



BILFINGER

Bilfinger SE

Bilfinger SE Company Presentation

June 2019

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** service lines, **four** regions and **six** focus industries
- Combination of excellence in **products and manufacturing** (T) and **covering the full life-cycle** (E&M)
- 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

€4.15bn revenue

thereof ~55%
recurring business

Orders Received +10%

€65m EBITA adjusted

Approx. 36,000 employees

based on FY 2018

Extensive analysis since mid-2016

2016/2017

- Deep analysis of the company, its markets and its customers
- Evaluated our strengths, opportunities and challenges
- Analysis based on decades-long industry experience of top management team

- Exceptional profile: consistently No. 1 supplier of industrial services for the process industry in Europe
- Demand for engineering and services is strong and getting stronger

- Deep expertise, knowledge and best-in-class practices
- Multiple restructuring phases led to brain-drain and loss of direction
- Long-standing customer relationships

- Very fragmented, non-integrated sub-optimal structure
- Silo mentality not reflective of market demands
- Tremendous potential but unrealized opportunities

Procedure




Products



People



Structure



2018/2019

- Deep dives on key entities
- Leverage “orders received” → customers selectivity
- BTOP to drive implementation

- Integrated projects
- High margin, high growth opportunities: a) Biopharma; b) Energy (Nuclear) & Emissions (Scrubbers) c) Automation / Digitalization

- Management “upgrades”
- Business development
- COO

- Governance structure, especially “projects”
- In country consolidation → critical mass
- Cross border team work

Bilfinger 2020: Strengthening sense of PURPOSE

Strategy affirmed, enhanced setup

2 Service Lines, 4 Regions, 6 Industries

CMD 2019

Our ambition

We engineer and deliver process plant performance

Where to play

2 Service Lines	4 Regions	6 Industries
<ul style="list-style-type: none">TechnologiesEngineering & Maintenance	<ul style="list-style-type: none">Continental EuropeNorthwest EuropeNorth AmericaMiddle East	<ul style="list-style-type: none">Chemicals & PetrochemEnergy & UtilitiesOil & GasPharma & BiopharmaMetallurgyCement

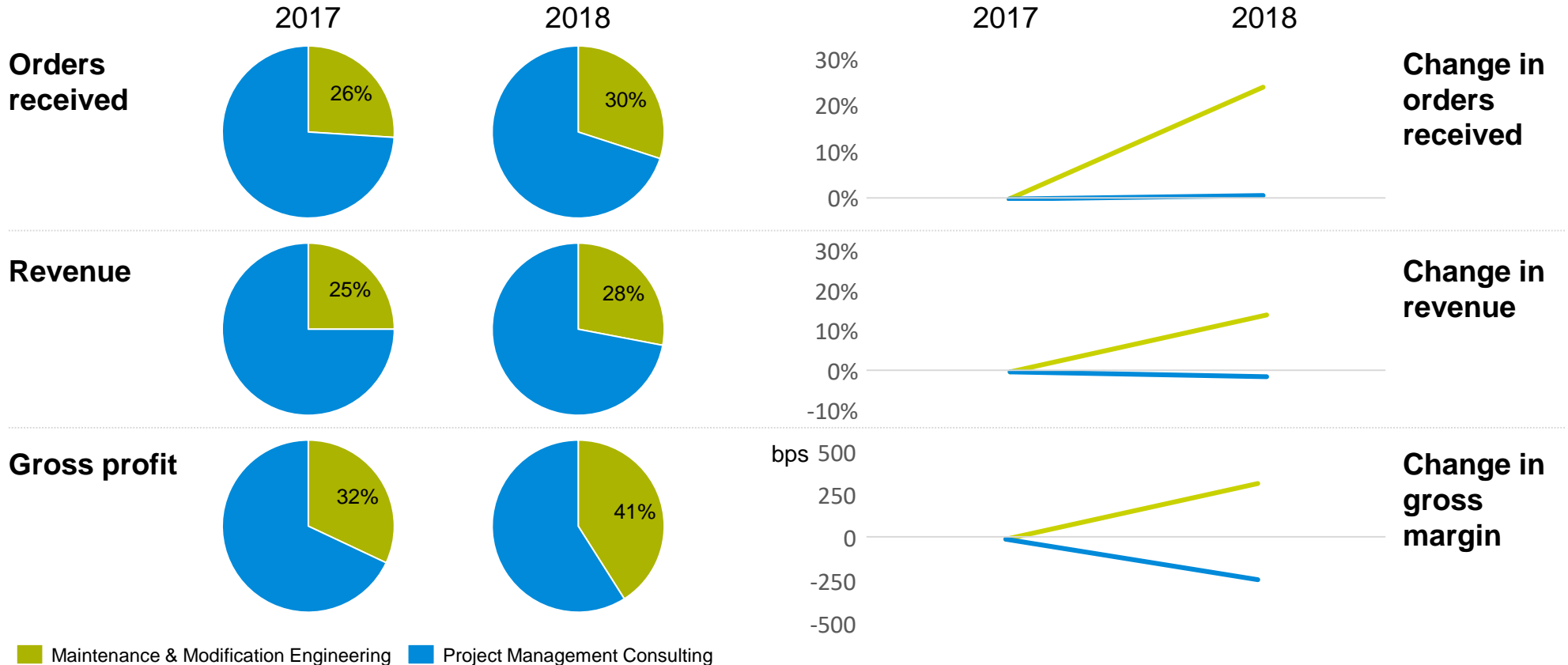
How to win

<p>People & Culture</p> 	<p>Customer & Innovation</p> 	<p>Organization & Structures</p> 	<p>Financials</p> 
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European Engineering Resources

Maintenance & Modification Engineering with increasing contribution to gross profit

CMD 2019



2 Service Lines

Enhanced setup for build up and build out phase

Technologies

FY 2018: Revenues € 503m, EBITA adj. € -26m

Market

High growth potential for technological products esp. in Energy & Emissions, Biopharma (Life Science) and Automation / Digitalization – supported by mega trends

Characteristics

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

▶ Focusing on Technologies drives stronger growth and higher margins

Engineering & Maintenance

FY 2018: Revenues € 3.477m, EBITA adj. € 134m

Market

Increasing demand in Engineering Maintenance services

Characteristics

- Higher added value to maintenance business
- Covering full life-cycle
- Improve asset and plant performance
- Superior customer perception
- Potential for cost savings in SG&A

▶ Combining E and M leverages our business to higher-end services and higher margin

2 Service Lines

Technologies: ambition to grow higher-margin business

CMD 2019

Technology



Description



Goal



Scrubber

- High demand driven by legislation on emissions and CO₂
- Proven expertise in flue gas desulphurisation
- Attractive, compact design with short payback

