
Acquisition of Steinmüller Babcock Environment

February 7, 2022

Hitachi Zosen Corporation

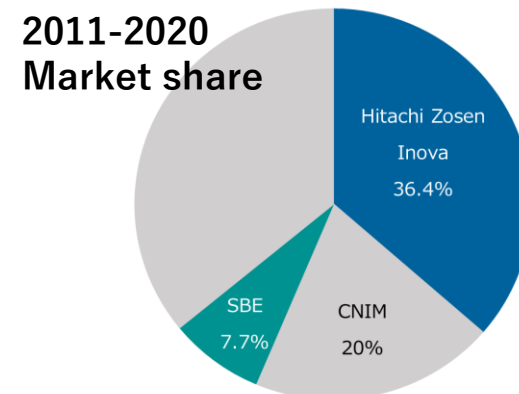
Outline of the Acquisition

Name	Steinmüller Babcock Environment (SBE)
Shareholder	NIPPON STEEL ENGINEERING CO., LTD. : 100%
Location	Gummersbach, NRW, Germany
Representative	Thomas Kurt Feilenreiter (Managing Director)
Business Activities	EPC and after sales service of EfW plants and design, procurement and construction of flu gas treatment equipment for thermal power plants
Paid-in Capital	EUR 90 million
Net Assets	- EUR 15 million (as of the end of December, 2020)
Establishment	October, 2002 (Foundation 1824)
Subsidiary	Steinmüller Babcock Montaż Sp. z o.o. (Poland)

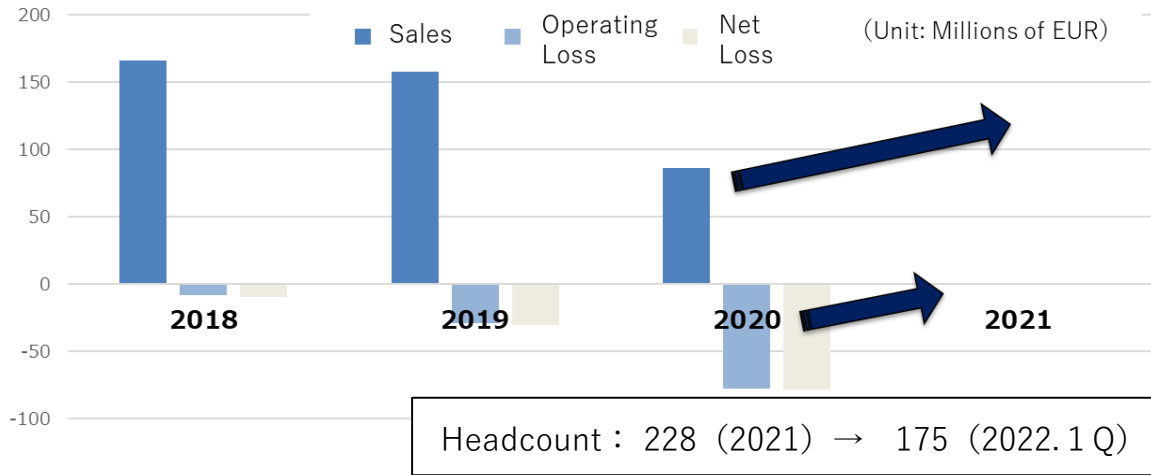


Buyer	Hitachi Zosen Inova AG : 100%
Share purchase agreement	Signed on 9 th December, 2021
<ul style="list-style-type: none"> - Purchase Price (Undisclosed) - Capital injection by the seller to positive equity level (Elimination of excess liabilities prior to share transfer) - Additional cost in projects awarded before acquisition is guaranteed by the seller under certain conditions. 	
Closing	Early February, 2022
<ul style="list-style-type: none"> - Competition law approval obtained 	

Integration of No. 1 and No.3 EfW EPC players in Europe



SBE Financial Results (consolidated)



Large loss-making projects (Spain, Lithuania, etc.)

