

# Capital Markets Day “Concessions”

22 November 2006



## Position and Organisation

Kenneth D. Reid, Managing Director

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**The Concessions Business Within Bilfinger Berger AG**

2

Concession Project Fundamentals

3

Business Model For Bilfinger Berger BOT

4

Investment Sectors For Bilfinger Berger BOT

5

Organisation Structure Of Bilfinger Berger BOT

6

Competitive Differentiation Of Bilfinger Berger BOT

7

Summary

# BOT Within Bilfinger Berger AG

Ingenieurbau	Hoch- und Industriebau	Dienstleistungen	Betreiberprojekte
Civil	Building and Industrial	Services	Concessions
Bilfinger Berger Ingenieurbau	Bilfinger Berger Hochbau	Bilfinger Berger Industrial Services	Bilfinger Berger BOT
Bilfinger Berger Umwelttechnik		Bilfinger Berger Power Services	
Bilfinger Berger Verkehrswegebau		Bilfinger Berger Facility Services	
Hydrobudowa			
Razel			
Bilfinger Berger Nigeria			
	Fru-Con		
Bilfinger Berger Australia			

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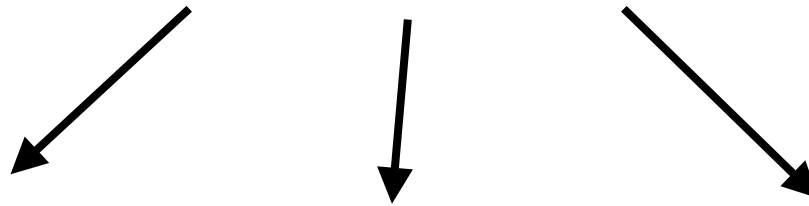
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# BOT

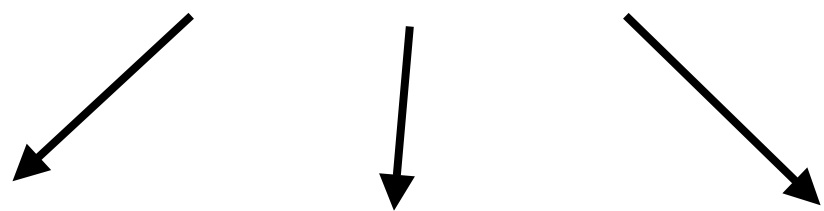


Build - Operate - Transfer

## **Bilfinger Berger BOT ....**

... is the profit centre within the Group which is responsible for the development of and the investment in to long term concession projects.

