



Balcke Duerr | Value Creation Process
Mutares Capital Markets Day 2019

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2 Product Portfolio

3 Value Creation

4 Key Messages



1

Company Overview



Balcke Duerr is a leading supplier of components and services for increasing energy efficiency and reducing environmental impact

- **Blue-chip customer base:** Company rich in history and longstanding customer relations across relevant industries
- **Diversified product application:** Products are applicable to both power generation as well as industry
- **Offering along entire lifecycle:** Manufactured equipment is delivered for both newly built and modernization projects
- **High share of service business:** Around 60% of turnover is generated by service and spare part orders
- **Reliable expertise:** Extensive archive of past projects aids current decommissioning of nuclear power plants
- **High barriers to entry:** The requirement in public tenders to provide references provides high barriers to entry
- **Increasing demand:** Drive towards renewable energy increases volatility in conventional energy production and thus creates corrosion and increased spare part demand

Extensive history aids accumulation of technology

1883 Founding of "Düsseldorf-Ratinger Röhrenkesselfabrik Dürr & Co."



1894 Invention of the natural draft cooling tower and founding of **Balcke & Co.**

1972 Merger to form **Balcke Duerr AG**, part of **Deutsche Babcock**



2001 Merger of **Babcock Borsig AG** and Balcke Duerr AG

2002 Balcke Duerr acquired by **SPX Corporation**, Charlotte, NC, USA,



2003 Acquisition of the business of **Hamon Rothemühle Cottrell GmbH**



2016 **Balcke Duerr is acquired by Mutares**

MUTARES

2018 A division of **STF SpA** is bought and contributed into Balcke Duerr Italiana

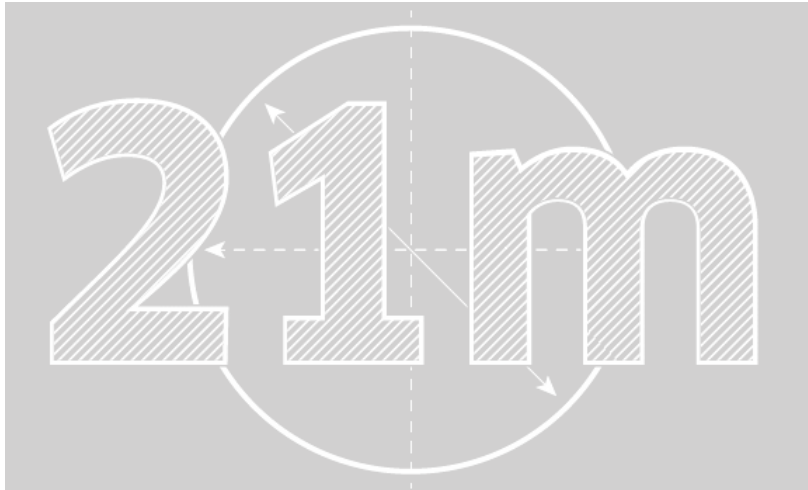
Balcke Duerr acquires **KSS Consulting**, now Balcke Duerr Nuklear Service



2019 Balcke Duerr GmbH separates the Rothemühle into a new entity



Technologically advanced products with impressive references



21m-diameter air preheater for Walsum, Germany

- ▮ World's largest **Regenerative Heat Exchanger** (Duisburg Walsum, Germany*)
- ▮ World's largest **Moisture Separator Reheater** (Olkiluoto, Finland)* and largest high-pressure **Feedwater Heater** (Neurath, Germany)*
- ▮ Engineering and supply of main components for largest single **Feedwater Heater order (86 units) for 12 power plants** in South Africa (Eskom Medupi / Eskom Kusile)*
- ▮ Electrostatic Precipitators with **lowest dust emission** (Rotterdam, Wilhelmhaven: 6 mg/m³)*

