ANNUAL REPORT
BILFINGER SE

2020

BILFINGER

Contents

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In chapter B. non-reporting content/ not audited content is marked with an *.

Notices and disclaimer

This Annual Report takes the form of a financial report; it focuses on the significant and legally required information. The Outlook, chapter B.4, contains forward-looking statements which reflect the assessment of the Executive Board at this point in time with regard to future events and developments on the basis of current information, planning, assumptions and expectations. These statements are marked by formulations such as ‘expect’, ‘want’, ‘seek’, ‘intend’, ‘plan’, ‘believe’, ‘evaluate’, ‘assume’, ‘in future’, ‘intention’ or similar terms.

All forward-looking statements contained in this Annual Report are inherently subject to uncertainties and risks, in particular because they depend on factors beyond our control. Such risks are described under chapter B.3 Risk and opportunity report, but are not limited to those stated. The actual developments in the future may deviate substantially from the forecasts and forward-looking statements made here. Bilfinger cannot provide any guarantee that the expectations and goals implicitly or explicitly expressed in the forward-looking statements will be achieved.

We also do not assume any obligation to update any of the forward-looking statements or, in the case of deviations in the actual future developments, to correct them.

In addition to the key figures prepared in accordance with IFRS, Bilfinger also presents pro-forma key figures (for example adjusted earnings per share, adjusted net profit, EBITA, EBITA adjusted, EBITA margin, EBITA margin adjusted, return) which are neither part of the financial-accounting regulations nor subject to them. These pro-forma key figures are to be seen as a sup-plement, but not as a substitute for the disclosures required by IFRS. The pro-forma key figures are based on the definitions provided in this Annual Report. Other companies may calculate these key figures differently.

Due to the rounding of the disclosed figures, it is possible that individual figures do not precisely add up to the totals provided and that percentage figures provided do not precisely reflect the absolute values that they relate to.

This Annual Report is also available in English. In case of any deviations from the German version, the German version of the Annual Report shall prevail.

A To our shareholders

A.1 Letter to shareholders

Executive Board of Bilfinger SE

Christina Johansson
Interim CEO and CFO

Duncan Hall
COO

Dear Shareholders, Ladies and Gentlemen,

The emergence of the COVID 19 pandemic and its side effects presented us all with a unique set of challenges in 2020. Throughout the pandemic, our top priority has been to protect the health of our employees, their families and our business partners.

The measures required to contain the pandemic had a significant impact on business conditions from March 2020. There was also a temporarily substantial drop in the price of oil. These circumstances considerably impacted Bilfinger's business activities in the past year. On a positive note, however, we have seen that our company is now able to adapt quickly to altered conditions with a high degree of agility and flexibility.

Agility and cost efficiency

The difficult economic environment triggered by the COVID 19 pandemic and the impact of substantial oil price volatility in 2020 led to declines in revenue, some of which were significant. Our maintenance business for offshore oil and gas facilities in the North Sea and activities in European countries with COVID 19-related lockdown measures were hit particularly hard. There were also substantial decreases in our project business in North America.

We immediately took appropriate measures to adjust our cost base and liquidity situation to reflect lower revenue. The European business in particular demonstrated great resilience and improved cost flexibility. We acted quickly to reduce overcapacities where the longer-term outlook is subdued – for example in the oil and gas business in the UK as well as in the North American market.

Loss-making activities were wound down while at the same time growth strategies were pursued, as was the case, for example, with the increased focus of the Technologies segment on the nuclear sector.

In several European countries, government measures such as short-time work schemes or the possibility of deferring taxes and social security contributions also helped to stabilize business development. In light of these far-reaching changes, Bilfinger was one of the first companies to publish updated guidance for the 2020 financial year in May 2020. This guidance was confirmed throughout the course of the year and ultimately also met.

Outlook for 2020 met

By achieving the guidance for 2020, which was updated in May, Bilfinger demonstrated the stability of its business model and its high cost agility.

