

# **Bilfinger Berger Capital Markets Day Industrial Services**

**February 3, 2006**

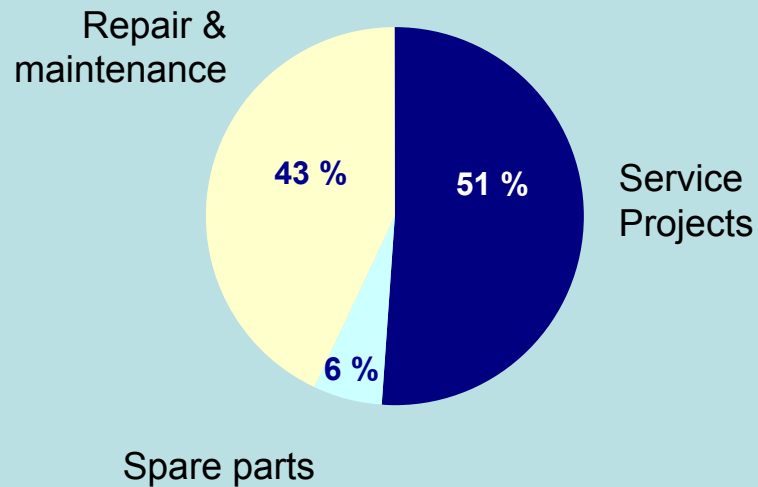
**Ludger Kramer,  
Managing Director, Babcock Borsig Service**

## Executive Summary

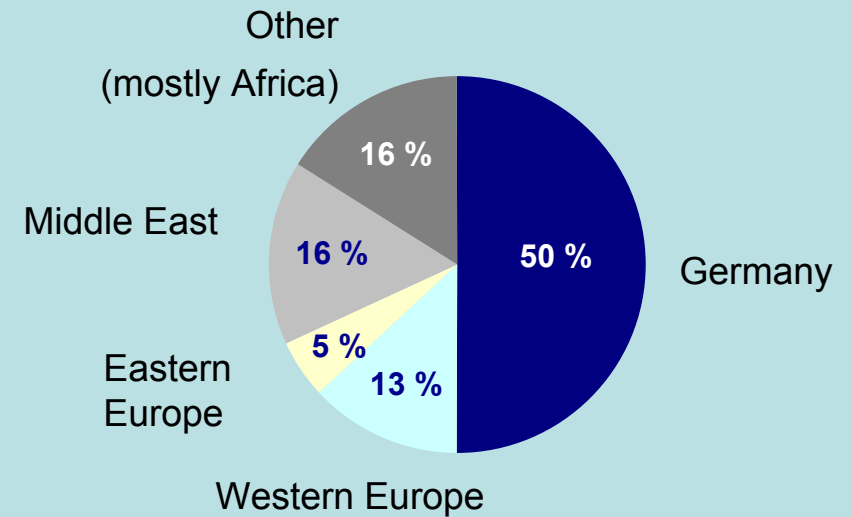
- Babcock Borsig Service Group provides life cycle service solutions for the energy-generating industry:
  - Rehabilitation and upgrading projects; participation in new plants
  - Repair & maintenance
  - Spare parts and components
  - Special products for nuclear and research facilities
  
- With new orders of € 339 million in 2003/2004 and € 412 million in 2004/2005 Babcock Borsig Service is one of the largest service-providers in the market
  
- With a market-share of 10% overall and up to 25% in specific regions / product areas, Babcock Borsig Service is considered a market leader

