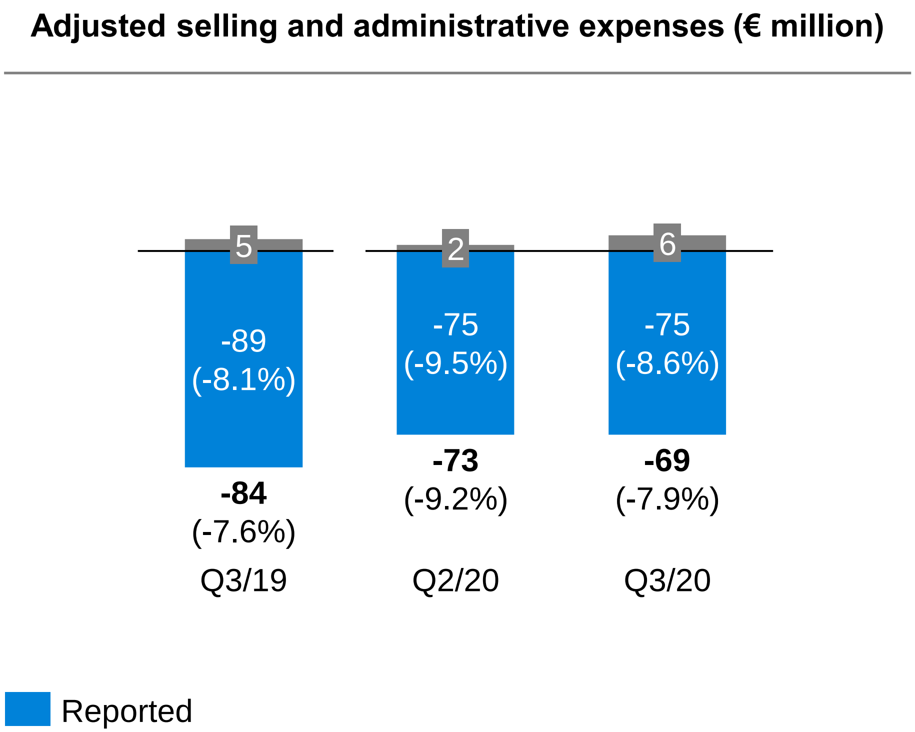
- Positive at €23 million, rebound due to recovery in European markets
- Technology with positive contribution

Special items

- -€24 million (thereof -€18 million restructuring costs, -€3 million IT investments and -€3 million loss on OOP divestment)
- In Total ~€70 million expected in FY 2020

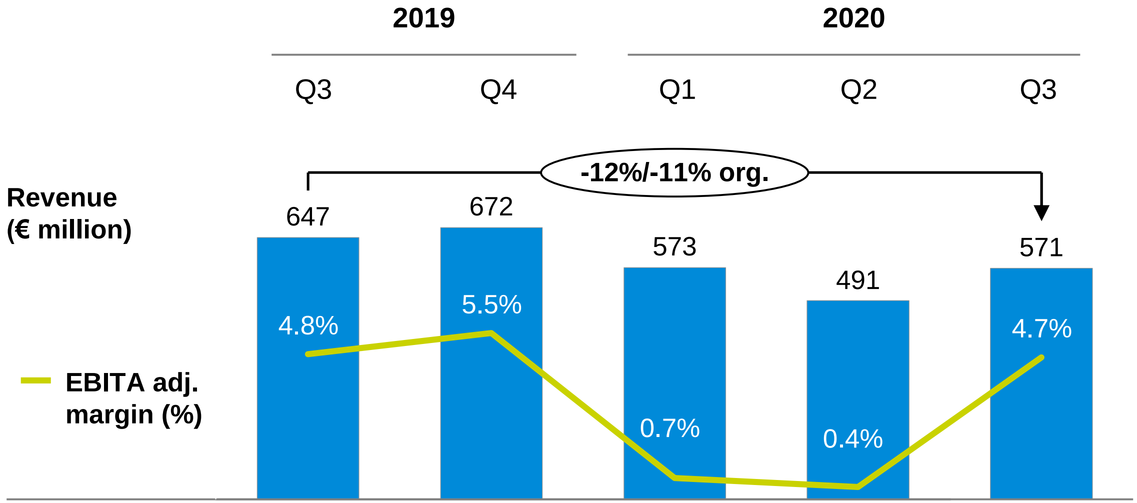
Gross margin at prior year level despite significantly lower revenues
SG&A expenses further reduced with partially sustainable improvements