# BOT



Build - Operate - Transfer

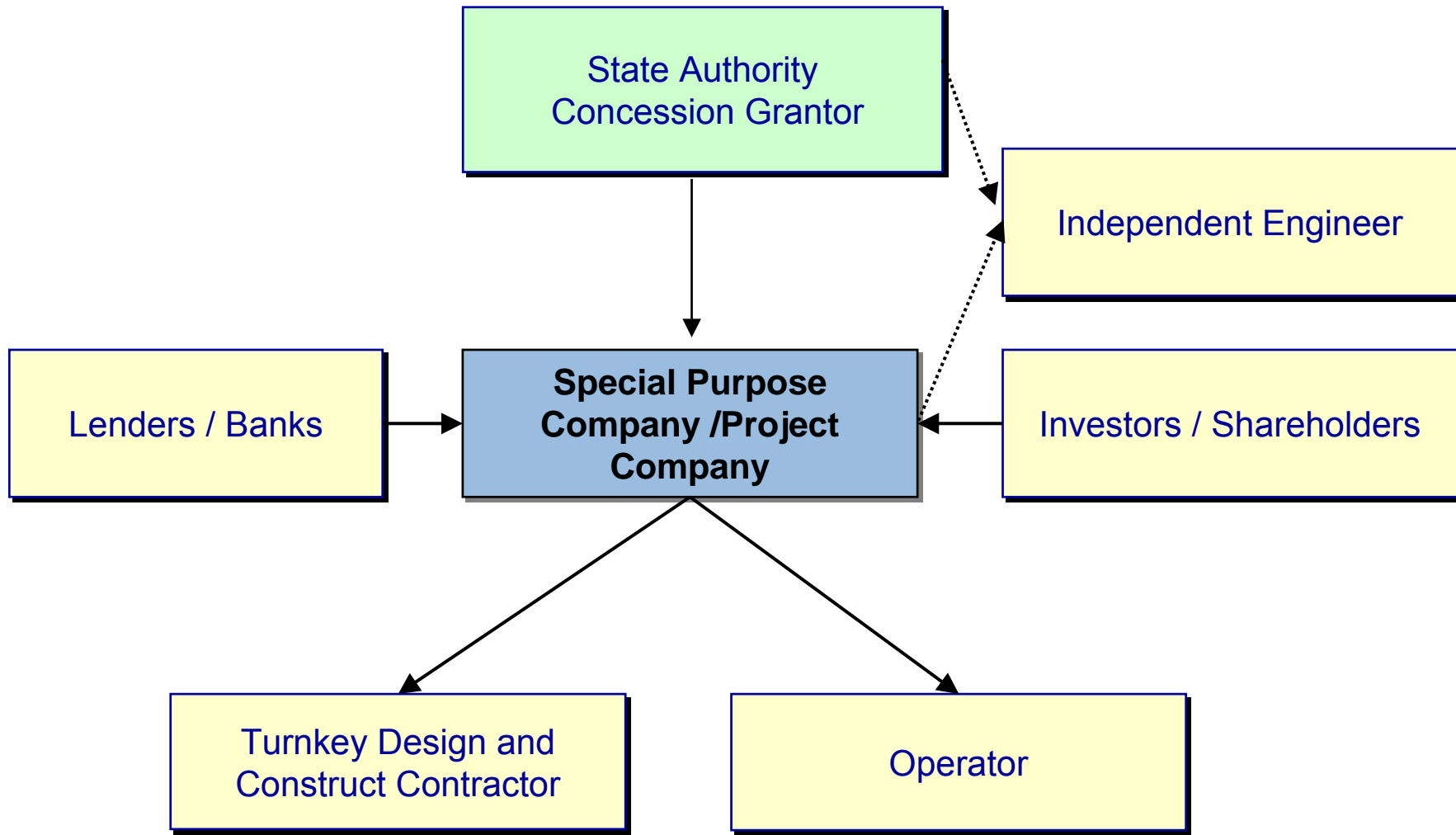
- BOO - BUILD, OWN, OPERATE
- PPP - PUBLIC PRIVATE PARTNERSHIP
- DBFO - DESIGN, BUILD, FINANCE, OPERATE
- PFI - PRIVATE FINANCE INITIATIVE

[and more!]

From “Private Participation in Infrastructure Projects in the Republic of Korea”

**“a right granted by Government ... to private parties for them to provide and operate infrastructure facilities to a defined output scope during a period of time, and for them to receive associated revenues”.**

# Typical Structure of a Concession Project



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## Why 'Concessions' For Bilfinger Berger?

- Utilisation of Group strengths (multi-service competences, financial strength etc.). A competitive advantage!
- Group desire to create a steady, long term revenue stream from creditworthy Clients.
- Group diversification away from dependence upon cyclic and traditional construction (and with higher returns).
- Investment projects may also lead to construction and operating opportunities.

**... INCREASING SHAREHOLDER VALUE!**

## Bilfinger Berger BOT ....

- is an investor, **NOT** a Contractor.
- retains credibility with its funders, partners and clients by making independent decisions solely from an owner/investor's perspective.
- retains deliberate and transparent separation from other businesses in the Group.
- is judged on its portfolio performance.  
(not by how much work it creates for other Group units)
- is a 'pro-active' investor  
(seeks equity stakes 'with influence').
- values collaboration with Group partners where this provides a competitive advantage.