# Business Structure

## Breakdown of turnover by type of service



## Breakdown of turnover by region



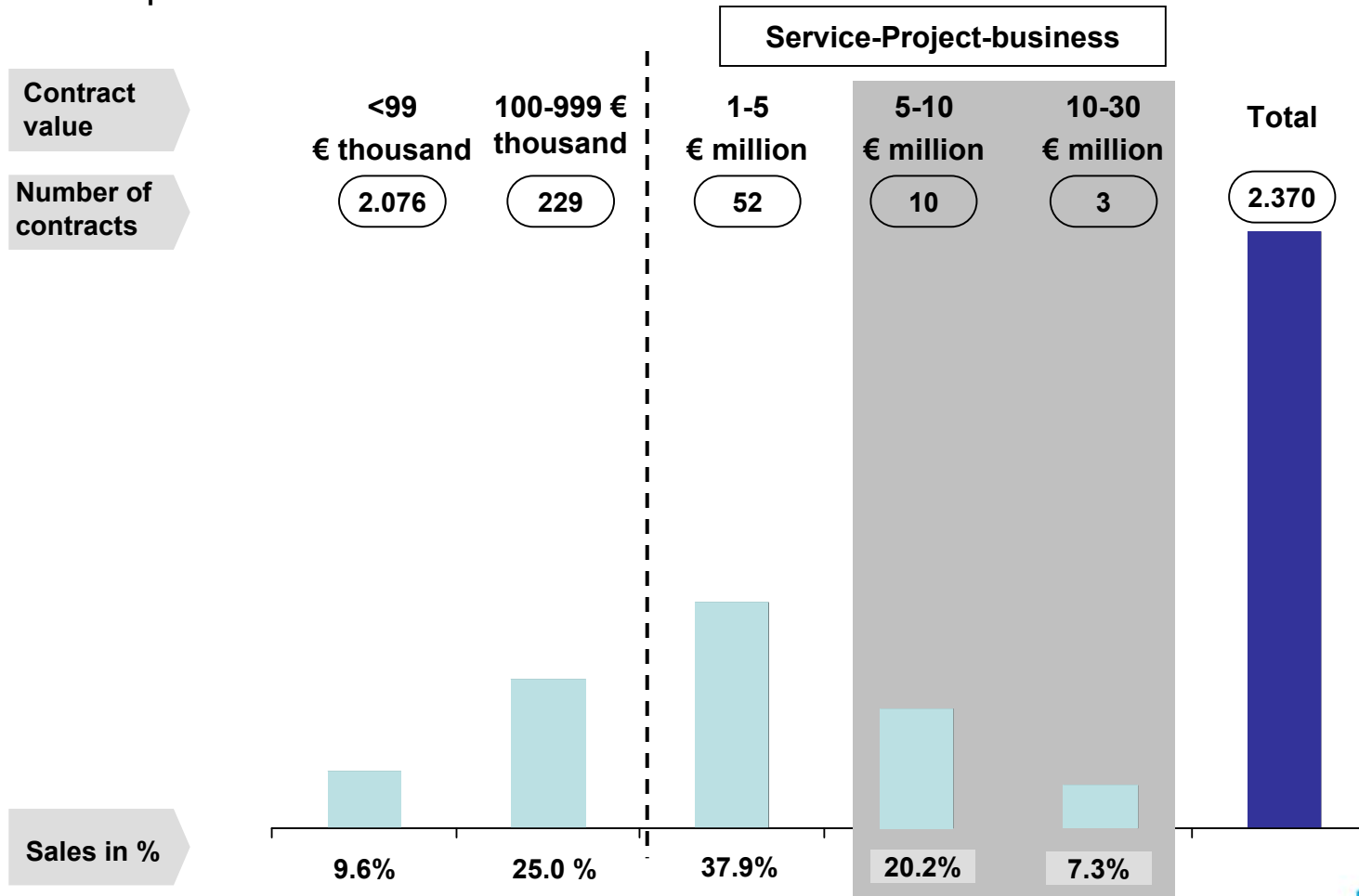
# Products & Services

Type of Service	Demand Factors	Type of Competition	Market-Trends
Spares	Fast availability	Small/Medium sized companies; fragmentation	Cost-competition
Repair & Maintenance	Regional presence, manpower factor-cost	Small/Medium sized companies; fragmentation	Cost-competition, Reduced planned maintenance, emergency measures
Service-Projects	Engineering, Project-management, Financial strength, References	Oligopolistic market, General contractors, OEMs	High entry barriers, Growing demand due to <ul style="list-style-type: none"> <li>- Age</li> <li>- Effectiveness</li> <li>- Environment</li> </ul>