- Cause: Accuracy of pre-order risk assessment, ability for large EPC and project management
- Measures: Reduced orders (shift to small-lot projects and A/S service), development of project management system (New CEO joined in 2018)
- Stable management maintained in projects awarded since 2018

Status of Projects

Project (country)	Order	Completion	Scope	2017	2018	2019	2020	2021	2022	2023	2024
Spain	May-17	Mar-21	EPC	█							
Lithuania	Jun-17	Oct-21	EPC	█							
Germany - 1	Oct-18	Jul-21	EP (Lot)		█						
Taiwan	Oct-18	Sep-21	EP (Lot)		█						
Finland - 1	Jan-19	Nov-21	EP (Lot)		█						
Germany - 2	Jul-19	Sep-24	EP (Lot)			█					
Finland - 2	Mar-20	Oct-22	EP (Lot)				█				

Deficit to improve significantly as large loss-making projects come to end

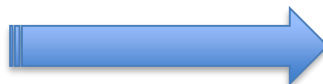
- Sales to decline after FY22 onwards due to reduced orders
- Losses to continue due to fixed costs, but the impact is limited
- Number of employees will be reduced as the projects come to end

Our Group's long-term vision (Hitz 2030 Vision)

Business composition



2019



Business composition



2030

Hitachi Zosen Inova : Reform of the revenue structure

(Challenges) Concentration on EfW's EPC (engineering, procurement and construction)

Concentration risk, Limited number of orders of large projects

(Strategy) Diversified revenue structure, stable earnings

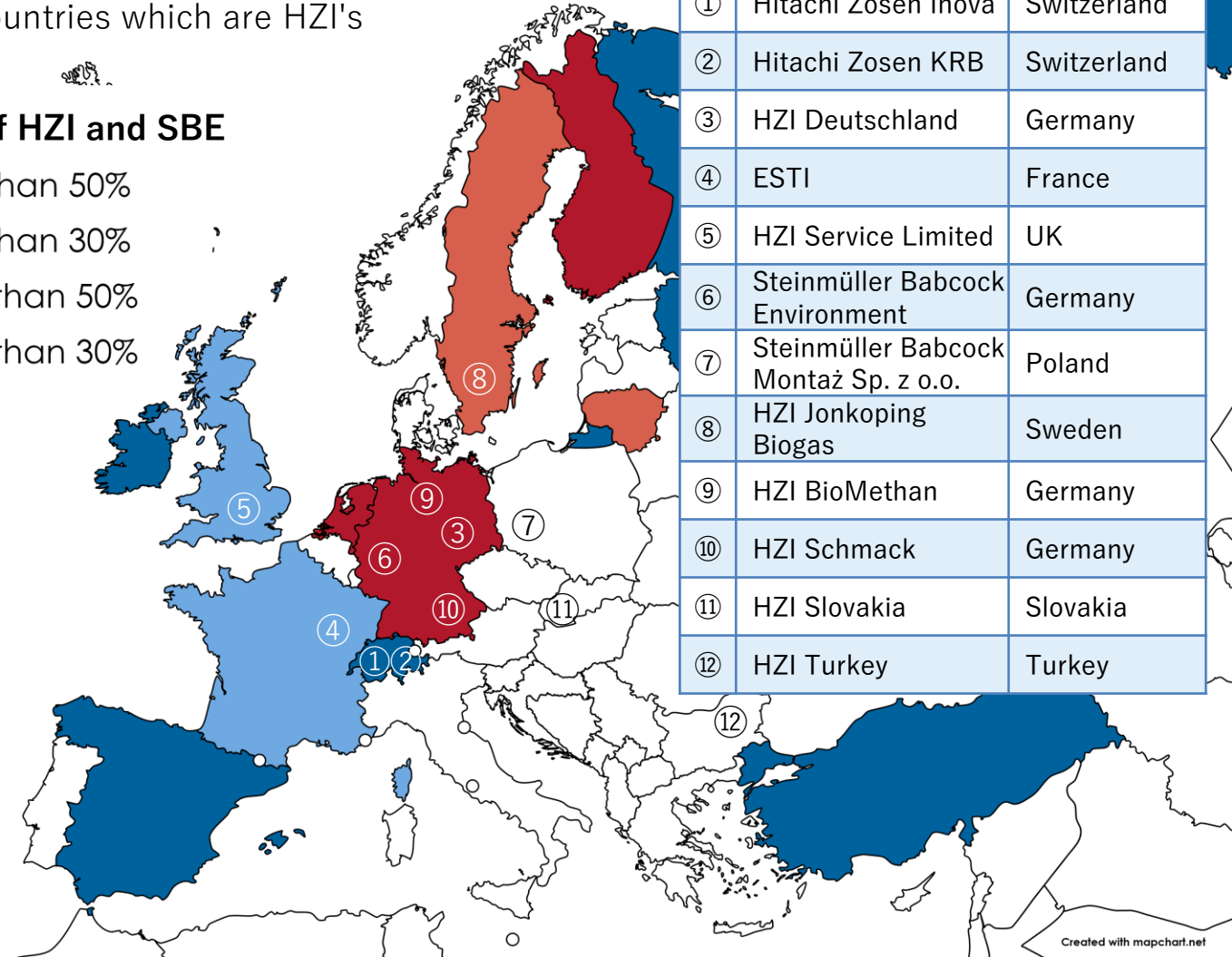
(Goal) EfW 50% · Renewable Gas 25% · **O&M/Service25%**