* at time of commissioning





2

Product portfolio

Water- Steam- Cycle

**BALCKE
DÜRR**

**STF
BALCKE
DÜRR**

Decomissioning
























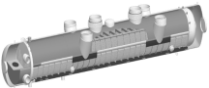




**BALCKE
DÜRR**

Flue- Gas- Path



ROTHEMÜHLE

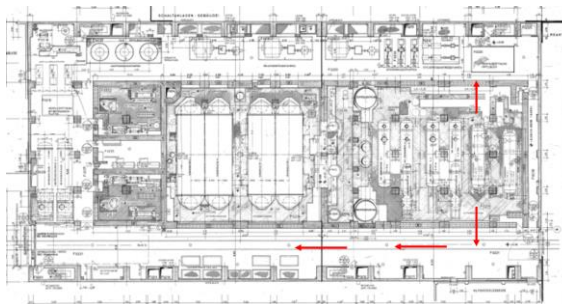
Water- Steam- Cycle: Shift in product application

Products and Services	Applications	Customers
<ul style="list-style-type: none"> ▪ Feedwater Heaters ▪ Turbine Condensers ▪ TEMA Heat Exchangers ▪ Rotor Air Coolers ▪ Cold-End Systems ▪ Moisture Separator Reheaters ▪ POWERVANES Separators ▪ Waste Heat Recovery Boiler 	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; justify-content: space-around; width: 100%;"> <div style="text-align: center;">  Nuclear </div> <div style="text-align: center;">  Chemical </div> </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-top: 20px;"> <div style="text-align: center;">  Oil </div> <div style="text-align: center;">  Waste>Energy </div> </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-top: 20px;"> <div style="text-align: center;">  Gas </div> <div style="text-align: center;">  Refineries </div> </div> </div>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%; margin-bottom: 10px;">   </div> <div style="display: flex; justify-content: space-around; width: 100%;">   </div> </div>
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- Decommissioning and dismantling of nuclear installations
- Permit Management

- Radiation testing, protection and release
- Consulting, project management and implementation



Flue- Gas- Path: Growth through modernization

Products and Services	Applications	Customers
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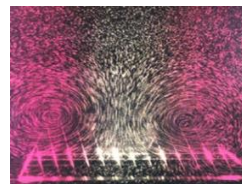
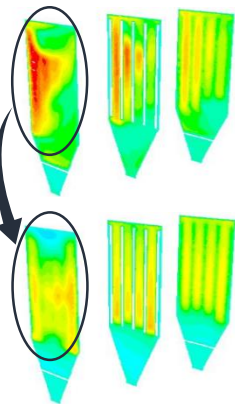
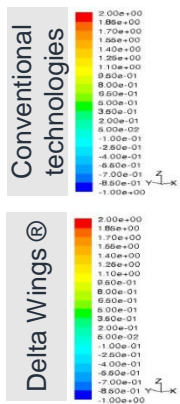
- Air Preheaters
- Gas-Gas-Heaters
- LUGAT®-Compact Heat Exchangers
- DELTA WINGS
- Electrostatic Precipitators
- Filter Upgrades



Proprietary technology Delta Wings® allow for higher contractual performance commitment as competitors

Improvements by Delta Wings®

Visible improvements



Air flow visualisation



Physical model in laboratory



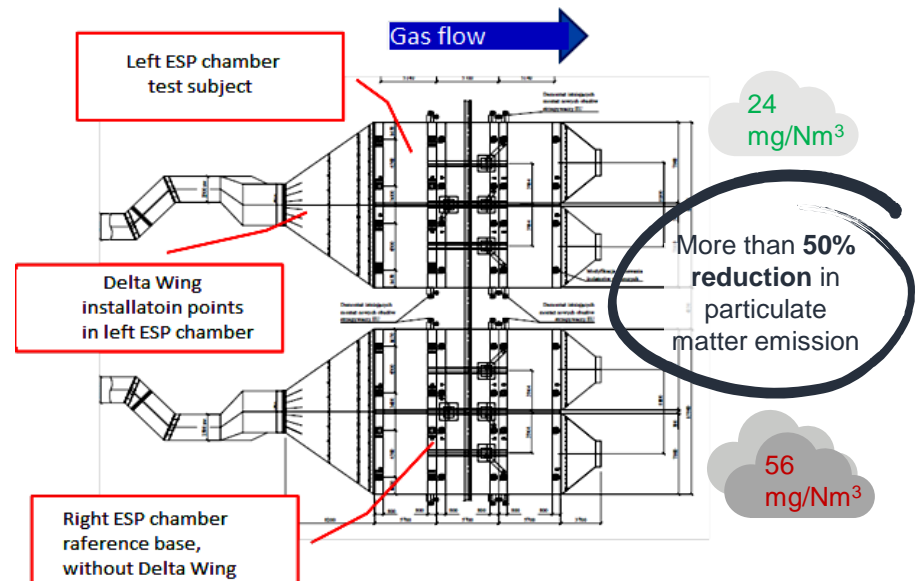
Static mixers inside ESP's inlet assembly stage