# Business Structure

Diversified contract structure provides for balanced risk-portfolio:

Top 13 contracts provided for 28 % of sales

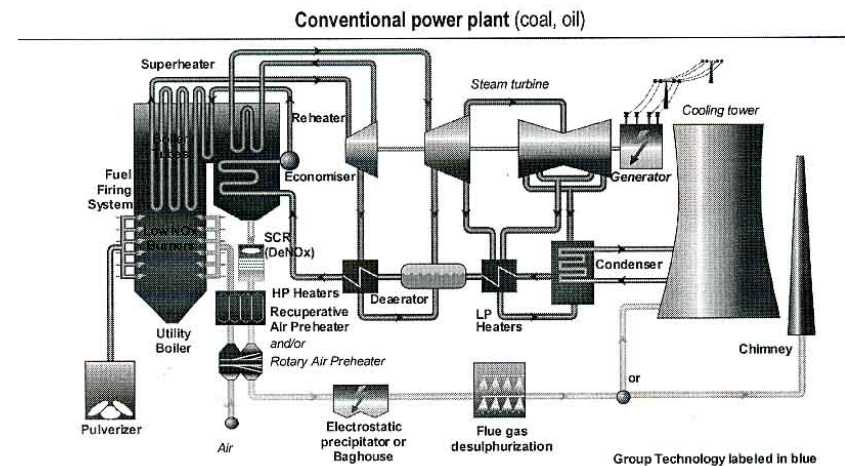


# Service-Project and Rehabilitation Business

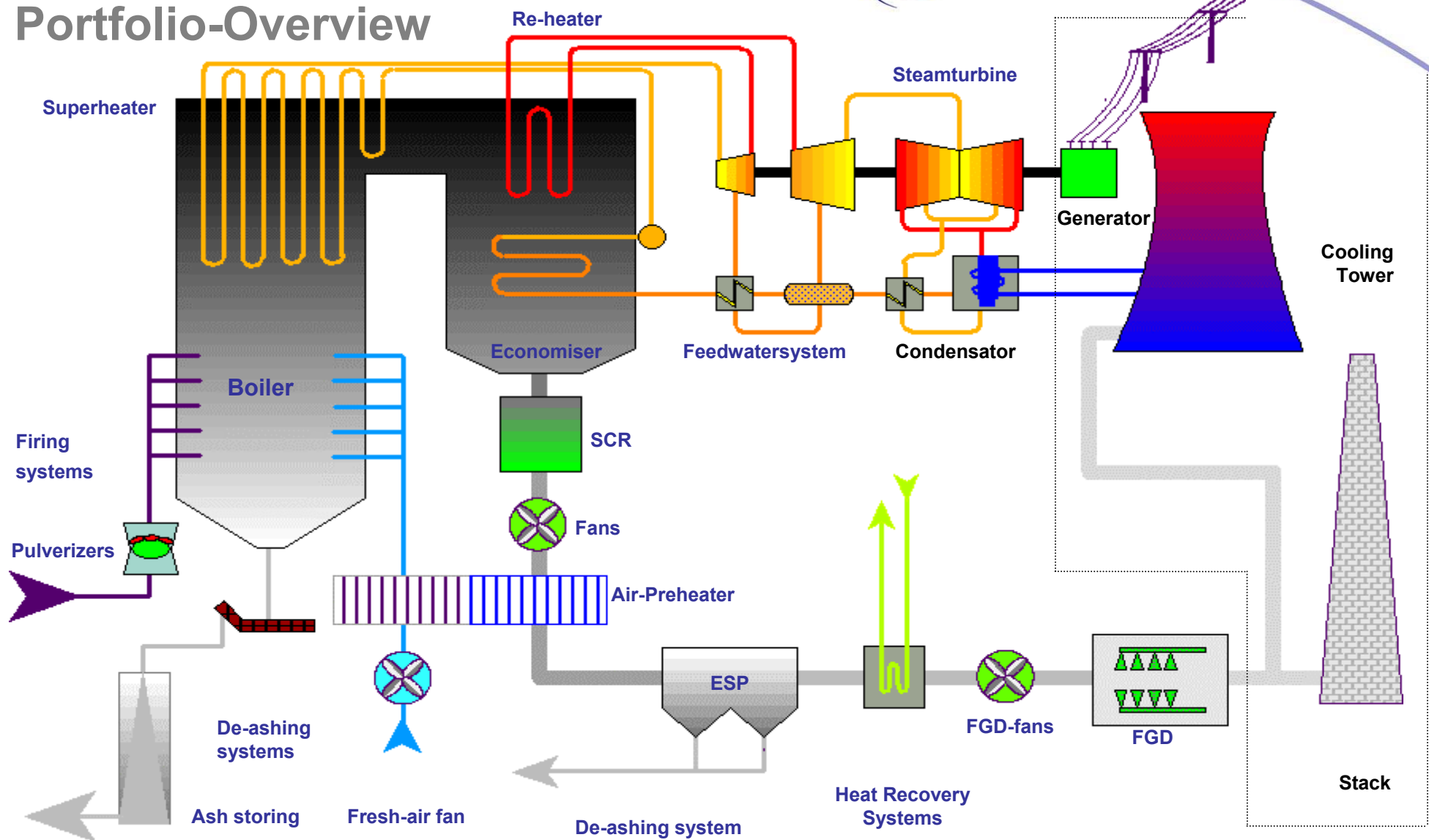
Variety of products and competences guarantees a comprehensive life cycle service, covering all major components in a power plant.