- Increase serial production capacity internally and with partners
- Scrubber for 70 ships in order book with further options



Pharma & biopharma expertise

- Ageing society and global rise of middle class drives new products and sales growth
- Global market, customers and procurement
- Compact production facilities

- Biopharma skids and bioreactors
- Global reach with deliveries into China and Russia
- No. 1 supplier in Europe (~20% revenue CAGR in the last 4 years)



Nuclear Services

- Worldwide build programs averaging 25 in construction
- 448 reactors operable worldwide – 50% in the US and Europe
- High standards of safety, quality and service essential

- Present on 3 new builds in Europe
- Chosen as strategic supplier for NSSS at Hinkley Point > €250m
- Specialist in engineering, piping systems and handling

2 Service Lines

Engineering & Maintenance: combined and full life cycle services driving value

CMD 2019

Technology



Description



Goal



Combined strength

- €36m deodorization plant for Fluxys
- Critical system in transmission and leak detection for gas to/from GER
- Gas processing & transmission investment increasing

- Bilfinger expertise from four businesses combined
- Specialists in gas systems, automation fabrication and installation involved



Bilfinger Turnaround Concept

- High risk events for customers – safety, duration and cost
- Large investment programs with up to 10 year look-aheads
- Complimentary to maintenance services and customer entry point

- Consistent and modular approach to reduce risks
- Training and development of new mobile resources
- Established player in market



Corrosion under insulation

- Major root cause of process safety issues in recent years
- Investment programs of ~€2bn in US and Europe p.a.
- Inspection followed by remediation and replacement

- Bilfinger multi-services enable integrated teams
- Rope access technicians reduce customer costs
- Innovative solutions for the avoidance of repeat failures

Compliance Management System

A competitive advantage

Certified by compliance monitor in December of 2018
Deferred Prosecution Agreement (DPA) concluded

Compliance system is industry leading

Compliance-related activities are ongoing,
system in a continuous process of innovation

▶ **Compliance: an integral part of Bilfinger's DNA**



Growth potential through digitalization

Market potential

We see significant market potential in digitalizing the process industry

Estimated market potential

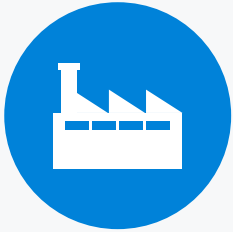
- More than 16,000 plants within 2-4-6 in Continental and Northwest Europe
 - ~4,000 of these plants are mid-sized type with strong appetite for digitalization
- Varying acceptance rate per industry – highest acceptance expected in Chemicals & Petrochem, Energy and Oil & Gas
 - Yearly volume per actual client expected around 1-2 m EUR
- Total market potential in Europe calculated around 7 bn EUR
 - Market penetration mainly driven by availability of brainpower
 - Additional market potential in Middle East and North America



Strategic position

Bilfinger is well positioned to be the frontrunner in the IoT of process industries

Process Industry



Digitalization hurdles

- Requirement to improve performance
- Lack of digitalization knowledge

Bilfinger



Building digital bridges

- Deep knowledge of customer needs and processes
- Comprehensive digitalization know-how
- Independent service provider
- Nr.1 in conventional services in Europe

IT Industry



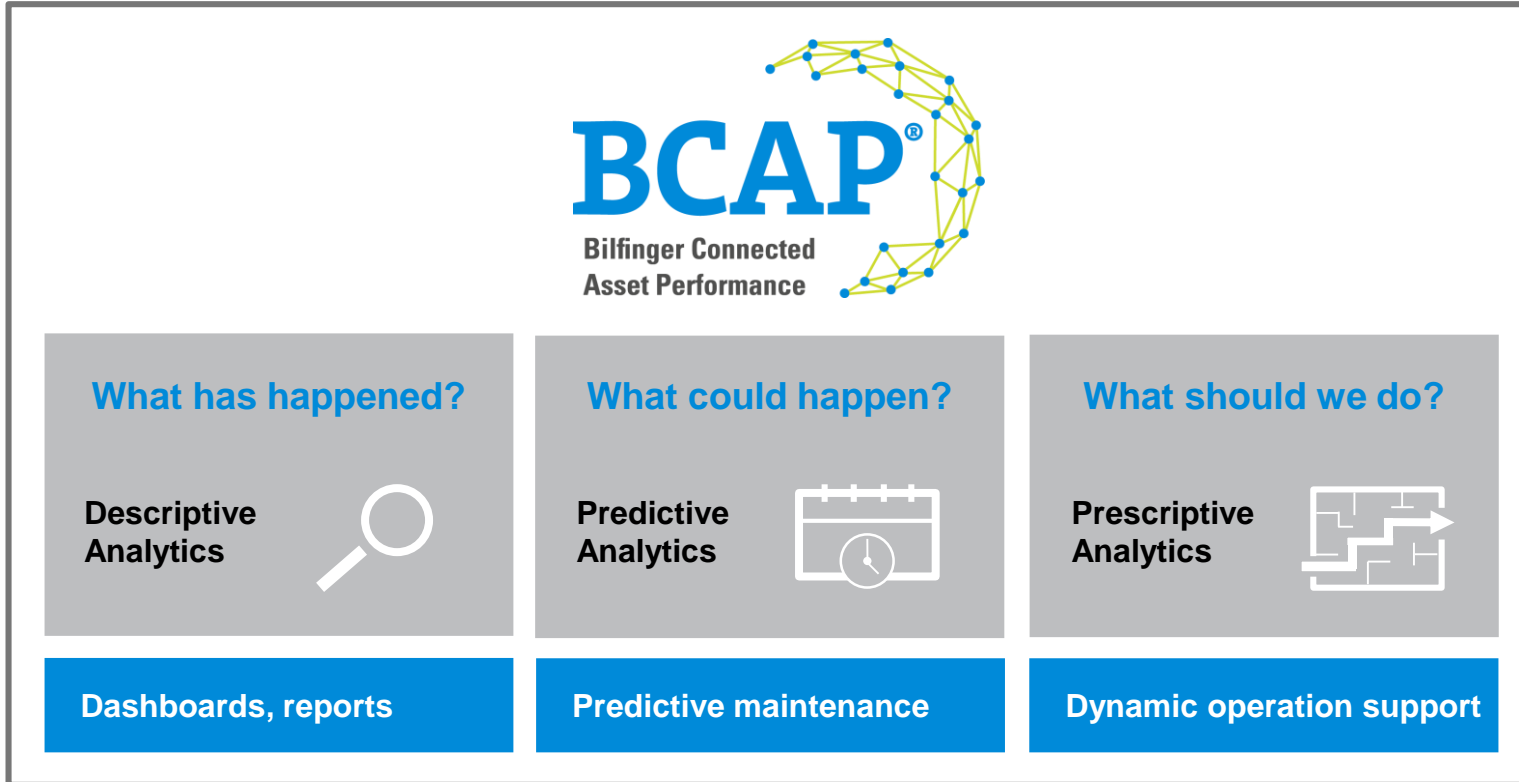
Applicability deficits

- No access to plant operators
- Challenge to apply IoT knowledge to process industries

WE MAKE DIGITALIZATION WORK!