Financial year 2020 concluded with an organic sales decline of 17 percent. Despite this decline and thanks to the cost-cutting measures taken, it was possible to achieve positive adjusted EBITA of €20 million. As a result of successful initiatives to improve working capital and careful monitoring of capital expenditures, there was a significant cash inflow in the fourth quarter. Virtually all tax and social security deferrals we benefited from as a precaution during the challenging second quarter were settled as of the end of the year.

Our net profit increased significantly to €99 million despite lower adjusted EBITA. Here, we benefited from a preferred participation note from the sale of Bilfinger's former Building and Facility Services business (now: Apleona) to financial investor EQT in September 2016. The agreement at the time stated that in the event of a resale of Apleona, Bilfinger would receive roughly 49 percent of the proceeds after deduction of debt. The announcement that EQT had signed a corresponding selling agreement in December 2020 led to an upward revaluation of the preferred participation note by €210 million. We expect the cash inflow of around €450 million following the closing of the transaction in the first half of the 2021 financial year.

On the basis of the successfully managed crisis year 2020 and the strong liquidity position, the Executive Board and Supervisory Board will propose to the Annual General Meeting on April 15, 2021 that a dividend of €1.88 per share be paid for financial year 2020. This will retroactively increase the previous year's dividend of €0.12 per share to the level of the floor dividend of €1.00 per share, after this reduction had been decided as a precautionary measure in an uncertain environment.

Legacy issues overcome, processes and structures further optimized

Bilfinger's focus in 2020 was by no means only on overcoming the challenges presented by the COVID 19 pandemic and a volatile oil price development. We were able to demonstrate our stability and resilience while at the same time resolving significant legacy issues.

Out-of-court settlements in connection with the collapse of the Cologne Municipal Archives in 2009 and the dispute with former members of the Executive Board ensured that these legacy issues ultimately did not have a negative impact on the Group's financial performance or position.

We put health and safety processes in place that have enabled us to continue our work despite strict COVID 19 prevention measures. The Group's LTIF, previously already at a very good level, improved further in the year to 0.16 from 0.25. This indicator measures the number of days lost due to work-related accidents per million hours worked. Our efforts to maintain high occupational safety standards not only protect the health of our employees, we also satisfy the strict requirements of our customers in this area.

Work on the optimization of our internal structures also continued. The introduction of standardized ERP systems throughout the Group to control our business processes has now been largely completed. And we reduced the number of legal entities as planned. At the end of 2020 there were 145 companies in the Group, meaning we achieved our target of fewer than 150 units. As part of this process, three more units from Other Operations were also sold. At the same time, we adopted a leaner and more decentralized regional structure and established a global excellence team, allowing us to increase operating efficiency and strengthen our go-to-market approach. Also noteworthy in this context were the order successes achieved in 2020 in the nuclear energy sector, especially in the newly built Hinkley Point C power plant in the United Kingdom with a total volume of more than €500 million. We also saw similar successes in the biopharma sector.

Outlook 2021 and medium-term targets

Thanks to the efforts undertaken in recent years to make the organization more efficient and agile, Bilfinger is now in a much better position to master the challenges that lie ahead.

Following the decline in revenue and earnings due to the effects of the COVID 19 pandemic and the volatile oil price development in 2020, we anticipate a significant recovery in 2021. This recovery will be fueled by growth in all three segments.

We expect significant growth in Group revenue and a substantial improvement in adjusted EBITA, which will return to the pre-crisis level of 2.4 percent achieved in financial year 2019 – this despite significantly lower revenue in 2021 compared to 2019.

Following the increased restructuring charges in COVID 19 year 2020, we anticipate a significant reduction in special items in 2021. As a result, even reported Group EBITA will improve significantly.

We again expect free cash flow to be positive, but below the very good level of 2020. The reasons for this are increased working capital requirements as a result of the planned revenue growth, the cash-out effects for the restructuring measures implemented in 2020, and a return to a normal level of capital expenditures.

The measures taken allow us to confirm our medium-term targets formulated in February 2020. We will build on our current position and target further improvements with a view to achieving a reported EBITA margin of 5 percent by 2024. One of our strategic imperatives is to retain our asset-light business model and expand Group revenue to more than €5 billion by 2024 through organic growth and selected bolt-on acquisitions. In this regard, we have a particularly strong focus on cash conversion. Our goal is to achieve a reported free cash flow of more than €200 million by 2024, thus paving the way for a sustainable dividend payout of 40 to 60 percent of adjusted net profit while at the same time confirming the company's commitment to returning to investment grade.