## Range of performance:

- Pressure part/thermal engineering/process engineering
- Machine technology
- Firing technology
- Drives, valves and fittings, effective-pressure transducers
- Electrical and automation engineering
- Heat utilisation
- Coal feeding and ash removal systems
- Environmental technology



# Portfolio-Overview

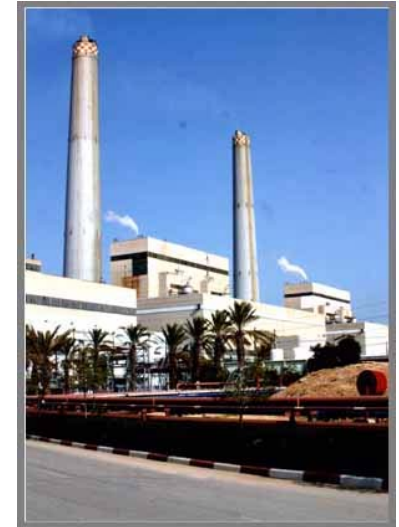


Group technology labeled blue

## Selected Reference Projects

### "Eshkol C&D", Israel

- Conversion of four 690 t/h oil-fired boilers (30 years old) to environmentally compatible low-NO<sub>x</sub> firing system with the option of a conversion to natural gas firing
- Initial contract value was € 18 million; through various additional orders and realisation of the gas option the contract value increased to € 30 million
- Scope included 16 low-NO<sub>x</sub> burners and accessories, pressure part renewal and spray system, instrumentation and control system as well as rehabilitation of the rotary air heater
- All boilers were completed before the planned date; their examined emissions are clearly below the contractually agreed values



## Selected Reference Projects

### Power savings at Mehrum power station due to the POWERISE® flue gas heat utilisation system

- The POWERISE® system for flue gas heat utilisation contributed to an increased net electric plant capacity by approx. 40 MW to 750 MW
  - coal saving : 11.000 t/y
  - co<sub>2</sub> reduction : 31.000 t/y
- The order of € 5.1 million included the overall retrofit inclusive of dismantling, erection, piping, system technology, heat exchanger, insulation, basic engineering as well as electrical engineering and control technology