New analysis options

BCAP® provides a better decision-making basis



Improving our financial performance

We will address all P&L line-items

GROSS MARGIN

- Growth opportunities in high-profitability areas
- LOA¹ process and 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:
improvement of
~200bps

Impact on
SG&A ratio:
Improvement of
~300bps

AMBITION²
EBITA margin
increase of
~500bps
by 2020

1) Limits of authority 2) Mid-cycle targets

Initiatives for higher efficiency and lower costs

IT PROJECTS

Status of process and system harmonization (ERP-System):

- ✓ Template solution set up
- ✓ Degree of completion: 40%
- ✓ Targeting ~70% by end of 2019

PROCUREMENT INITIATIVE

- ✓ Increasing number of e-auctions to improve the competitive advantage
- ✓ Reduced prices for direct material by further bundling across entities
- ✓ Focus on best price structures for products like scrubbers

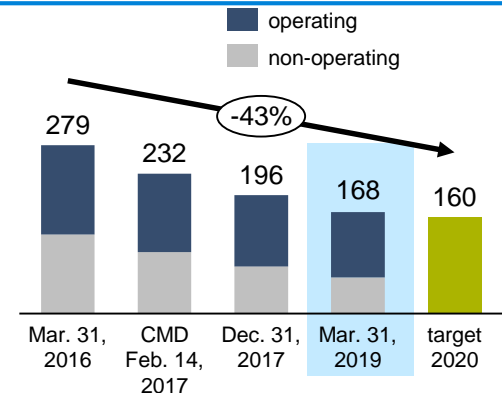
MERGER OF OPERATING UNITS

Example Austria: realizing cost synergies by full merger

- ✓ Reduction from 5 to 1 legal entities by merger, roll-in of ERP System
- ✓ Joint go-to-market
- ✓ Full life cycle, i.e. engineering, procurement, construction, maintenance
- ✓ Ability to serve all focus industries

REDUCTION IN THE NUMBER OF LEGAL ENTITIES

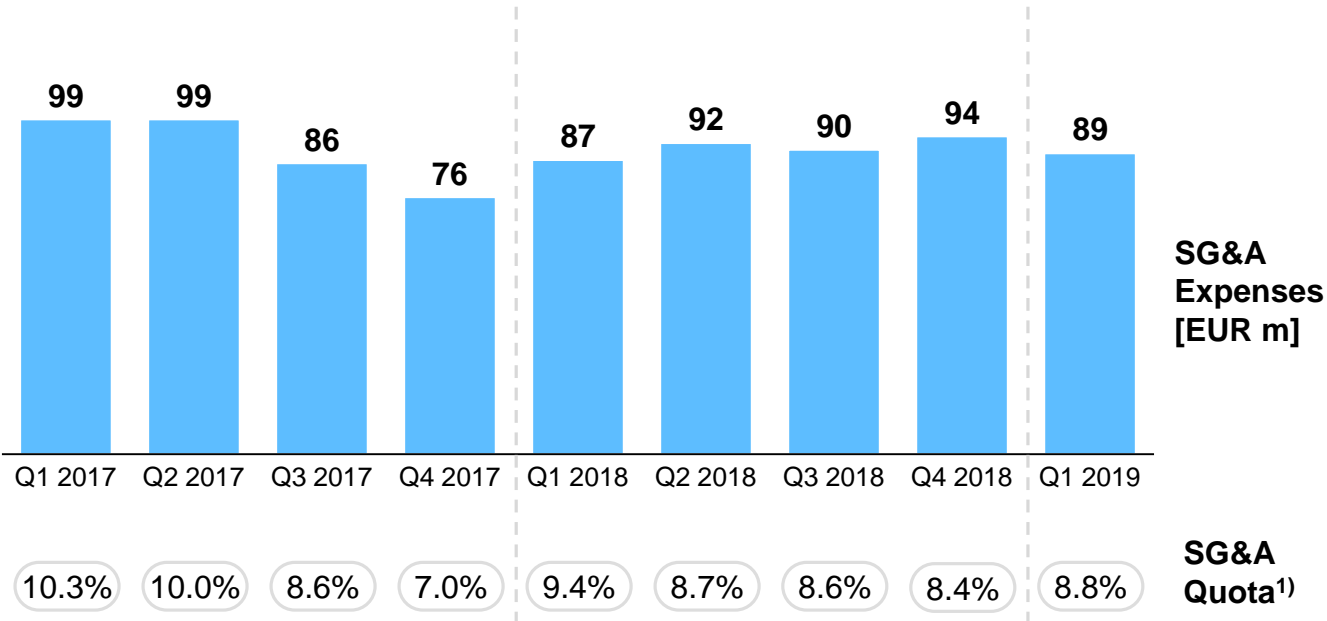
Complexity reduction within the organization through significant simplification of legal structure



SG&A expenses

SG&A expenses show positive trend

Adjusted SG&A expenses [EUR m]



Highlights

- SG&A ratio continues to move towards target level
- Streamlining of processes
- Reduction of complexity in structures, organization and governance
- Adjustment of admin headcount

1) As percentage of revenue

Portfolio rotation 2019 and 2020

Further margin enhancement while keeping a sound balance sheet

Funding sources:

1. Disposal Other Operations (OOP)

4 „accretive“ legal entities to be sold

2. Potential disposal of selected margin-dilutive units

3. Apleona

Vendor's Note

€100m, 10% compound interest p.a.