# Business Model For Bilfinger Berger BOT

Development, design, construction, finance, operation and maintenance of infrastructure assets over a long term (25+ year) duration. Achieved through the use of,

- Long term lease contracts with creditworthy Clients
- Special purpose Project Companies (SPC)
- “Non-recourse“ project financing
- Maximised leverage of funding
- Risk transfer to D+C and operating subcontractors

# Business Model For Bilfinger Berger BOT

BOT achieves a return on its projects through,

- Development and success fees from closing deals.
- Management fees from operating the project companies during the concessions.
- Return on the BB equity money that BOT invests in to each project (through the concession period).
- Refinancing the project as it progresses and as the investment risks diminish.
- Selling down equity in the project as it progresses and as the investment risks diminish.

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# BOT Core Investment Segments

## Infrastructure

- Roads
- Tunnels
- Bridges
- Rail

## Buildings

- Schools
- Hospitals
- Prisons
- Public Buildings

## Key Future BOT Investment Countries

- Australia
- Continental Europe
- North America
- United Kingdom/Ireland
- Other One-off

Countries with strong and stable **political**, **legal** and **financial** systems, and (ideally) with an established BB presence.

## Project Selection Criteria

- Fits sectoral and geographic priorities
- Minimum size  $\geq$  € 20 million
- No or only moderate market risks ("take or pay")
- No desire for speculative development, currency or political risks
- Reasonably clear development schedule, costs and chance of success
- If partners are required, they must be competent

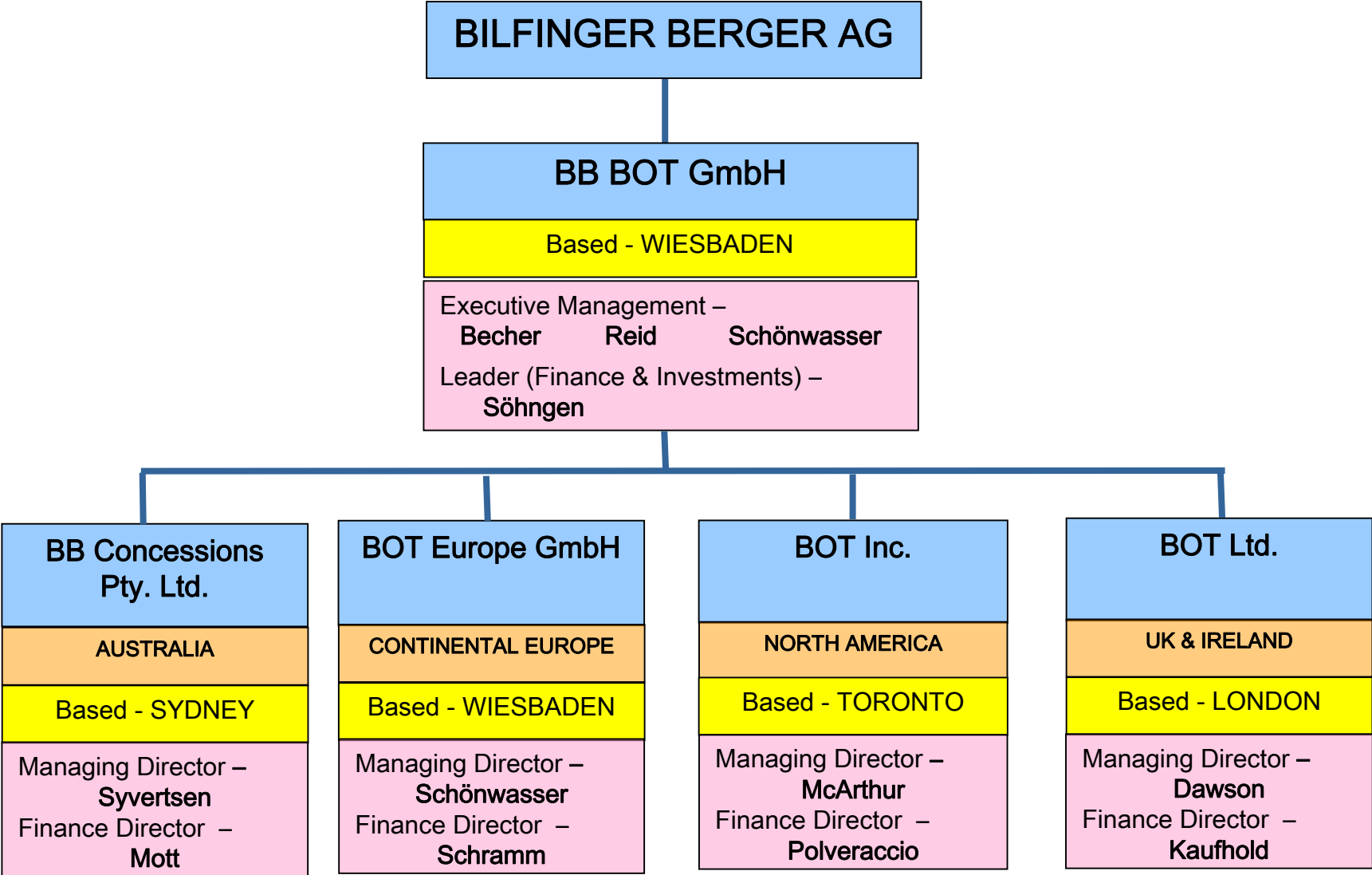
## ***NORTH WILTSHIRE SCHOOLS PFI PROJECT***