## Repair and Maintenance - Business

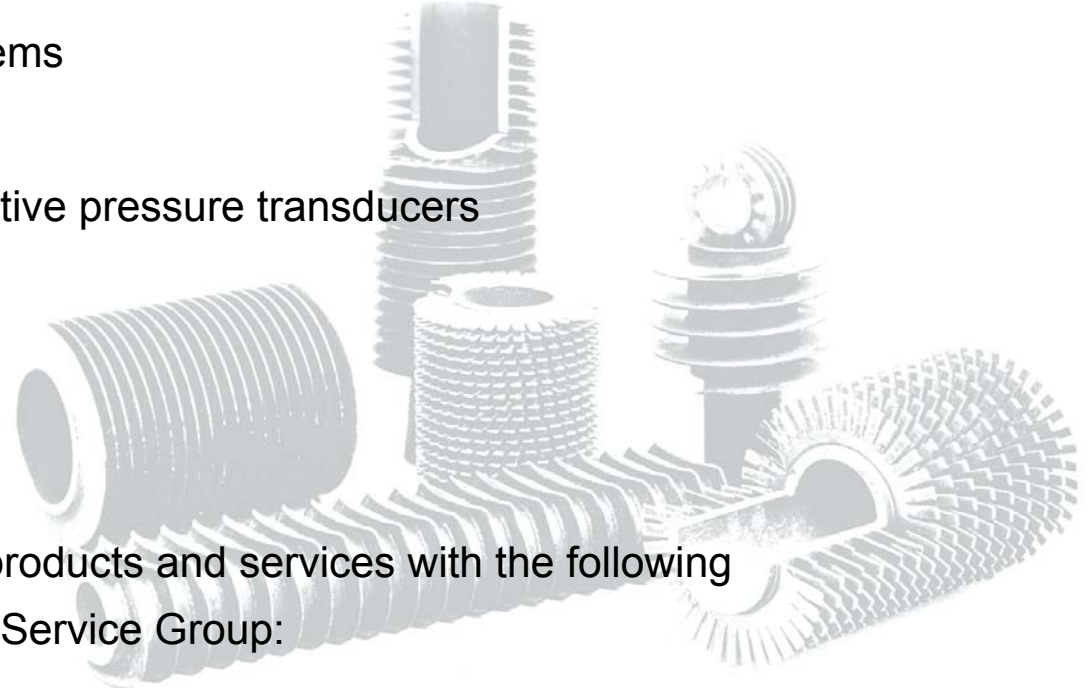
- Long Term Maintenance Contracts
- Erection
- Welding Technology
- Repair
- Revision
  - up to 80 revisions simultaneously during outage season
  - up to 150 employees per revision
- Component Maintenance
- Mills-Maintenance
  - Long Term Maintenance Contracts for a total of 172 mills

## Spare Parts and Components

- Spare Parts supply of complete plant equipment or components including
  - Coal feeding and ash removal systems
  - Heat utilization
  - Valves and fittings, drives and effective pressure transducers

## Special Products

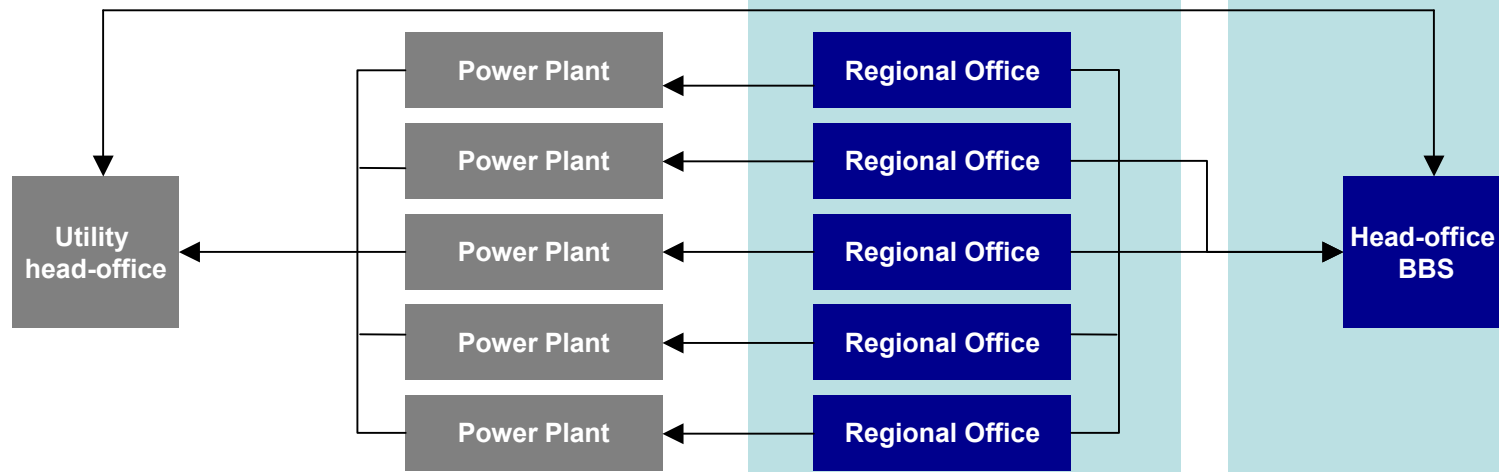
- BNN GmbH provides specific niche products and services with the following segments within the Babcock Borsig Service Group:
  - Nuclear service
  - Nuclear engineering
  - Magnetic engineering for research facilities



