BILFINGER

ENGINEERING AND SERVICES

December 04, 2014

Bilfinger SE Company Presentation

Berenberg European Conference 2014, Pennyhill Park, London

Herbert Bodner, CEO
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Agenda

1. **Bilfinger at a glance**
2. Key points of midterm corporate development
3. Facts and figures 9m 2014

2014: A difficult year for Bilfinger

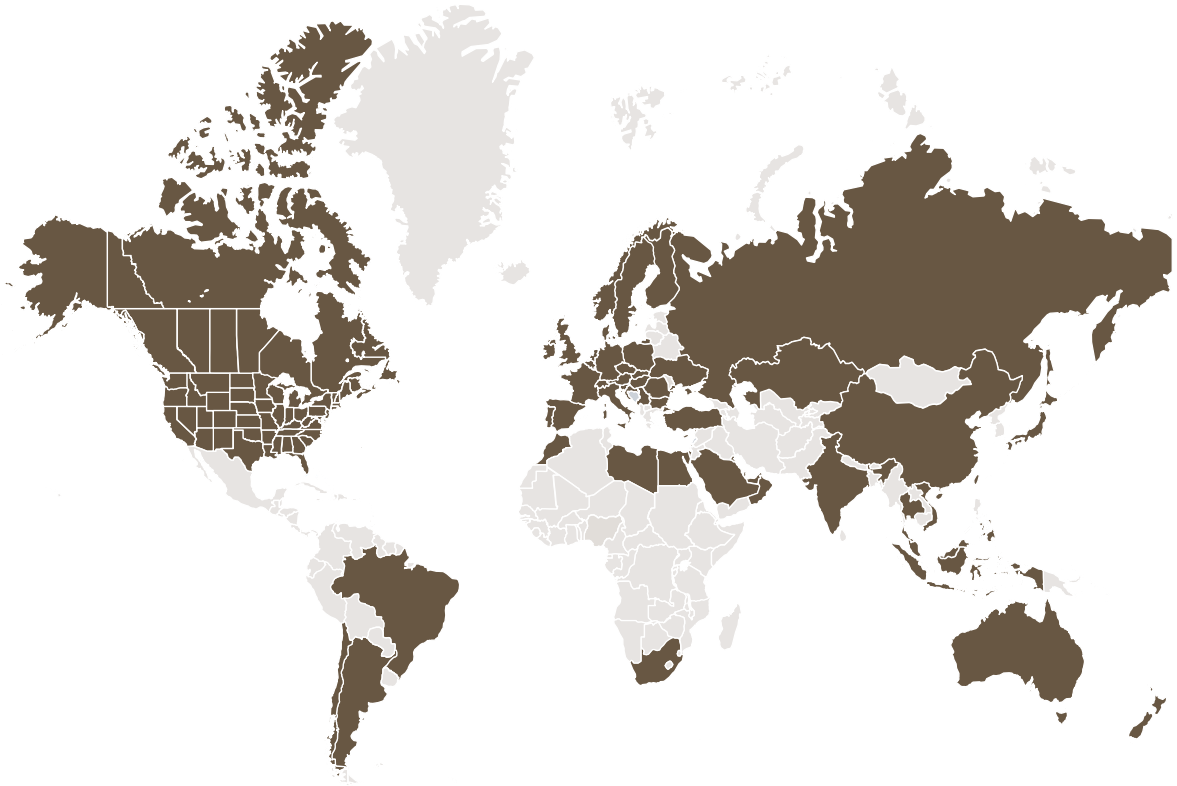
- Building and Facility: Positive business development
- Industrial: Demanding environment
- Power: Difficult market environment due to structural problems
- Earnings expectations significantly lowered in the course of the year
- Changes in Executive Board
- Changes in Supervisory Board
- Share price has suffered significantly