Segment E&M Europe: strong recovery in both revenue and adjusted EBITA, highly resilient and agile maintenance business

Development of revenue and profitability



	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Book-to-bill ratio	0.9	0.9	1.1	1.3	0.9
EBITA adj. (€ million)	31	37	4	2	27

Orders received

- -14% (org.: -13%) mainly due to backlog reduction in upstream oil and gas business
- Book-to-bill YTD at 1.07

Revenue

- Decrease by -12% (org.: -11%), with -30% North Sea upstream business

EBITA adjusted

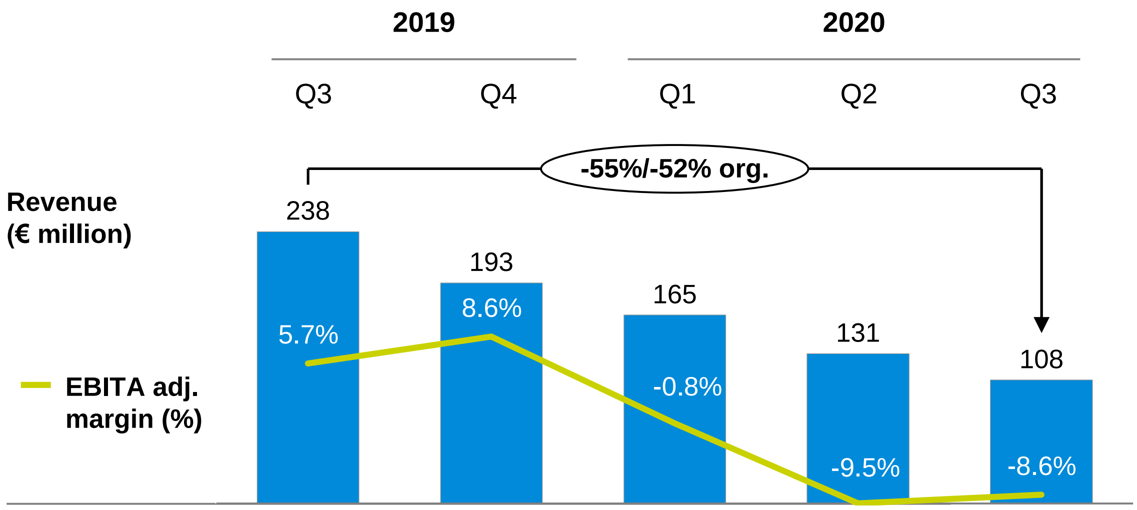
- Clearly positive, benefitting from agile cost management, leading to strong margin improvement up to prior-year level despite lower revenue

Outlook 2020

Revenue: significant decrease
EBITA adjusted: positive

Segment E&M International: top-line and earnings still under pressure in challenging environment, leading to negative results also in full-year

Development of revenue and profitability



	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Book-to-bill ratio	0.9	1.3	0.9	1.0	0.8
EBITA adj. (€ million)	14	17	-1	-12	-9

Orders received

- -60% (org.: -57%), in North America lack of contract awards due to challenging environment (COVID-19 and elections)

Revenue

- Decrease of -55% (org.: -52%), partly expected, but amplified by difficult environment