(1) Regional Synergy

SBE's Market share
 (Strong in Germany, Finland and other Scandinavian countries which are HZI's weakness.)

Market Share of HZI and SBE

- HZI more than 50%
- HZI more than 30%
- SBE more than 50%
- SBE more than 30%



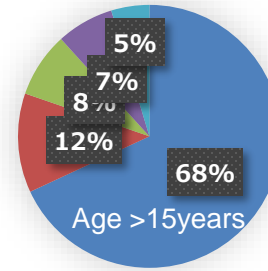
Establish bases for O&M

①	Hitachi Zosen Inova	Switzerland
②	Hitachi Zosen KRB	Switzerland
③	HZI Deutschland	Germany
④	ESTI	France
⑤	HZI Service Limited	UK
⑥	Steinmüller Babcock Environment	Germany
⑦	Steinmüller Babcock Montaż Sp. z o.o.	Poland
⑧	HZI Jonkoping Biogas	Sweden
⑨	HZI BioMethan	Germany
⑩	HZI Schmack	Germany
⑪	HZI Slovakia	Slovakia
⑫	HZI Turkey	Turkey

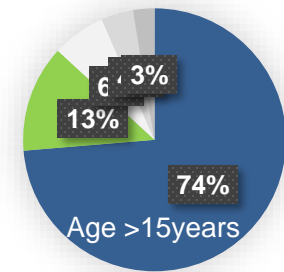
(2) Technology Synergy

- Competitiveness in small projects (incineration and flue gas treatment systems)
 - HZI: large projects, SBE : Lot, retrofit projects
- Shortage of engineering resources at HZI
- Strength in boiler technology (SBE's founding business)
- Polish subsidiary (low-cost engineering and reinforcement of SV functions)
- Maintenance business: raising the level of stock through SBE's reference projects