Accrued value 03/2019: €128m

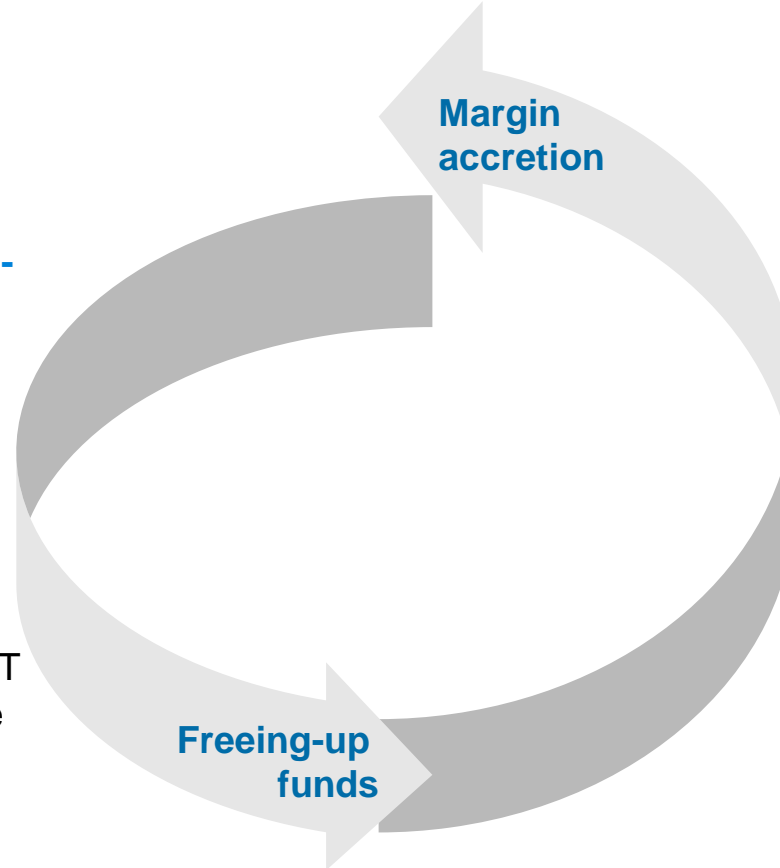
Preferred Participation Note

Book value 12/2018: €237m

→ Typical money multiple of owner EQT

would lead to a significant value upside

→ Will receive 49% of sales proceeds (after repayment of debt) at exit



Re-Investment:

- Strengthening growth regions
- Strengthening growth industries
- M&A criteria:
 - EBITA accretive one year after integration, ROCE beats WACC two years after integration
 - Immediate start of comprehensive integration

Guidance 2019, Targets 2020 and Wrap-up

Outlook 2019: next step on our way to reach targets

<i>in € million</i>	Actual FY 2018	Expected FY 2019
Revenue	4,153	Mid single-digit organic growth
EBITA adjusted	65	Significant increase to more than €100 million
Free Cash Flow reported	-4	Positive ¹⁾

1) Including positive effect from first-time application of IFRS16, like-for-like: break-even

Apleona

VCN: meanwhile sold, cash-in 04/2019

PPN: benefit from 49% of the value creation

Vendor's Note (VCN): €100m, 10% compound interest p.a. upon maturity (book value 03/2019: €128m), meanwhile settled cash-in 04/2019

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- Book value 12/2018: €237m
- Measured at Fair Value through Profit & Loss

VCN: cash-in 04/2019

PPN:

Will receive 49% of sales proceeds (after repayment of debt) at exit

Typical money multiple of owner EQT would lead to a significant value upside

Bilfinger 2020

Financial ambition

Organic Growth	Profit	Cash	Return
<p>>5% CAGR based on revenue FY 2017</p>	<ul style="list-style-type: none"> • EBITA adjusted ~5% • Gross margin improvement by ~200bps • SG&A ratio reduction by ~300bps • Including portfolio rotation 	<ul style="list-style-type: none"> • Positive adj. FCF from 2018 onwards • Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)¹ 	<p>Post-tax ROCE reported: 8 to 10%</p>

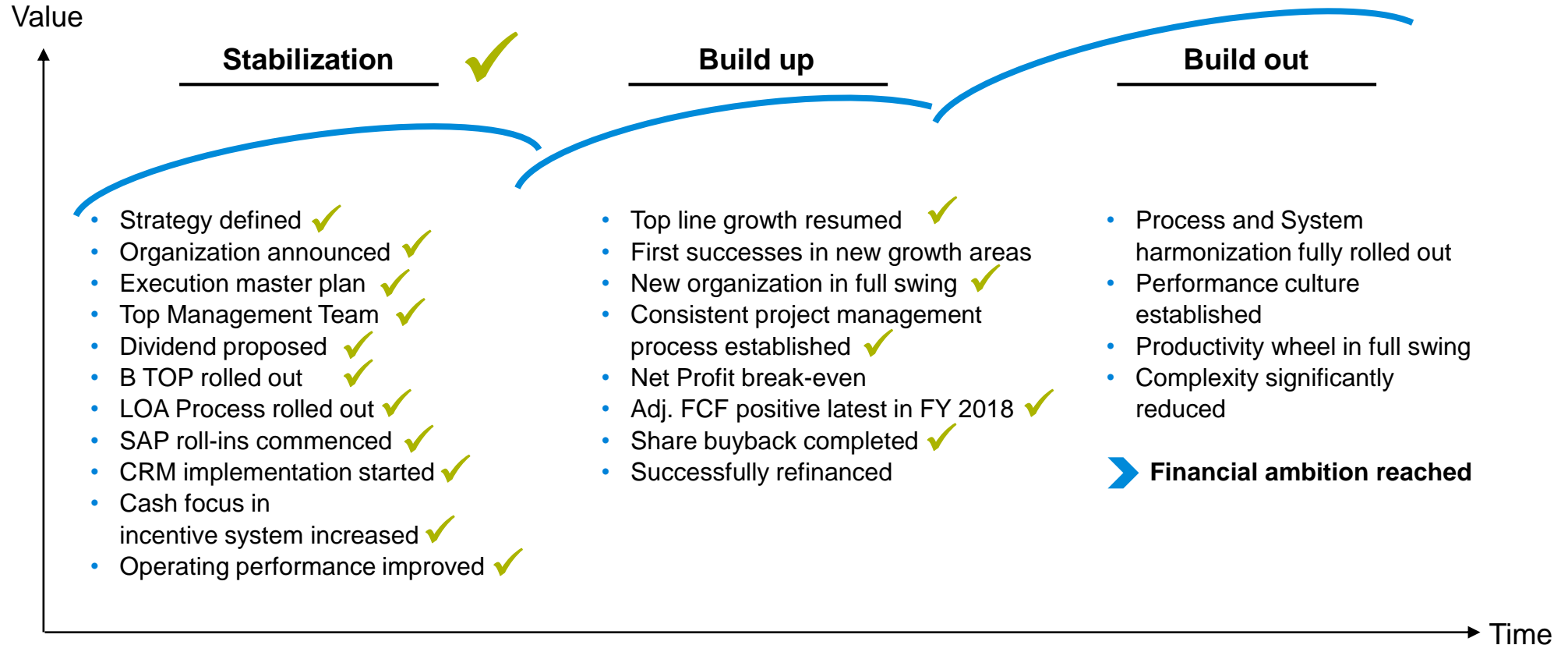
Capital Structure Investment Grade (mid-term perspective)