EBITA adjusted

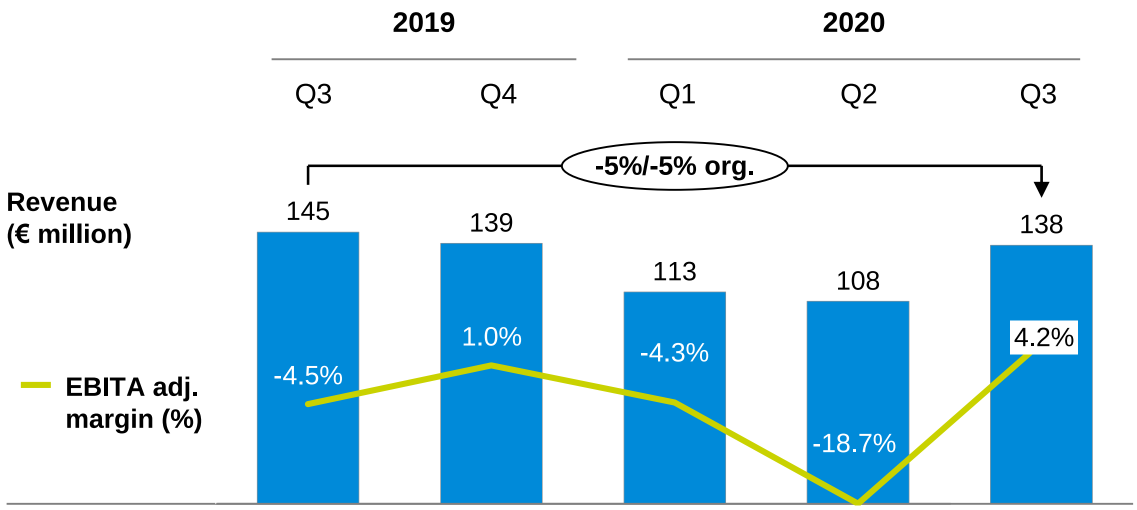
- Clearly negative, primarily affected by underutilization in North America, capacity adjustments ongoing

Outlook 2020

Revenue: significant decrease
EBITA adjusted: negative

Segment Technologies: Sound quarter with positive EBITA adjusted

Development of revenue and profitability



	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Book-to-bill ratio	0.6	1.0	2.5	1.1	0.7
EBITA adj. (€ million)	-7	1	-5	-20	6

Orders received

- Slight increase by 2% (org.: 2%)
- Hinkley Point orders to be called off in Q4 and 2021

Revenue

- -5% (org.: -5%) below prior-year, also due to wind-down of loss-making activities, but sequential recovery visible in growth areas

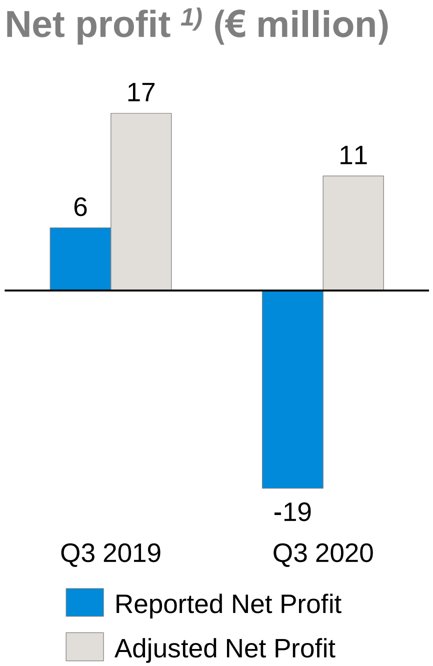
EBITA adjusted

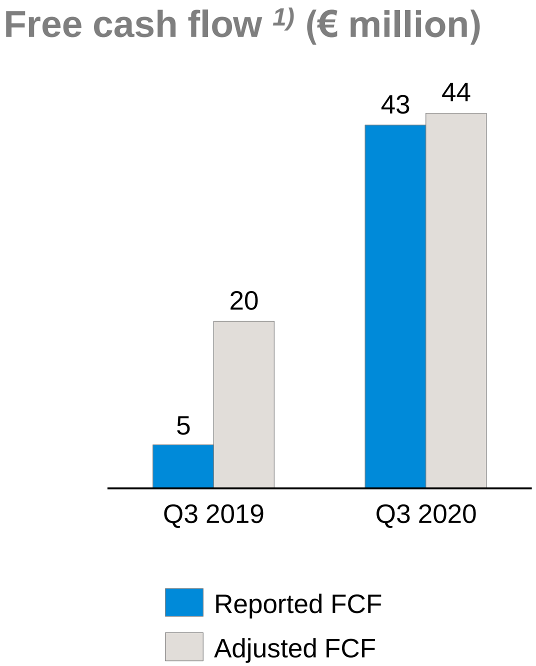
- Good margin development, strategic measures for underperforming entities well under way