Large Size ESP with applied Delta Wings® technology

Key applications Delta Wings®

Proven significant performance enhancement¹⁾



Note: 1) Site test performed in 2017 with existing 225MW boiler (gas volume: 1,500,000 m³/s; inlet dust concentration: 15 g/Nm³) - Source: Company information

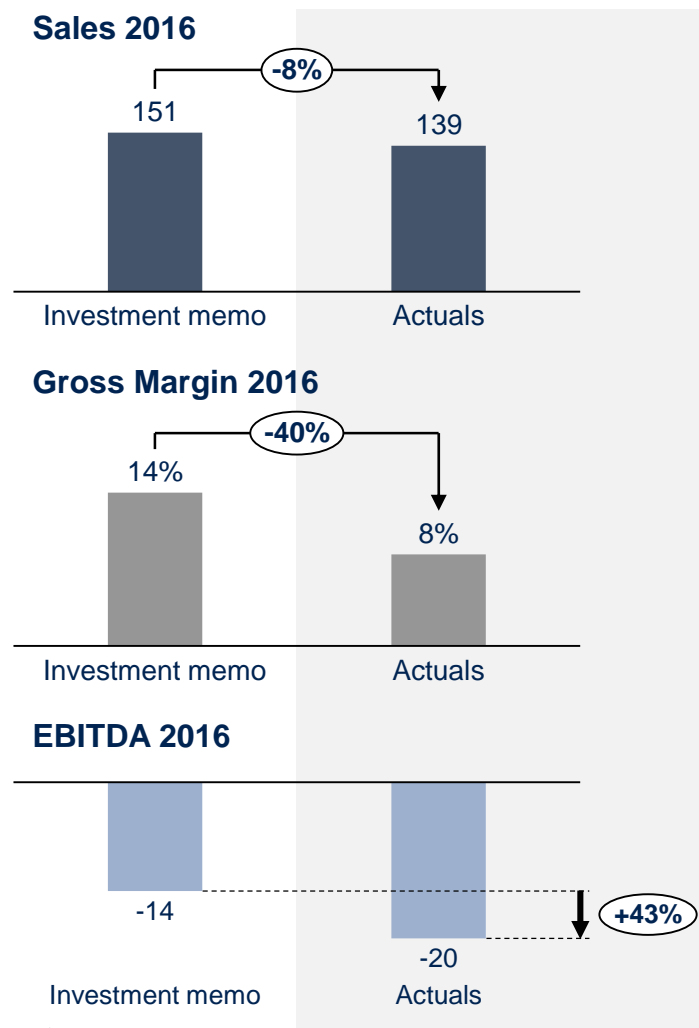


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Value Creation

Value Creation: What we found I/II

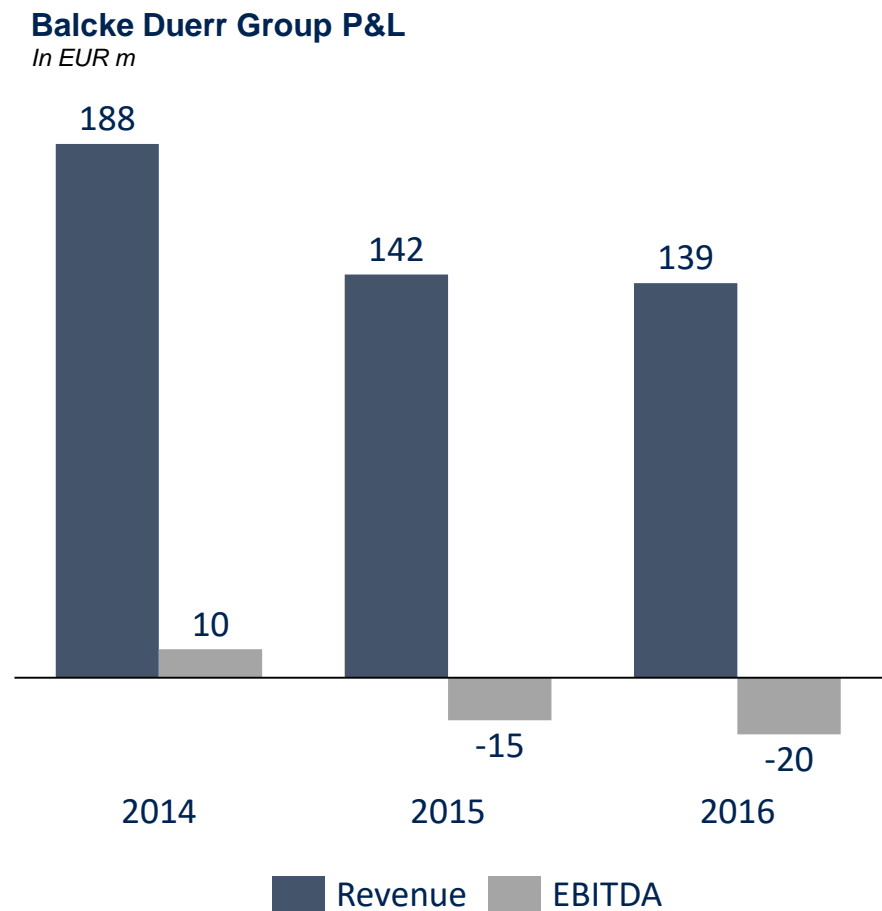
Situation of the company worse than anticipated