# Strong interdependencies between Service-Project business and regular Repair & Maintenance work

- Close customer coverage for regular Repair & Maintenance work
- Provide construction capacity
- Provide sales access and opportunities for service-project business

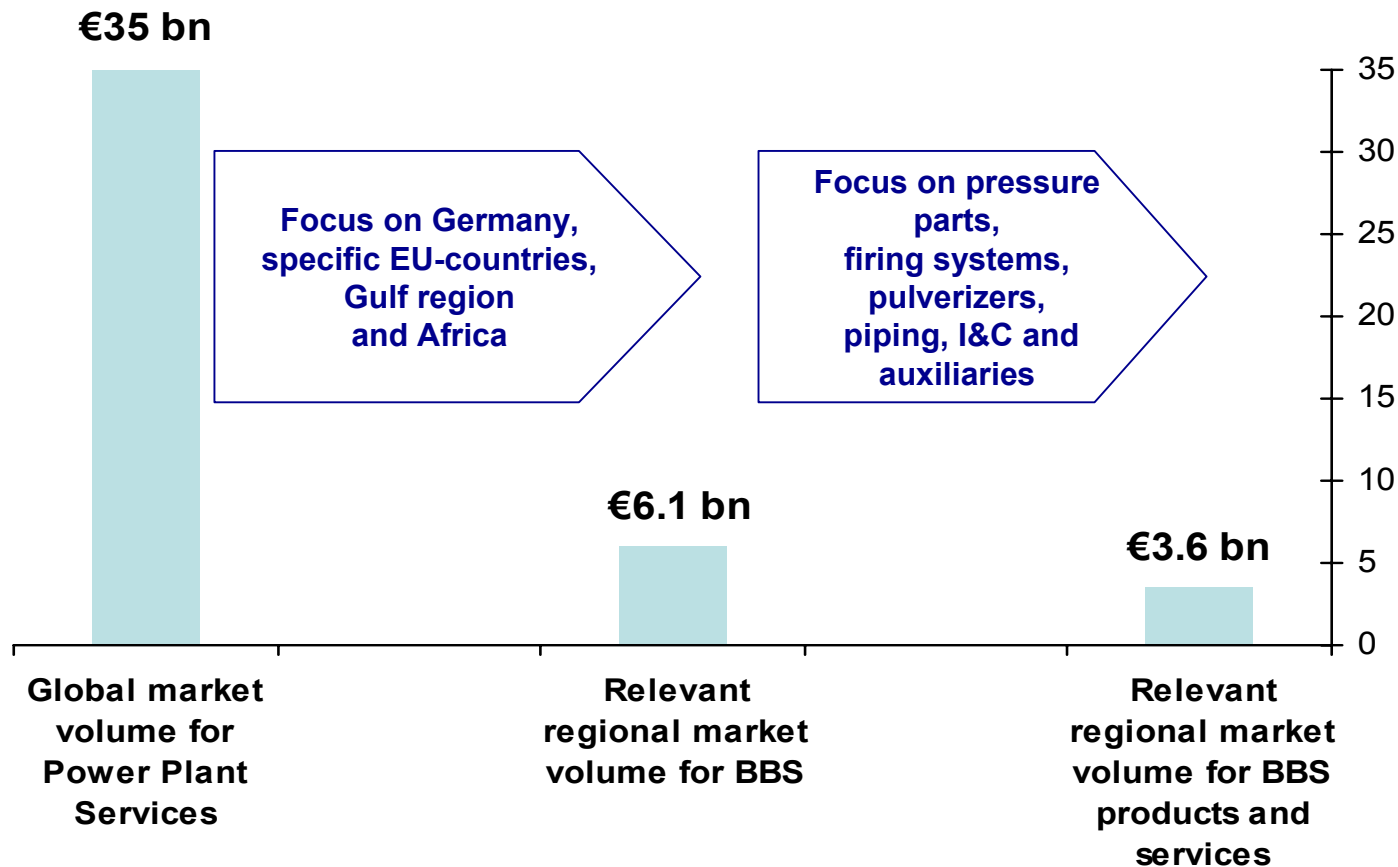
- Concentration on engineering capacities
- International sales and project management
- Estimate and execute service project business
- Balance construction capacity between regional offices