Outlook 2020

Revenue: slight decrease
EBITA adjusted: significant improvement, but still negative

Net profit burdened by significant amount of restructuring costs, on adjusted base positive
Free cash flow improved significantly against prior year



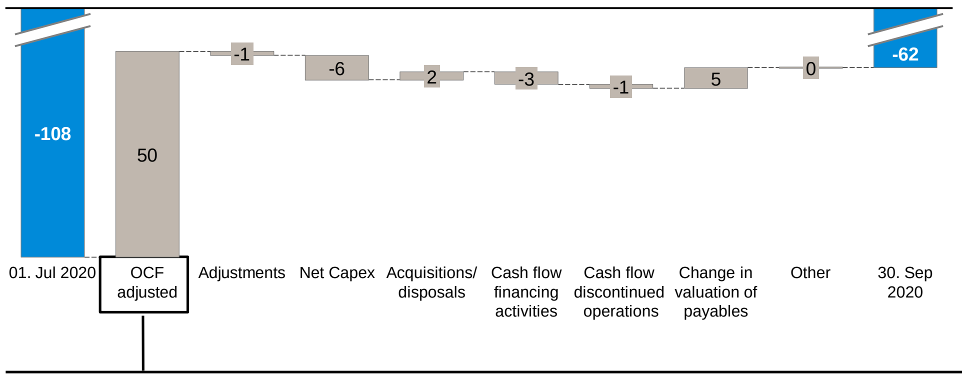


[1] *Adjustments correspond to EBITA adjustments, Net Profit: in addition special items in financial result and in taxes*

Sound financial position; further increase in liquidity due to active working capital management, despite start of payments of tax and social security deferrals

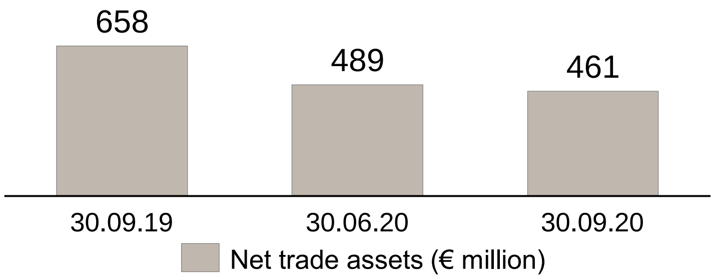
Development of net liquidity

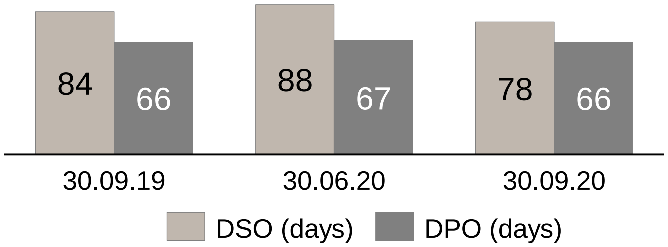
Net liquidity [1] (€ million)



Cash flow development year-to-date (€ million) excl. IFRS 16

	9m 2020 excl. IFRS 16	IFRS 16 impacts	9m 2020 incl. IFRS 16	9m 2019 excl. IFRS 16
EBITA adj.	-22		**-22**	**46**
Depreciation	42	43	85	41
Change in NWC (Reported)	80		80	-194
Others	-22		-22	23
Adjustments	-24		-24	-50
Operating CF Reported	**54**		**97**	**-134**
Net CAPEX	**-19**		-19	-37
Free CF Reported	**35**		**78**	**-171**
Proceeds/Investments financial assets	5		5	143
Changes in marketable securities	0		0	-210
Dividends	-7		-7	-43
Change in financial debt	0	-40	-40	373
Interest paid	-15	-3	-18	-6
FX / other / disco	-8		-8	-45
Change in Cash	**10**		**10**	**41**





[1] *Including IFRS 16 leases*

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

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