- Between **submission** of the binding **offer** and actual **closing of the transaction**, the situation in the company has **worsened significantly**
- This was caused mainly by cost overruns in ongoing projects
- Other projects were deferred and related receivables either delayed or impaired
- In addition, the **order intake plan** published by the seller had been **revised internally**
- This **downward revision** had not been made available to us

Value Creation: What we found II/II

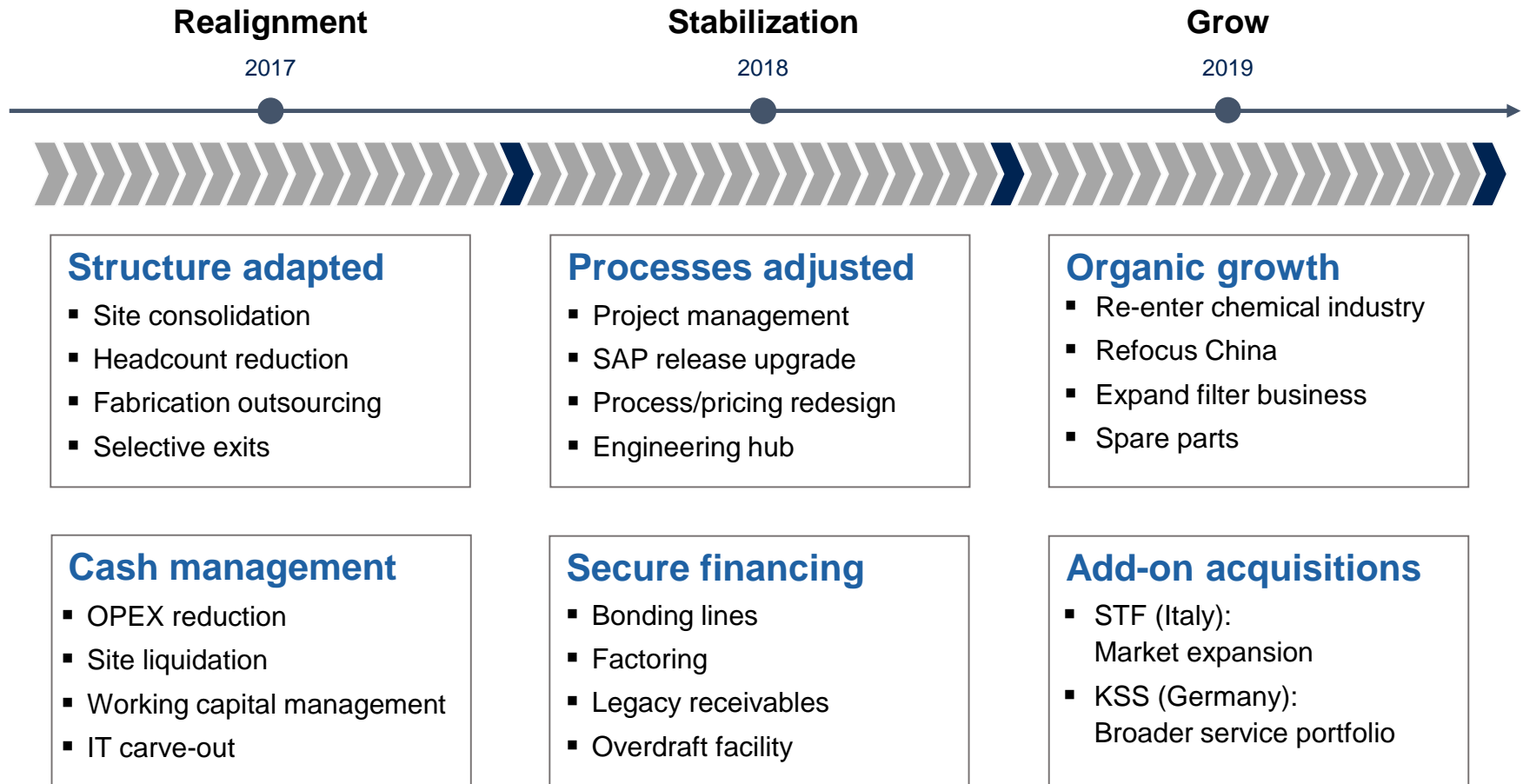
Distraction of sale process evident in order backlog