## Market – Market Drivers - Strategy

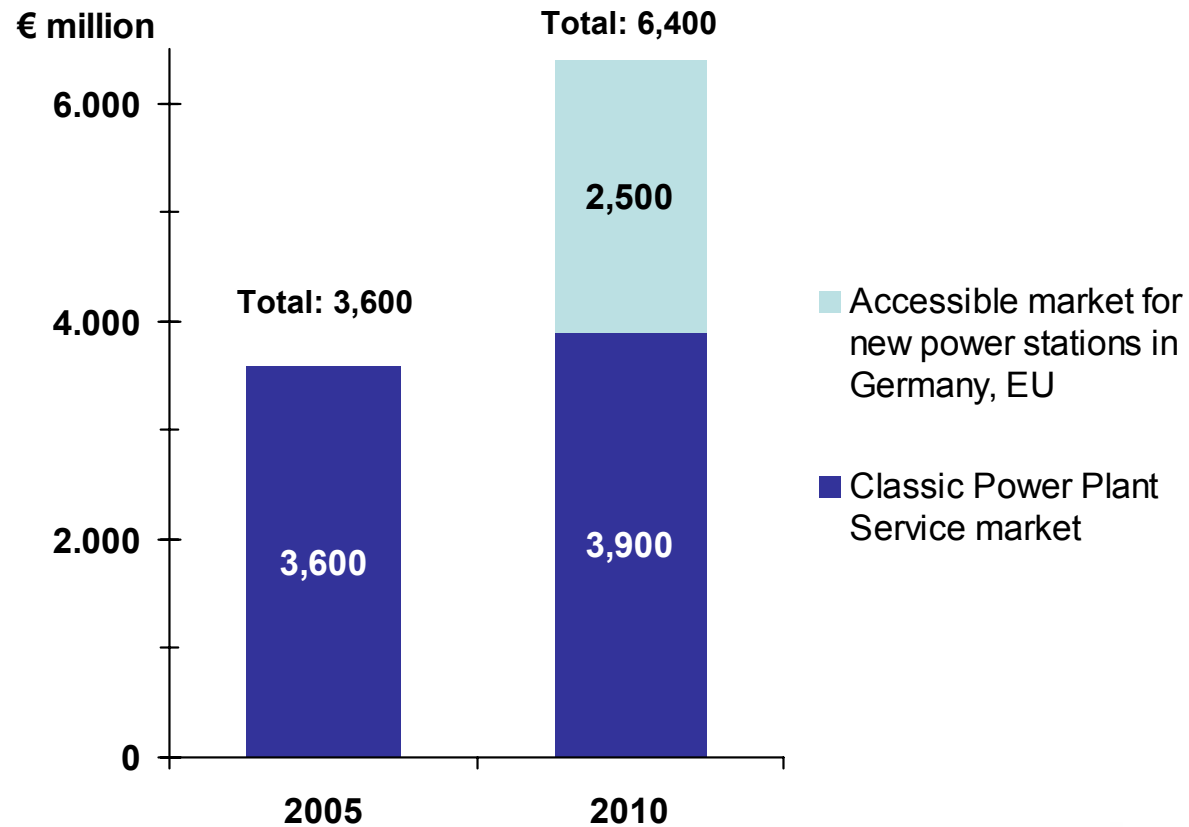
- World – market volume for Power Plant Service is estimated to be at about € 36 billion/year with a relevant market for the product range and regional coverage of about € 3.6 billion/year
- Main market drivers are
  - Age of conventional power stations (70% are older than 20 years)
  - Increasing competition / economical awareness at energy generators (IPP's vs. utilities)
  - Increasing environmental awareness / regulations especially in new EU-countries
- Market drivers determine Babcock Borsig Service strategy
  - Increasing project business with high engineering content
    - Life-time extension
    - Efficiency improvement
    - Emission reduction
    - Participation in new plants
- Cost optimization combined with engineering content in Repair & Maintenance work