- Construction commenced July 2000.
- Formal financial close on 27<sup>th</sup> October 2000.
- Phased completion of new school buildings: September 2001 through March 2002 (achieved on-time)
- Construction cost £34.4 million.
- Total development cost £38.3 million.
- Council annual unitary payment £4.2 million (index linked for 30 years).

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# Organisation – Bilfinger Berger BOT

BILFINGER BERGER



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# The Competition?

## High Entry Barriers -

**Time and Cost Of Bidding (necessary success rate)**

**Time delay from investment to return (patience)**

**Diverse technical and project management competences**

**Need a strong and reliable supply chain  
(comes from reputation)**

## Prime Competitors -

**Contractor-led organisations  
(Balfour Beatty, Vinci, Hochtief etc.)**

**Funder-led organisations  
(ABN AMRO, Macquarie etc.)**

**Investment organisations  
(Laing, Pension Funds etc.)**

# Competitive Advantages

	Contractor-led	Funder-led	Investor-led	Bilfinger Berger BOT
In-Group construction or services expertise	✓	✗	✗	✓
Independent from construction or services business	✗	✓	✓	✓
Long-term operational management capabilities	?	✗	✗	✓
Independent from financial institutions	✓	✗	✗	✓

# 2006 – operational success for Bilfinger Berger BOT!!

## New projects won ....



Golden Ears Bridge , Canada



RSDBFO 1, UK



E18 Norway



Brisbane NS Tunnel, Australia (pre-sold)



Borders Schools, UK



Clackmannan Schools, UK



East Down + Lisburn, UK



Burg Prison, Germany

## Stable transition in to operations phase at ....



Unna, Germany



Barnet LIFT, UK



Victoria Prisons, Australia



Bedford Schools, UK



Coventry School, UK

## Successful refinancing ....



## Significant capital appreciation realised ....

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# Summary

- **The concessions market is global and is not new.**
  
- **Bilfinger Berger BOT is a ‘pro-active’ investor,**
  - *transparently separate from other business sectors of the Group*
  - *driven solely by investment criteria and returns*
  - *highly focused in its target investment sectors and geographic regions*
  - *which has delivered consistent growth since establishment in 1999*
  
- **Bilfinger Berger BOT has competitive advantages in,**
  - *its in-house core competencies to deliver all aspects of a deal (from development, finance, through to construction and long-term operations)*
  - *direct access to the multi-service competencies (and financial strengths) of the Bilfinger Berger Group, as may be required*
  - *no constraint to tie-up with particular partners (for D+C, operations or funding), which permits a ‘best-of-market’ solution*