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

Bilfinger 2020

Build up phase on track



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

- ~55% 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
- 35% equity ratio (as of Dec 31, 2018)
- Financial participation in Apleona with significant upside potential
- Financial policy: Ambition (mid-term perspective) Investment Grade

➤ 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 Sep 2017 and completed in Oct 2018

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

Financials Q1 2019

Q1 2019: On aggregate, a solid start to 2019

- Stable demand in our markets
- Book to bill at ~1 with significant revenue growth
- Adjusted EBITA improved, good performance in 'E&M', losses in 'T' mainly due to underperformance of a single entity
- Net profit reported positive, supported by Apleona's Vendor Claim Note repayment agreement and a settlement in Discontinued Operations
- Negative operating cash flow from payables swing-back and DSO deterioration against end of last year
- Outlook 2019 reaffirmed



Market environment: Europe



North Sea – customers with strong cash flows, continuing positive trend for E&M “catch-up” and asset life extensions



Greenfield Petrochem projects in Antwerp



Refinery expansions in the UK, Germany



Chemical parks trending towards Unit Rate contracts (Bilfinger preferred approach)



Chemical parks beginning to plan autonomous power generation



Fossil Power generation moving away from coal towards gas



Aluminium positive on the back of Chinese demand



Fertilizer production under pressure



Cement producers focused on emission reduction and efficiency increase



Biopharma continuing strong on organic based pharmaceutical development

Market environment: North America & Middle East



High activity in Permian, Marcellus/Utica and Bakken



Shale gas driving new cracker projects and mid-stream cyro-plants



Fertilizer/Ammonia projects gaining interests



Polyolefin projects slowing



NOC focusing on downstream in country value generation



Green field petro chem announcements in Abu Dhabi



In Country Value (ICV) dominating contractor selection



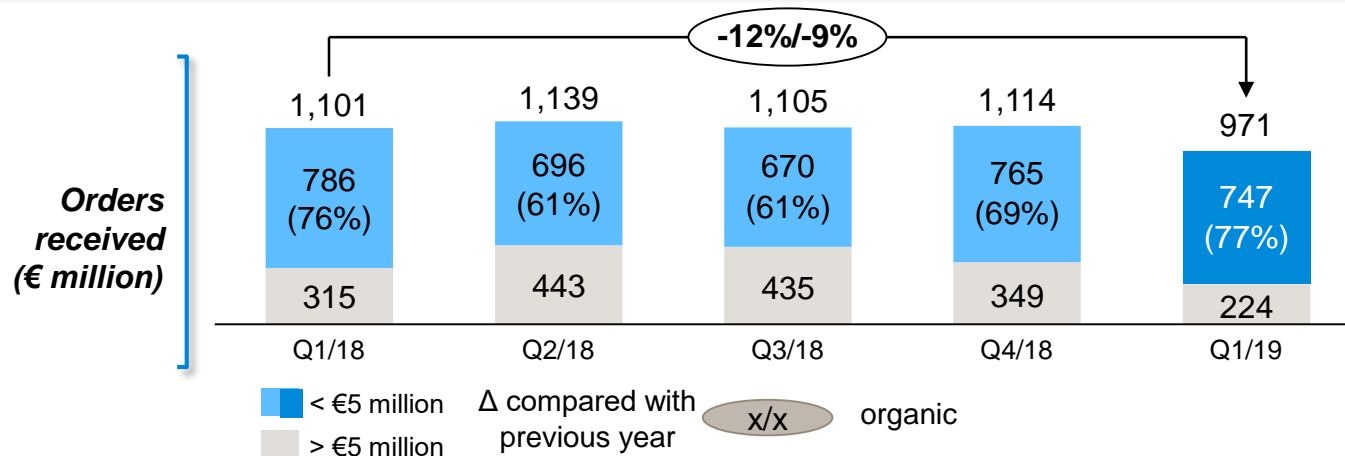
Forward looking energy strategy shift towards gas and renewables



Overall electricity demand in the GCC plateauing

Orders received below strong prior-year quarter, which was supported by catch-up effects and more orders > €5m

Development of orders received



- Orders received**
 -12% below strong prior-year quarter (org.: -9%), which was supported by catch-up effects in framework contracts Q1 also with less orders > €5 million, which are generally more lumpy
- Book-to-bill** ~ 1
- Order backlog**
 +2% above prior year quarter (org.: +5%)

Book-to-bill ratio

1.2

1.1

1.1

1.0

1.0

Order backlog (€ million)

2,689

2,767

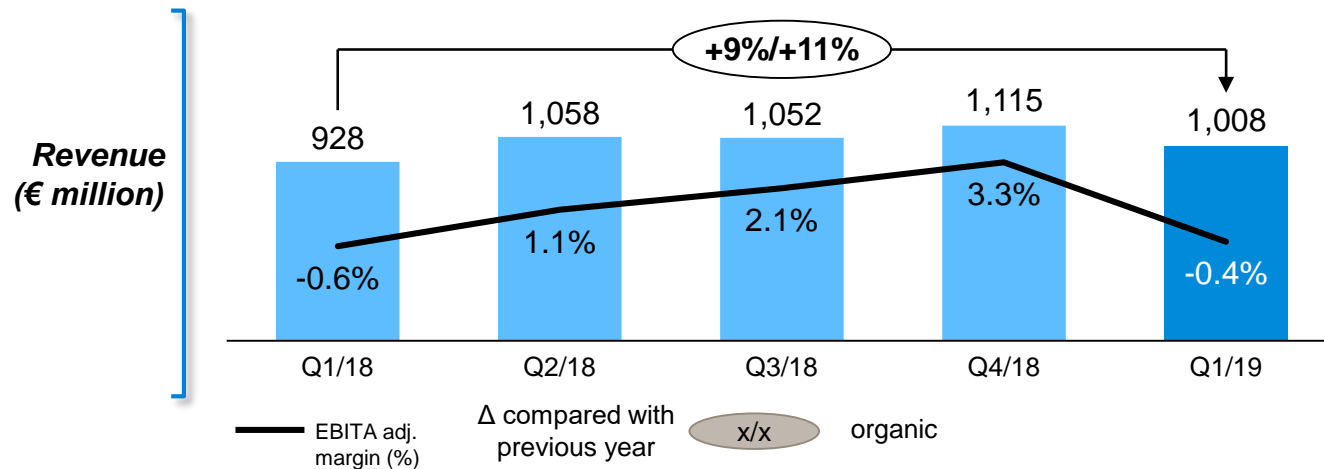
2,828

2,818

2,754

Significant revenue growth, adjusted EBITA with slight year-on-year improvement

Development of revenue and profitability



- Revenue**
 +9% increase (org.: +11%) due to strong order backlog and good demand
- Adjusted EBITA**
 Slightly improved to -€4 million
- Special items**
 Positive €1 million (prior year: -€5 million), thereof €7 million from disposal gains and -€6 million from IT investments