Successful evolution into a leading international engineering and services group

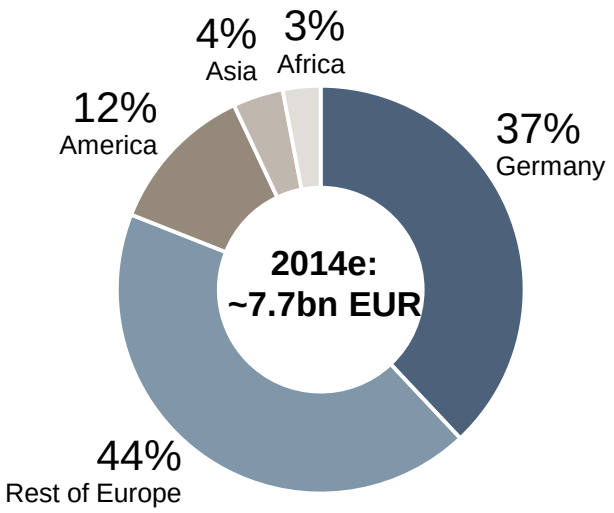
Segment	Industrial	Power	Building and Facility
Focus **Output volume 2014e**	Process Industry Nearly € 3.7 bn (47%)	Utilities Approx. € 1.5 bn (19%)	Real Estate Nearly € 2.7 bn (34%)
Divisions	Industrial Maintenance Insulation, Scaffolding and Painting Oil and Gas Industrial Fabrication and Installation Engineering, Automation and Control Support Services	Power Systems Piping Systems Offshore Systems and Grids	Building Facility Services Real Estate Water Technologies
EBITA margin 2014e	Below the prior-year figure (2013: 5.8%)	Positive EBITA (2013: 8.9%)	Approx. 5% (2013: 4.9%)

Broadening international footprint

Organic and external growth strategy to further strengthen non-European business



Output volume by region



Bilfinger business model supported by favorable long-term industry trends

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Positive structural trends

- Outsourcing
- Service bundling
- Internationalization

Favorable business characteristics

60% of output in recurring maintenance business

High retention rate of 85 to 95% in the various businesses

Asset light business

Capex: ~2% of output volume, favorable net working capital profile

Risk diversification

Broad customer range
Mostly small project sizes
Growing regional diversification

Shareholder-friendly dividend policy

Historic payout-ratio:
~50% of adjusted net profit

Financial soundness

BBB+ / negative outlook

Strong market positions

Industrial:
European market leader in Industrial Services for the process industry

Power:
Strong player in Power Services

Building and Facility:
German market leader for integrated facility management with strong positions in selected European countries

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Key points of midterm corporate development
Evolution into a services group largely completed

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Improving the Group's operating performance

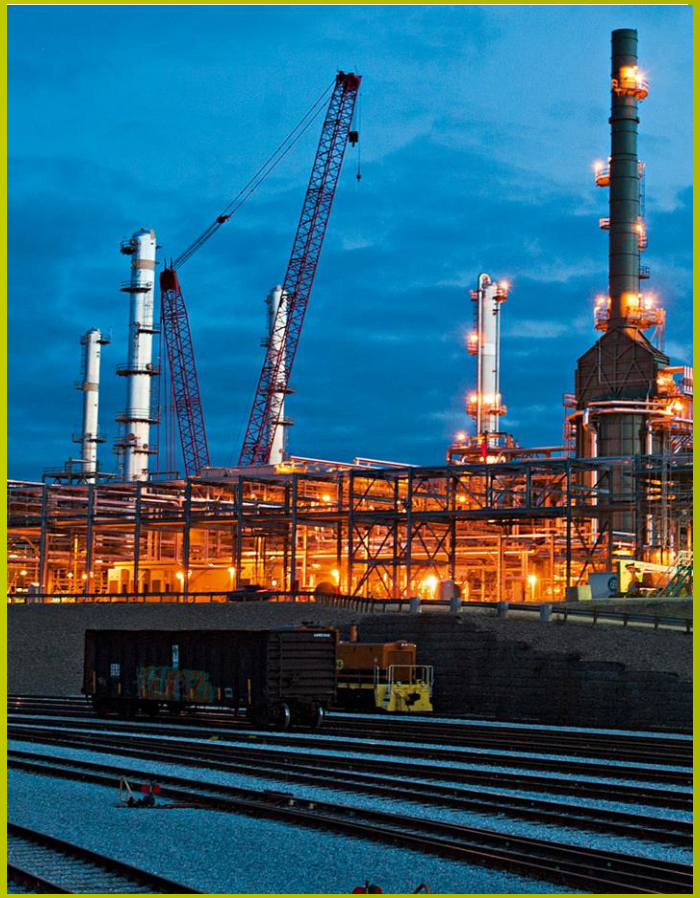
- Measures taken to improve the Group's operating performance are of key importance
- Measures apply above all to Power, which requires a fundamental realignment of its activities in view of market developments, and to some areas of Industrial

