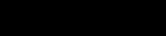

From: Richard Jeffrey
Sent: 12 May 2009 08:47
To: Graeme Bissett (external contact)
Subject: RE: Bilfinger - Q1

Graeme,

Could you look into the cost of registering please, I have always found the brokers reports to be very insightful. Not sure which broker we would choose but suggest DKW/Commerzbank might be pretty good for BB.

Regards

R

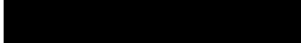
From: Graeme Bissett [mailto:graeme.bissett@
Sent: 08 May 2009 12:51
To: Richard Jeffrey
Subject: RE: Bilfinger - Q1

Richard, I don't have any at present. They have a dual-listing in Frankfurt / London, but are well-covered only in Frankfurt. We'd need to go direct to the brokers and they generally these days want inquirers to register (and pay a fee). Let me know how you want to proceed.

Regards

Graeme

Graeme Bissett

m : +44 

From: Richard Jeffrey [mailto:Richard.Jeffrey@tie.ltd.uk]
Sent: 07 May 2009 17:16
To: Graeme Bissett (external contact)
Subject: RE: Bilfinger - Q1

Graeme, can you get hold of any brokers reports on BB?

R

From: Graeme Bissett [mailto:graeme.bissett@
Sent: 07 May 2009 09:57
To: david_mackay@, Richard Jeffrey; Steven Bell; Stewart McGarrity; 'Dave Anderson'; 'Marshall Poulton'; 'Donald McGougan'; 'Alan Coyle'
Subject: Bilfinger - Q1

Colleagues, Bilfinger's Q1 2009 results reveal some growth, but mostly in their services / concessions business (including M80), construction (which includes Civils) is lagging. Group profit for the full year is forecast at not less than the prior year of c€140m. They report financial stability and their share price is tracking market comparators.

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They have previously reported refocusing their civils business on lower risk work, and civils' revenues and backlog new business are both down compared to Q1 2008, although that may reflect market conditions and the sale of their French subsidiary more than strategy. Q1 orders are up on 2008 by 12%, driven mainly by the M80. Civils contributed €3m (2008 €3m) of EBIT out of Group EBIT €43m in Q1. They expect EBIT to improve in 2009 compared to 2008 – they do not say what this is compared to and if its 2008 we need to bear in mind that they took big losses on the Norwegian contract last year.

There is no reference to any problem contracts or significant provisions. I'm surprised that Cologne does not get an airing, even if only to assure that they don't anticipate losses. However, their AGM is being held today in Mannheim which should prompt a trading update and potentially some press coverage about specific issues. I'll let you know if anything emerges.

Assuming that their reporting is balanced, the conclusion would be that Civils is on an even keel and their comments about 2009 projections indicate that they must now have a firm view internally on the outcome of all key projects including the tram. There were undisclosed provisions in the 2007 accounts and it is possible the same has happened this year. It is hard to be specific, but my conclusions would be 1) whatever pain they think they will take on the tram project is already established and in their numbers ; 2) that the pain was not great as there was no visible material effect on their 2008 or Q1 2009 numbers ; 3) to the extent they have stabilised the civils business and are focussed on dealing with Cologne, the approach to Edinburgh may now be more balanced.

The danger of course is that their assessment includes a presumed material price gouge which will emerge from the negotiations over the next few months – my instinct is that this is not the case because they would need to assume a good result from future negotiations, which neither they nor their auditors could regard as a sound basis for the Q1 accounting (when the Princes St demands were tabled) and results forecast. It is just possible therefore that, given this backdrop, their approach may now be more reasonable. No doubt the team will remind me of this comment if the boulders start flying.

Regards
Graeme

Graeme Bissett
m : +44 [REDACTED]

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