Looking to the future with confidence

Bilfinger's robust development in the extremely challenging year 2020 not only demonstrates the resilience of our business model as a leading international service provider for the process industry, it also shows the significant progress we have made toward becoming the lean, agile company that we aspire to be.

The success of this business model is clearly based on the commitment, experience and expertise of our employees. They deserve our very deep gratitude and thanks. Under difficult conditions, they have done an outstanding job for our customers and for our company in the past year. Their commitment and agility are key factors that allow us to look to the future with confidence.

We still have major challenges ahead of us. My Executive Board colleague Duncan Hall and I, together with our 30,000 employees, will do everything in our power to ensure the continued successful development of Bilfinger.

Dear shareholders, we would like to thank you for the trust you have placed in Bilfinger to date. We look forward to continuing along the path we have taken together with you.

Kind regards,

Christina Johansson
Interim CEO and CFO of Bilfinger SE

A.2 Executive Board of Bilfinger SE

Christina Johansson (Interim CEO and CFO)

Born 1966 in Ljungby, Sweden

Career

2021	Interim Chief Executive Officer (in addition to previous responsibilities)
2018	Member of the Executive Board and Chief Financial Officer at Bilfinger SE, Mannheim
2016 – 2018	Bucher Industries AG, Niederweningen (Switzerland) CFO
2014 – 2016	SR Technics Switzerland AG, Kloten (Switzerland) CFO and Deputy CEO
2007 – 2014	Pöyry Oy, Zürich (Switzerland) Division CFO Pöyry Energy / Management Consulting
2005 – 2007	ZEAG AG, Spreitenbach (Switzerland) CFO and Deputy CEO
1996 – 2005	Amcor Ltd, Rickenbach (Switzerland) Senior Finance Positions in Amcor Rentsch, Amcor WhiteCap and Bericap
1993 – 1996	Securitas AB, Frankfurt / Dusseldorf Financial Controller & Treasury Manager

Educational background

Studied at the University of Växjö / Lund, Sweden and completed with a Master of Science in Business Administration and Economics

Duncan Hall (COO)

Born 1967 in Leigh, United Kingdom

Career

2019	Member of the Executive Board and Chief Operating Officer at Bilfinger SE, Mannheim
2006 – 2018	Bilfinger SE, Mannheim, Germany
2015 – 2018	Executive President MMO Division Northwest Europe
2012 – 2014	Chief Executive Bilfinger Industrial Services UK Ltd.
2010 – 2012	Managing Director BIS Industrial Services Ltd.
2006 – 2010	Managing Director BIS O’Hare Ltd.
1999 – 2006	O’Hare Engineering, Runcorn and Edinburgh, UK
	Member of the Executive Board and Operations Director
1987 – 1999	Imperial Chemical Industries, UK
	Maintenance, turnaround and project management roles

Educational background

1984 – 1987	BSc (Hons) Electrical/Electronic Engineering, Leicester University
	Alumnus London Business School

A.3 Report of the Supervisory Board

Dr. Eckhard Cordes
Chairman
of the Supervisory Board

Dear Shareholders,

The COVID-19 pandemic and the effects arising from extreme volatility in the oil price since March 2020 had a major impact on the year under review. As expected, these events led to a significant decrease in revenue at Bilfinger, together with losses in the second quarter of 2020. Following a trough in April and May and a slight uptick as early as June, the third quarter showed a sequential improvement in both revenue and earnings on the strength of the economic recovery in the summer months. Because excess capacities were quickly scaled back, the negative impact of the lockdown measures on business development in the fourth quarter was not significant.

Overall, the Executive Board and Supervisory Board reacted quickly and dealt consistently and efficiently with the current challenges presented by the COVID-19 pandemic and oil price volatility. In view of the global dimension and the unchanged limited predictability of the COVID-19 pandemic, the Supervisory Board will continue to monitor the situation very closely and, together with the Executive Board, will make every effort to prevent or at least mitigate any additional negative effects on the Group's net assets, financial position and results of operations.