EBITA adj.
(€ million)

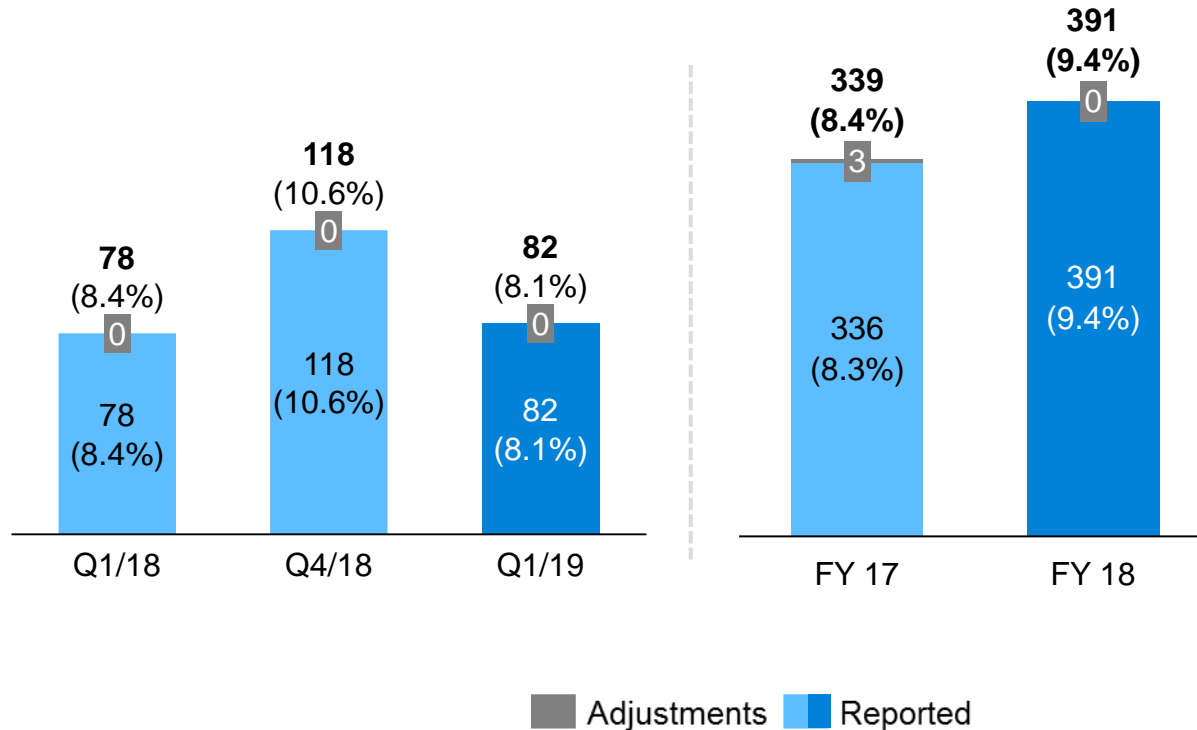


EBITA
(€ million)



Gross profit improvement continues to be in focus

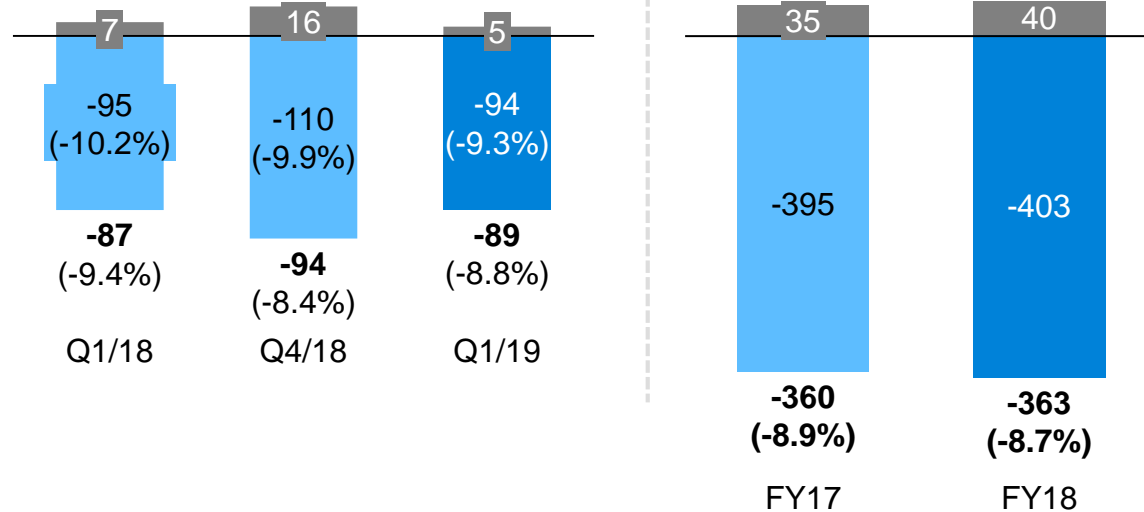
Adjusted gross profit (€ million)



- Full year with y-o-y improvement; prior year was burdened by project risk provisions
- Future improvement by
 - portfolio optimization
 - growth in higher-margin business (marine / nuclear / biopharma)
 - continued execution improvements
- FY 2018:
 - Amortization €5m
 - Depreciation €65m

SG&A target remains at 7.5%

Adjusted selling and administrative expenses (€ million)