Development of service offering, internationalization of business activities

- Focusing our business operations on sectors and regional markets that offer best prospects for the future
- Developing ourselves into a provider of premium services through the targeted adjustment of our service range
- Internationalization will also play a key role In light of the weakness of several European core markets
  Growth opportunities above all in North America, but also in markets such as India, Turkey and the Middle East
- Initial focus on strengthening our current business
  In the future, once again, also business development via acquisitions
  New activities must demonstrate significant synergy potential with existing range of services

Industrial Prospects

- Expansion of higher-margin and integrated service offerings
- Growth in core markets through the consistent utilization of existing client potential
- Cost savings following the merger of operating units
- Geographic focusing, expansion in selected foreign markets, for example gradual expansion of activities in the US process industry



Power
Prospects

- Concentration on improving operating performance
- South Africa: focus on services and modernization projects
- India: focus on component production
- Further internationalization, in particular into markets with a high share of coal in the energy mix

Building and Facility Prospects

- Taking advantage of the outsourcing trend for real-estate services
- Expansion of business with premium services, for example real-estate valuation or transaction consulting
- Increased management of international real-estate portfolios in Europe
- Further expansion of facility management services for IT companies
- In Building business, increased focus on consulting, design, logistics and other specialized services

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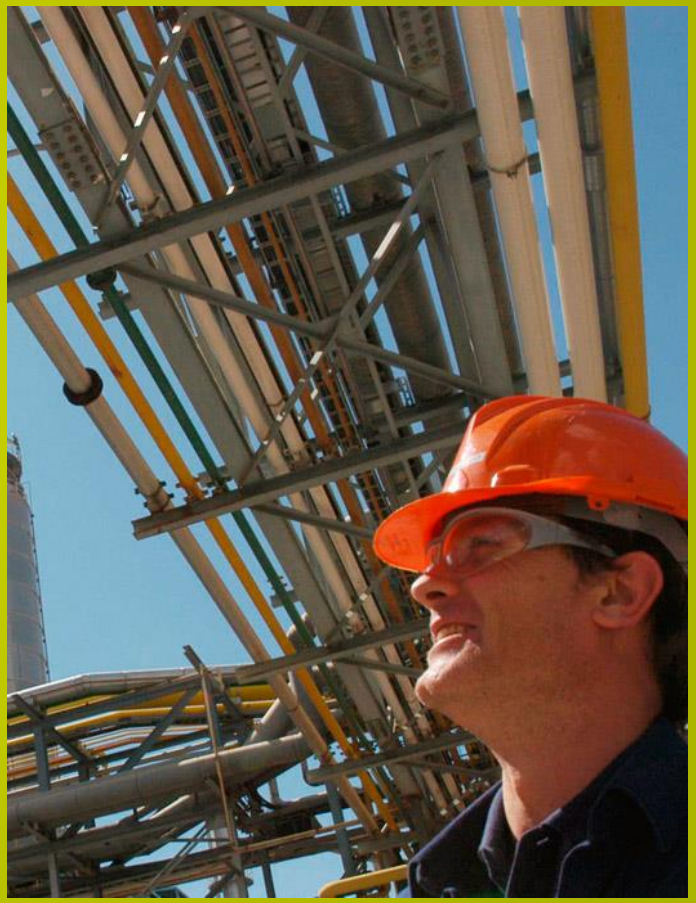
9m 2014: Highlights