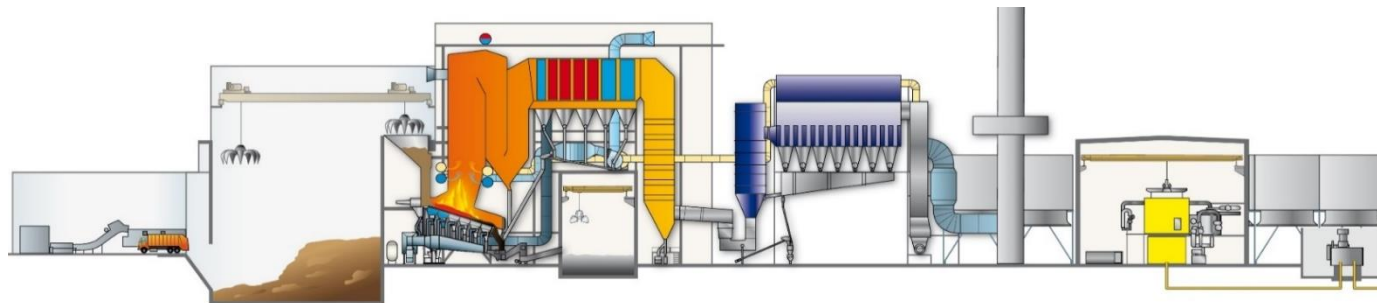
HZI Installed Base
213 lines



SBE Installed Base
76 lines



Plants over 15 years old = approx. 70%
Increasing demand for maintenance



Feeding

Combustion

Boiler

FGT

Current offering

HZI

HZI / ESTI

marginal

HZI

New offering

HZI / **SBE**

HZI/ESTI/**SBE**

SBE

HZI

% as total maintenance spent

7%

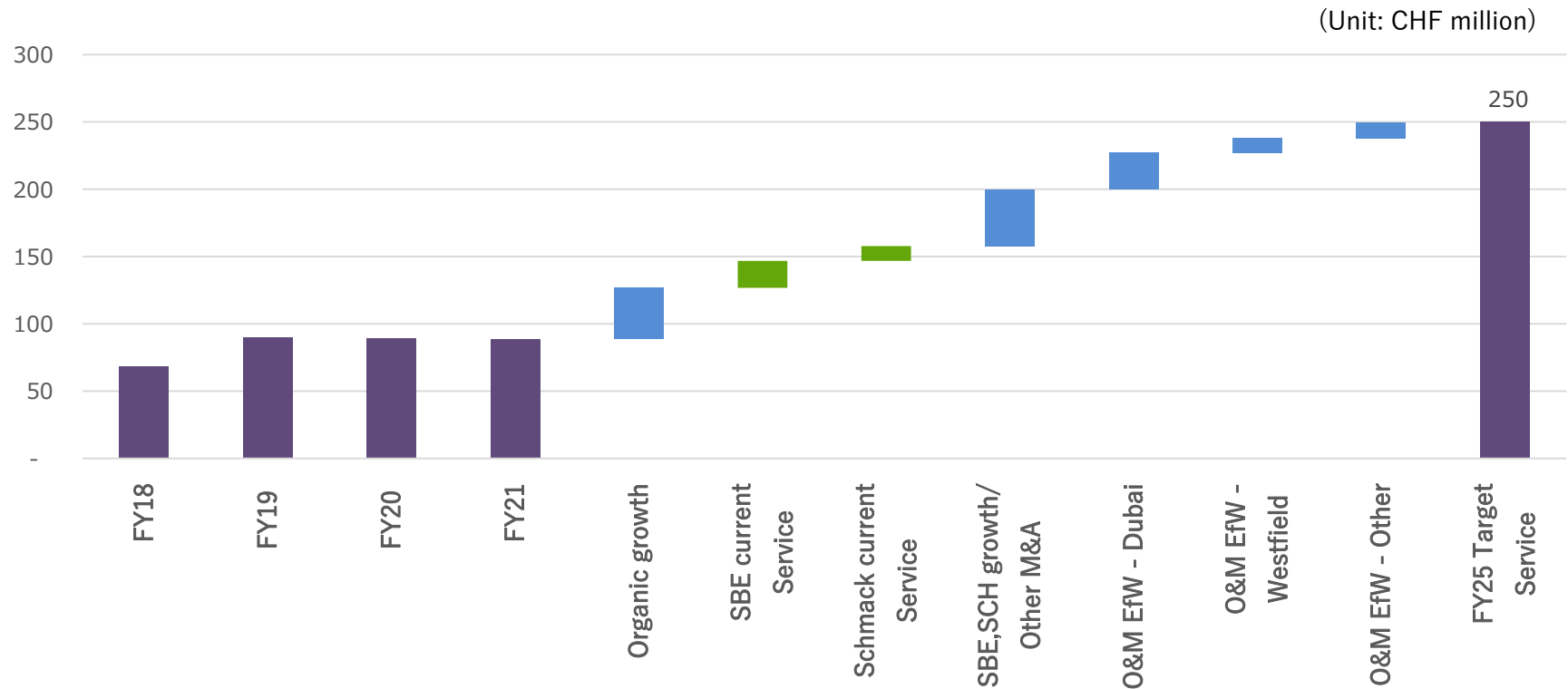
14%

38%

7%

Inova's O&M/Service Business Sales target : CHF250 m in 2025

- Establish bases in Europe : UK, France, Germany, etc.
- M&A : ESTI, SBE, Schmack (Renewable gas), etc.
- EPC+O&M : Istanbul, Dubai, Westfield (UK)
- Investment for Development (Renewable gas) : SLO (U.S.), Jonkoping (Sweden)





Technology for People, the Earth, and the Future

Hitachi Zosen creates links between mother nature and our future

Cautionary Statement

Forward-looking statements are based on information currently available to Hitachi Zosen Corporation. Therefore those forward-looking statements include unknown risks and uncertainties. Accordingly, you should note that the actual results could differ materially from those forward-looking statements. Risks and uncertainties that could influence the ultimate outcome include, but are not limited to, the economic conditions surrounding Hitachi Zosen Corporation and/or exchange rate fluctuation.



Hitachi Zosen Corporation

<https://www.hitachizosen.co.jp/english/>