- ❌ Low order intake in 2016
- ❌ Extremely high cost structure
- ❌ Subpar project management
- ❌ No sales strategy visible
- ❌ Inadequate agency network

Operating loss of EUR 20m

Heavy operational involvement in first 18 months of ownership

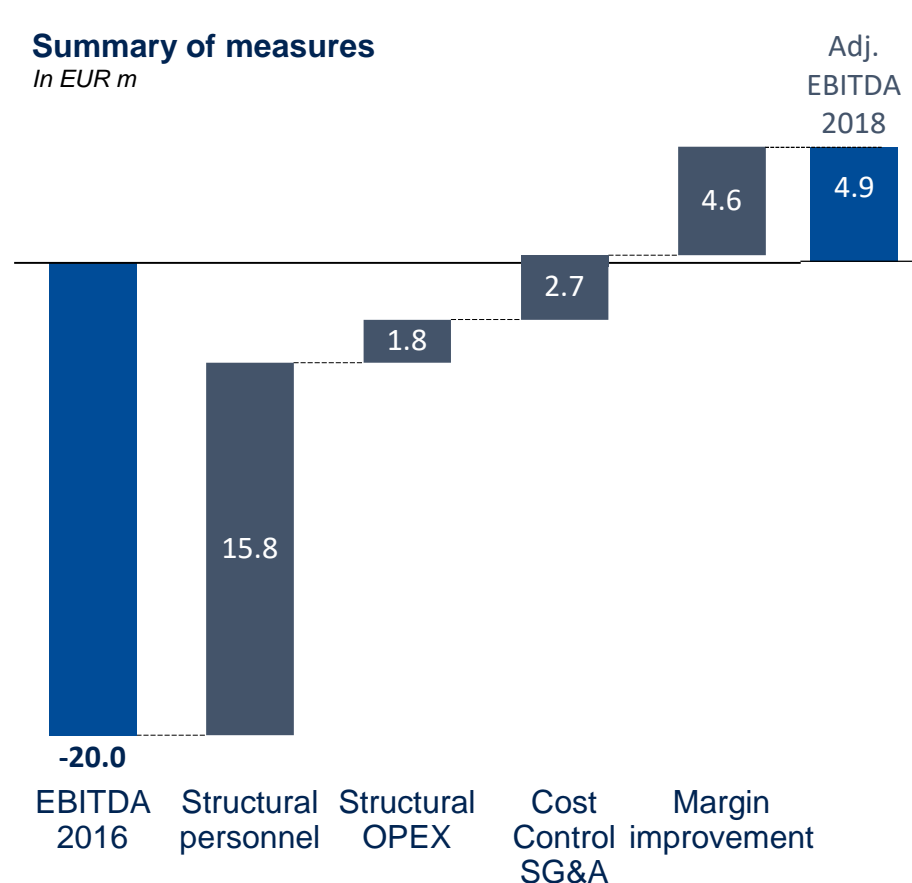


Value Creation: Impact

Targeted cost saving almost reached

Summary of measures

In EUR m



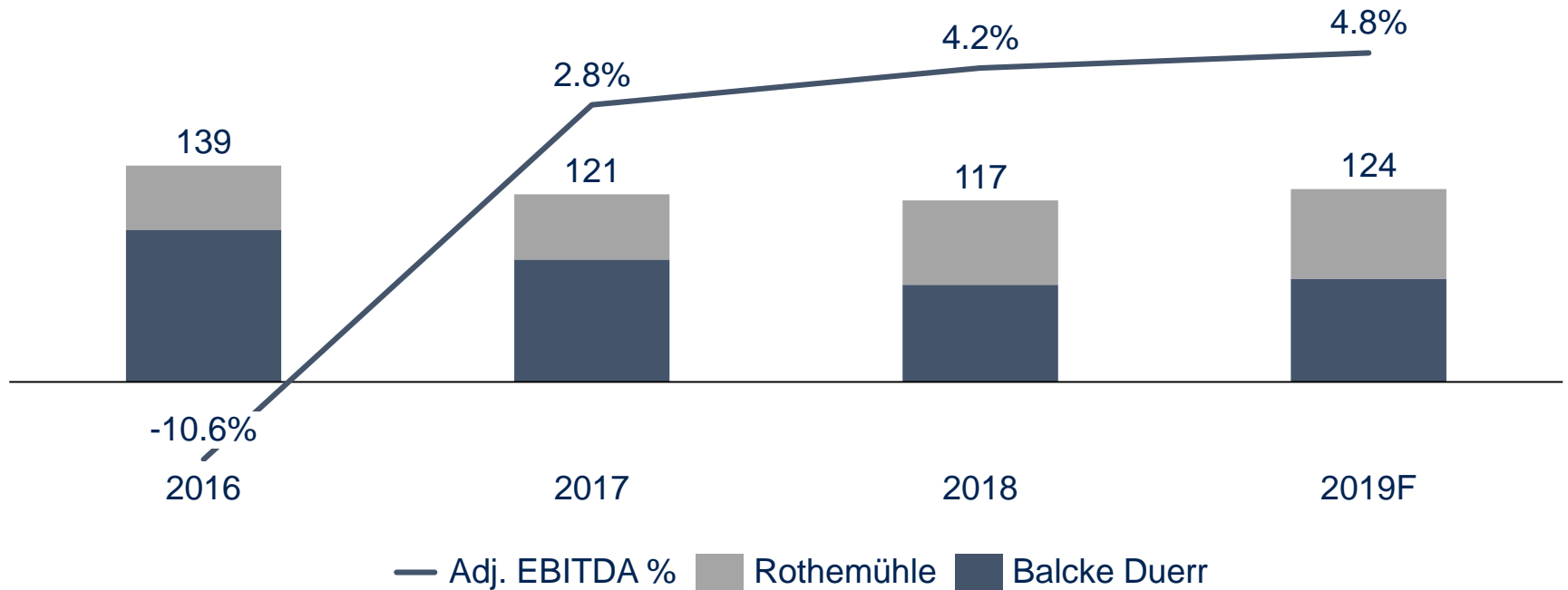
- ✓ Structural changes in organization
- ✓ Extreme cost control in all entities
- ✓ Improved processes
- ✓ Investment in energy efficiency

Positive operative result in year two

Value Creation: Balcke Duerr in Numbers

Implemented measures validated by the Business

Revenue and adj. EBITDA
In EUR m





Mutare's approach provided company with solid basis for successful future

- ▮ **Favourable transaction terms:** Part of the value creation process was in the terms negotiated with the seller
- ▮ **Experienced team:** A team of 5 Mutares managers was present from day one for the first 18 months, actively managing all departments
- ▮ **Implementation speed:** Once identified, the measures were implemented very quickly and to the extend required
- ▮ **Cooperative works council:** Transparent communication with the works council so that members were aware about the gravity of the situation, trustful and cooperative
- ▮ **Acquisition opportunities:** Having Mutares as shareholder provides a competitive advantage when it comes to add-on investments

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