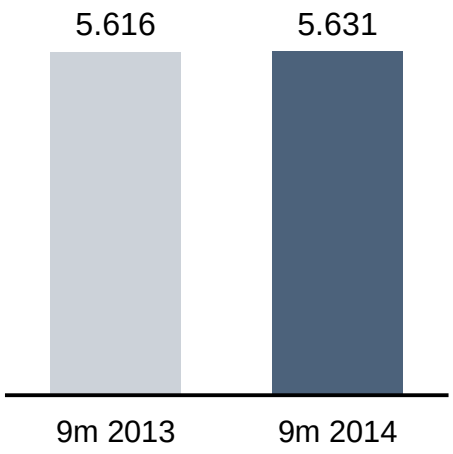
- Stable output volume; lower EBITA, as expected
- Goodwill impairments lead to net loss
- Orders received impacted by difficult market environment
- Despite loss from continuing operations, operating cash flow slightly improved due to more favorable working capital development
- Outlook for adjusted EBITA and adjusted net profit in 2014 confirmed
- Sale of construction activities progressing as planned



Stable output volume
Orders received decreased due to developments in Power and Industrial

Output volume

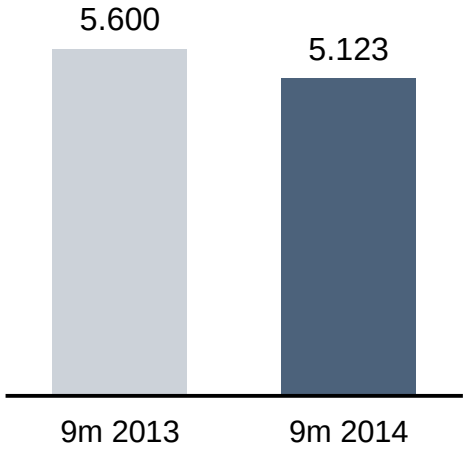
0%



in € million

Orders received

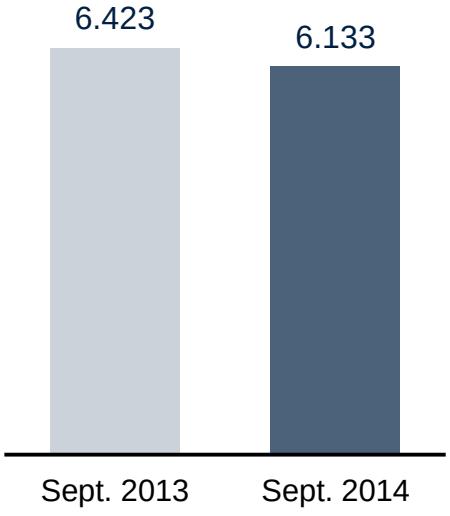
-9%



in € million

Order backlog

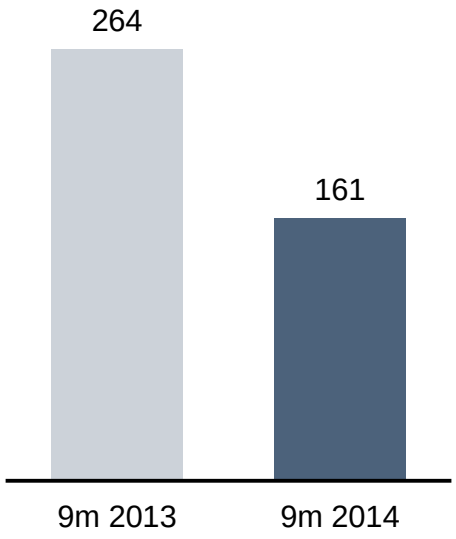
-5%



in € million

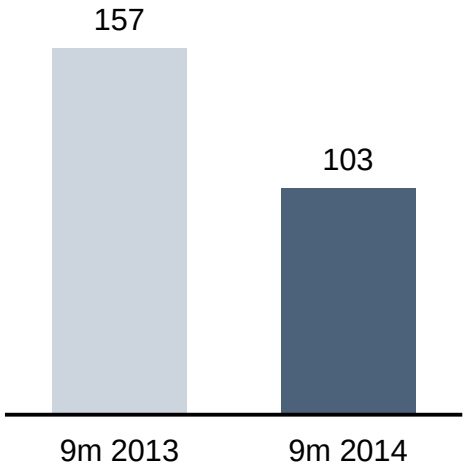
Earnings significantly below prior-year period
Operating cash flow slightly improved due to more favorable working capital development