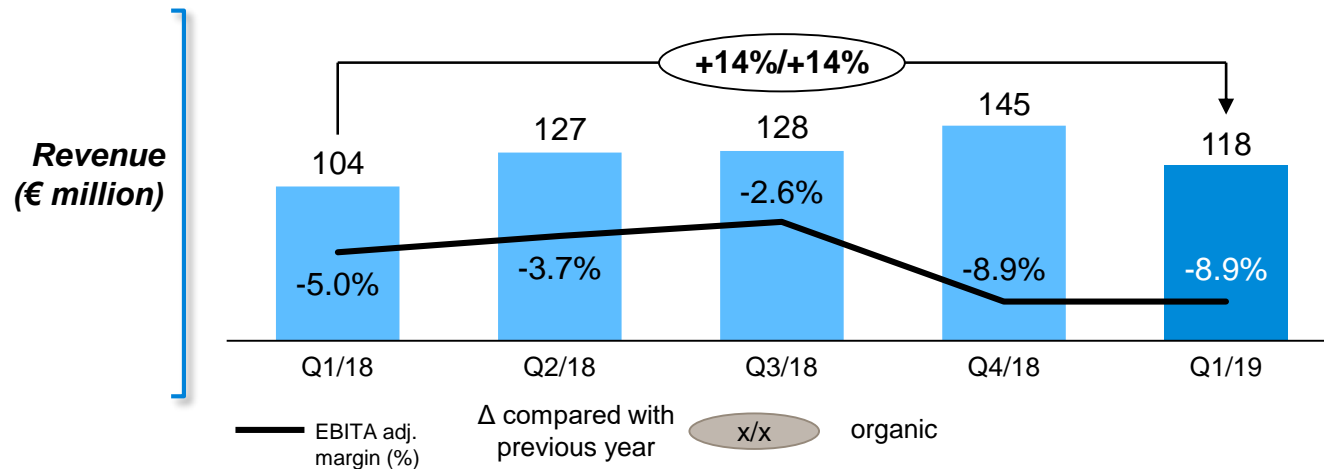


■ Adjustments ■ Reported

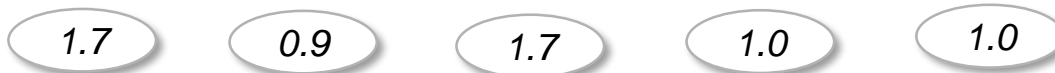
- Adjusted SG&A ratio in FY18 improved to 8.7% despite increased expenses for business development and digitalization
- Target 2020 confirmed: 7.5% of revenue
- Positive effects in administration costs from efficiency and process optimization programs
Further reduction in number of legal entities and strengthening system support

Segment Technologies: increase in revenue, EBITA adjusted still negative mainly due to underperformance of single entity

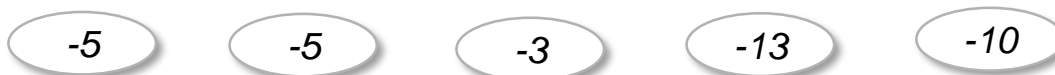
Development of revenue and profitability



Book-to-bill ratio



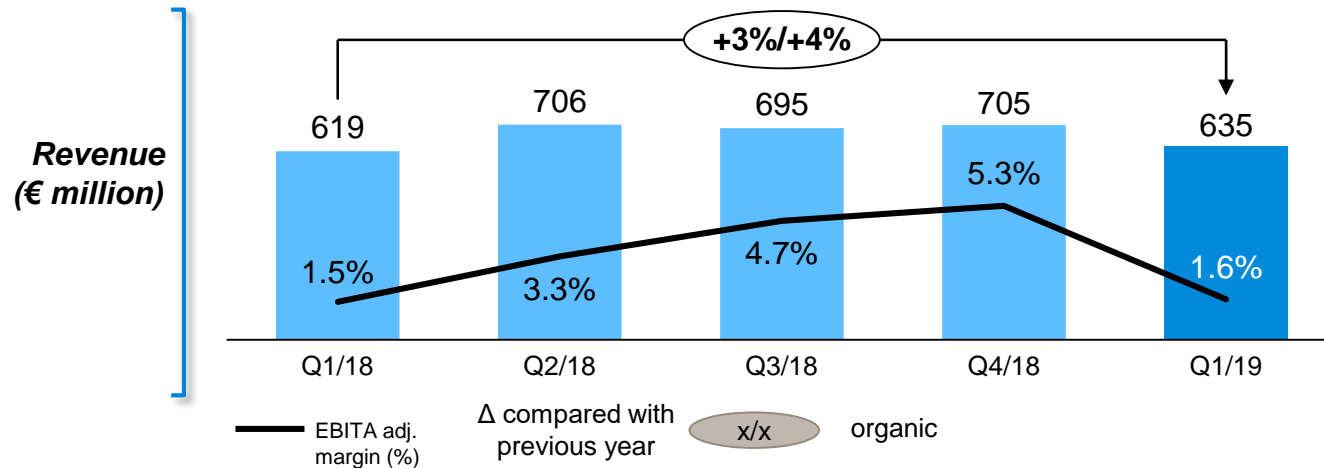
EBITA adj. (€ million)



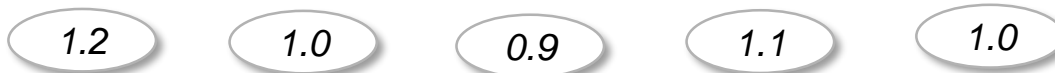
- Orders received**
 -35% below strong prior year quarter (org.: -35%), on account of lumpy project business
- Book-to-Bill**
 Still at 0.96
- Revenue**
 +14% increase (org.: +14%) based on improved order backlog, esp. ramp-up of Scrubber business
- Margin**
 Technologies business still in turnaround, especially in one legal entity, action plan in place

Segment E&M Europe: positive development continues

Development of revenue and profitability



Book-to-bill ratio



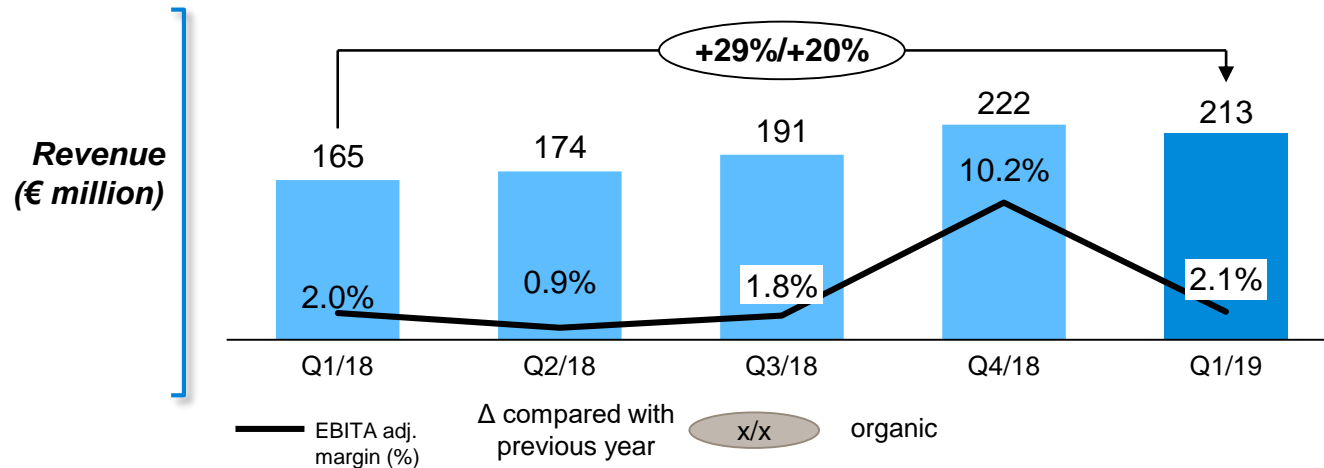
EBITA adj. (€ million)