# Relevant market volume for BBS Power Plant Services



# Relevant market volume considering new power plants

## Relevant market volume



# Performance - Babcock Borsig Service Group

In € millions	Actual 2002/2003	Actual 2003/2004	Actual 2004/2005
<b>New orders</b>	264.5	338.7	412.0
<b>Revenue</b>	340.7	383.9	383.8
<b>EBITA as % of revenue</b>	8.0 2.3%	12.8 3.3%	21.3 5.6%
<b>EBT as % of revenue</b>	9.7 2.8%	14.8 3.9%	23.8 6.2%
<b>Loans Net liquidity</b>	- 65.0	- 82.9	- 90.8

*Key figures are based on Fiscal Year October 1 – September 30, German (HGB) Accounting Principles*

# Strategy of Babcock Borsig Service determined by market drivers

## Increase Service Project Business

- Complete scope of engineering expertise
- Screen low-cost suppliers and qualify for alliance relationship
- Constant improvement of organizational processes
  
- Extend sales contacts in growth regions
  - Southern Europe
  - Eastern Europe
  - Near / Middle East
  - Enter US-Market

# Strategy of Babcock Borsig Service determined by market drivers

## Cost optimization in Repair & Maintenance work

- Screen low-cost manpower suppliers and secure quality / quantity with framework agreements
- Personnel – Development Program to ensure high quality of supervisory personnel

# Strategic considerations of Bilfinger Berger

## Bilfinger Berger targets

- Expansion of industrial service activities in order to
  - Increase profitability
  - Reduce volatility
- ROCE exceeding 11 %
- Investment in growth markets
- Integration potential with other Bilfinger Berger product-lines

## Fit Babcock Borsig Service

- 6 % return on sales with a balanced portfolio of
  - Risk-free maintenance business
  - High-yield engineering driven service-projects
- Long-term assets < 10 % of total assets
- Negative working capital due to customer advances
- Energy-market is one of the most dynamic markets within the industrial service business
- Cross Selling potential with Civil Engineering

## Strategic Advantages for Babcock Borsig Service

- Integration of BBS in the financially strong Bilfinger Berger Group provides „backing“ in Service-Project Business
  - Access to guarantee-facility
  - Access to Parent-Company-Guarantees if needed
  
- BBS-Strategy to grow in the dynamic energy market fits with Bilfinger Berger strategy to invest in Industrial-Service markets
  - Financing of acquisitions
  
- Cross-Selling as well as joint projects with Bilfinger Berger Civil and Rheinhold & Mahla

## Summary

- BBS is a market-leader in the high-end / engineering driven service business for the energy market
  
- BBS differentiates itself from most of the competitors due to their high-end engineering capabilities
  
- BBS has a balanced portfolio of
  - Regular Repair & Maintenance services
  - Complex Service-Project capabilities
  
- The dynamic energy-market provides for further growth with
  - Regional expansion Europe / US-market
  - Expanding the product capabilities

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