Adjusted EBITA
-39%



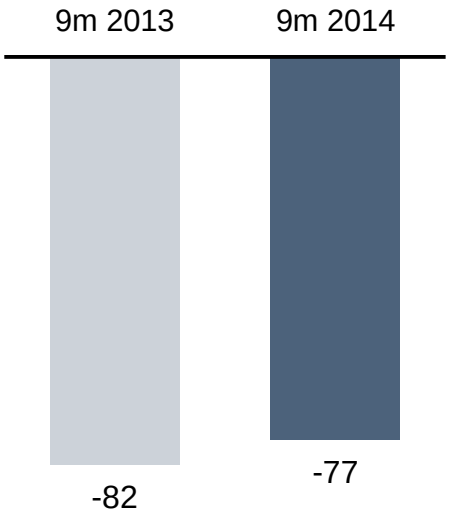
in € million

Adjusted net profit
-34%



in € million

Operating cash flow
+6%



in € million

EBITA: adjusted for capital gains, for one-time restructuring expenses as well as for the write-down on investments in a Polish production site
Adjusted net profit: also adjusted for the amortization of intangible assets from acquisitions and goodwill impairment
In addition, adjustment for the reduction of deferred tax assets on tax-loss carryforwards in accordance with the German Corporate Tax Act

Industrial
EBITA below prior-year level

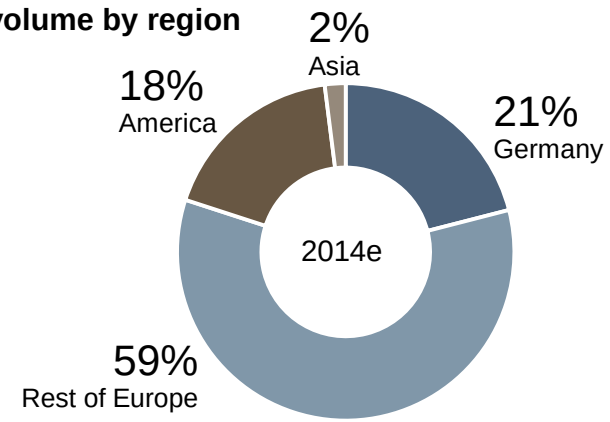
Markets and highlights

- Output volume slightly below prior-year level
- EBITA margin decreased to 4.7% (9m 2013: 5.3%)
- Orders received decreased by 16%, also due to one-time adjustments in the backlog (reduced volume expectations in European oil and gas framework contracts)
- Deteriorating market environment
- New business continues to be affected by reluctance to invest of the European process industry as well as by reduced maintenance budgets. Other factors are the lack of orders in the power-plant sector and the typical volatility of the American project business
  Full-year orders received will not reach level of the prior-year
- Capacity adjustment and further efficiency enhancements have been initiated to cope with continuing price pressure

Outlook 2014

- Output volume of nearly €3.7 billion (2013 comp.: €3.7 billion)
- EBITA margin below the prior-year figure
  (FY 2013 comp.: 5.8 percent)

Output volume by region



in € million	9m 2013	9m 2014	*Change*	2013
Output volume	**2,762**	**2,717**	*-2%*	**3,721**
Orders received	2,839	**2,398**	*-16%*	**3,986**
Order backlog	2,640	**2,556**	*-3%*	**2,791**
Capital expenditure	49	**50**	*2%*	**74**
Depreciation of P, P & E	47	**48**	*2%*	**64**
EBITA / EBITA adjusted	147	**127**	*-14%*	**214**
EBITA margin	5.3%	**4.7%**		***5.8%***

Power
Market environment requires fundamental reassessment of situation

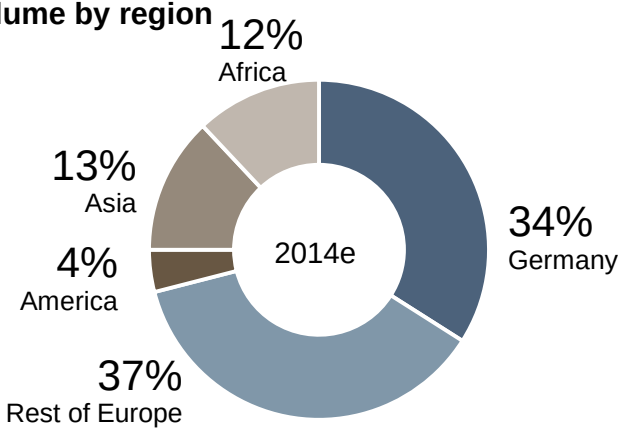
Markets and highlights

- Output volume declined significantly
- EBITA was negative at minus €2 million due to lack of capacity utilization in several areas, above all in high-pressure piping, and burdens from a number of projects
- Orders received decreased by 8%
- Power is especially suffering from consequences of the energy transformation in Germany and from negative impact arising from investment behavior in other Central European countries.
- Measures necessary to adjust capacities, to reduce costs and to reposition the business have already been initiated