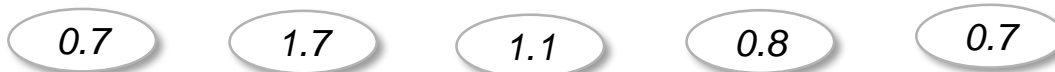
- Orders received**
 -16% below strong prior year quarter (org.: -14%), which was supported by significant catch-up effects from the revaluation of framework agreements (increased revenue expectations were reflected in orders)
- Book-to-Bill**
 1.04 supports continuous growth expectations in core market
- Revenue**
 +3% increase (org.: +4%) based on good order backlog and overall positive demand
- Adjusted EBITA**
 Slightly improved as a result of efficiency enhancements in SG&A

Segment E&M International: good quarter, with growth in orders received and revenue

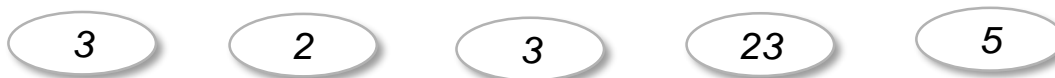
Development of revenue and profitability



Book-to-bill ratio



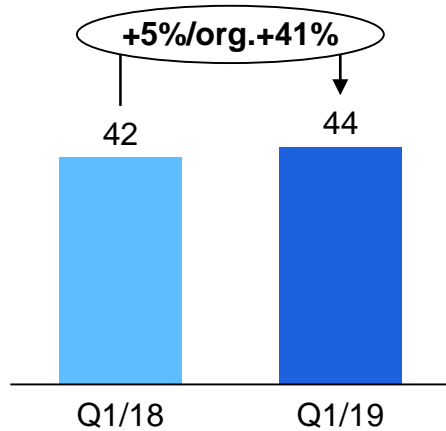
EBITA adj. (€ million)



- Orders received**
 Strong growth +44% (org.: +35%) especially in US project business
- Book-to-Bill:** 0.74
- Revenue**
 Strong revenue growth +29% (org.: +20%) due to higher order backlog
- Margin**
 Improved compared to prior year quarter

OOP¹⁾: Sale of two entities closed in Q1

Revenue OOP (€ million)



Orders
received
(€ million)

52

53

EBITA
adj.
(€ million)

-4

0

- **M&A progress on track:**

Dilutive: all 13 entities disposed or terminated by 2018

Accretive: two out of four entities are sold

→ **Related ~ €30 million cash-inflow in Q1 2019**

- **Business development:**

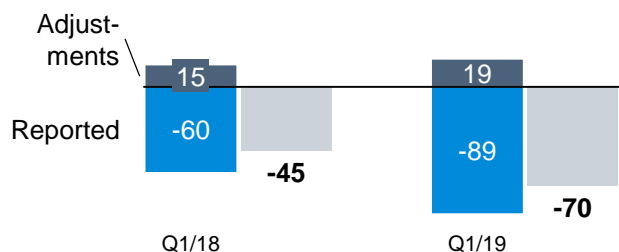
Revenue increased by 5% (org.: +41%)

Adjusted EBITA improved from -€4 million to €0 million

1) Part of Reconciliation Group

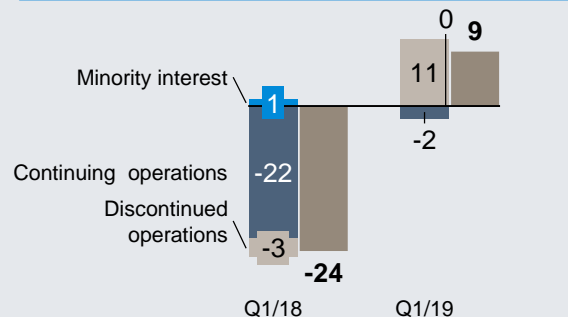
Negative operating cash flow from payables swing-back and DSO deterioration against end of last year. Net profit reported positive, supported by Apleona's Vendor Claim Note repayment agreement and a settlement in Discontinued Operations

Adjusted operating cash flow¹ (€ million)

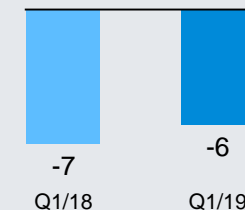


¹ Adjustments correspond to EBITA adjustments, Q1 2019 includes €+12m from IFRS 16

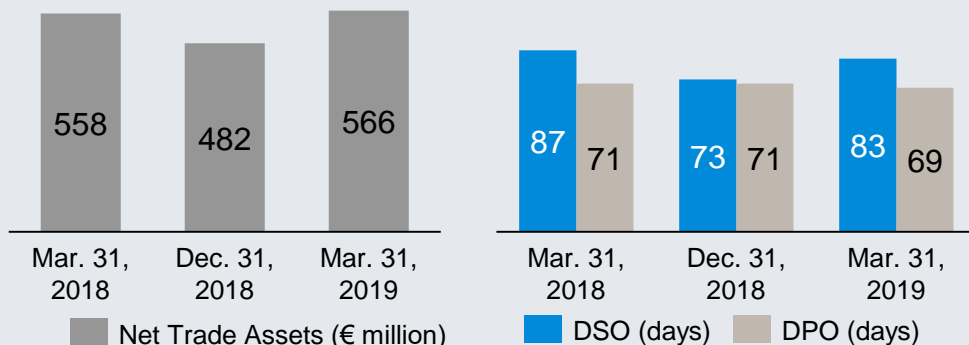
Net profit (€ million)



Adjusted net profit (€ million)

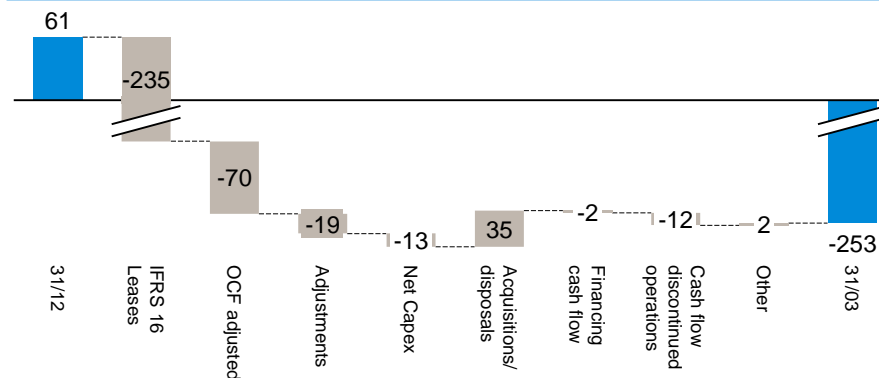


Net Trade Assets (€ million)



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

Net liquidity (€ million)



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