Outlook 2014

- Output volume of approximately €1.5 billion
  (2013 comparable: €1.7 billion)
- Positive EBITA
  (2013 comparable: €152 million)

Output volume by region



in € million	9m 2013	9m 2014	Change	2013
Output volume	1,254	**1,087**	*-13%*	**1,709**
Orders received	1,173	**1,082**	*-8%*	**1,461**
Order backlog	1,582	**1,450**	*-8%*	**1,435**
Capital expenditure	27	**35**	*30%*	**43**
Depreciation of P, P & E	19	**20**	*5%*	**27**
EBITA / EBITA adjusted	99	**-2**		**152**
EBITA margin	7.9%	**-0.2%**		***8.9%***

Building and Facility
Continuation of positive business development

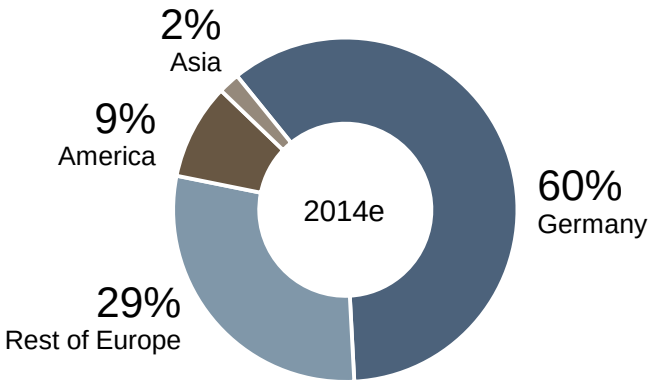
Markets and highlights

- Increase in output volume and EBITA
- Order development in Facility Services and Real Estate was positive, orders received in Building declined due to the typical volatility of this business
- EBITA margin increased to 4.3% (9m 2013: 3.9%)
- Organic development 9m 2014:
  +2% in output volume, +16% in EBITA

Outlook 2014

- Output volume will grow significantly, both organically and, in particular, as a result of acquisitions to nearly €2.7 billion (FY 2013: €2.3 billion)
- EBITA margin of approximately 5% (FY 2013: 4.9%)

Output volume by region



in € million	9m 2013	9m 2014	*Change*	2013
Output volume	1,664	**1,919**	*15%*	**2,346**
Orders received	1,649	**1,687**	*2%*	**2,181**
Order backlog	2,224	**2,141**	*-4%*	**2,304**
Capital expenditure	13	**18**	*38%*	**21**
Depreciation of P, P & E	13	**15**	*15%*	**18**
EBITA / EBITA adjusted	65	**83**	*28%*	**116**
EBITA margin	3.9%	**4.3%**		***4.9%***

Outlook for FY 2014

- **Output volume** for the Group will be within the scope of our previous forecast (€7.7 billion)
- **Adjusted EBITA** of at least €270 million (FY 2013: €419 million)
- **Adjusted net profit** from continuing operations of at least €160 million (FY 2013: €255 million)
- **Net profit** will also be impacted by a number of **special items**:
  - Goodwill impairments at the Power business segment
  - The write-down of our investments in a production site in Poland for steel foundations for offshore wind turbines
  - One-time expenses in connection with Excellence, our efficiency-enhancing program
  - Restructuring expenses in the Industrial and Power business segments
  - A write-down of deferred tax assets on tax-loss carryforwards due to Cevian Capital increasing its equity interest to above the 25-percent threshold
  - A capital gain on the reduction of our investment in Julius Berger Nigeria

  In total, these special items will amount to approximately **minus €230 million** after taxes and minority interest in 2014, which will lead to a net loss for the year.

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