Following completion of the stabilization and build-up phases, Bilfinger successfully pressed ahead with the build-out phase of Strategy 2020+ in the reporting year – despite the challenges the company faced. In this phase, the Group's productivity will be further increased, the performance culture improved, and the complexity of structures and processes reduced.

In financial year 2020, the European business in particular demonstrated resilience and improved cost flexibility. Bilfinger has reduced capacities where the longer-term prospects are modest – including in the oil and gas business in the United Kingdom – closed down loss-making activities and at the same time pursued strategic alternatives, for example in the Technologies segment. Bilfinger also operated a strict cost management system with measures that had both temporary and sustainable effects. This made it possible to reduce selling and administrative expenses to well below budget.

In financial year 2020, the number of employees in the Group was also reduced by approximately 4,000, the majority of them in North America, North Europe and the United Kingdom. Bilfinger thus ended the reporting year with a leaner, adjusted cost base and is well positioned for the future. The structural improvements that have been underway for some time to harmonize processes and systems are scheduled for completion by mid-2021. These measures have been and will continue to receive positive advice from and be monitored by the Supervisory Board.

In the reporting year, Bilfinger was also able to free itself from two major legacy burdens from earlier years: Firstly, Bilfinger reached an out-of-court settlement in the long-running dispute relating to the collapse of the Cologne Municipal Archives in 2009. Payments to be made by Bilfinger in the total amount of €200 million were assumed in full by the company's insurers and, as expected by Bilfinger, had no impact on the Group's earnings and financial position. Secondly, the Supervisory Board negotiated a settlement with twelve former members of the Executive Board regarding the assertion of claims for damages due to alleged breaches of duty by the latter. Bilfinger SE shareholders approved the settlement by a large majority at the 2020 Annual General Meeting. The settlement concluded the matter and has a total volume of €18.2 million in Bilfinger's favor. The two settlements in financial year 2020 enabled Bilfinger to bring an end to the disputes and achieve legal peace. Bilfinger can now further intensify its focus on the future.

Other focal points of the work of the Supervisory Board and its committees dealt with over the course of the reporting included the requirements of the Act Implementing the German Second Shareholders' Rights Directive (ARUG II) and the new version of the German Corporate Governance Code (GCGC) and their implementation. One of the primary focuses of the board's work was the adoption of a revised Executive Board compensation system, which will be submitted to the 2021 Annual General Meeting for approval.

In the year under review, the Annual General Meeting elected Dr. Bettina Volkens and Mr. Robert Schuchna to the Supervisory Board as shareholder representatives, thus gaining two experienced and competent members who will provide valuable support and help move the Supervisory Board's monitoring and advisory forward. Dr. Volkens and Mr. Schuchna succeed Ms. Giadrossi and Mr. Tischendorf, who stepped down from their positions with effect from the 2020 Annual General Meeting.

In January 2021, the Supervisory Board and the Chief Executive Officer, Tom Blades, mutually agreed to comply with Mr. Blades' request not to extend his contract beyond June 30, 2021 for personal reasons and against the background of his reaching the age of 65. In agreement with the Supervisory Board, Mr. Blades declared the resignation of his mandate as Chairman and member of the Executive Board with immediate effect and withdrew from day-to-day business. Chief Financial Officer Christina Johansson has assumed the duties of Chief Executive Officer and Labor Director on an interim basis while retaining her current tasks. In the interests of a smooth transition, Mr. Blades has agreed to continue to support the company. The Supervisory Board of the company is addressing the issue of long-term succession and will make a final decision on the matter in the coming months. The Supervisory Board would like to thank Mr. Blades for his outstanding commitment as Chairman of the Executive Board.

With a view to the future challenges and growth potential in the market, the Executive Board and Supervisory Board continue to pursue the Strategy 2020+. The focus remains on the three success factors (people, assets, data), the provision of services in two service lines (Engineering & Maintenance and Technologies) and joint market development under one name (Bilfinger). The Supervisory Board is confident that the Executive Board - also in the temporary phase until a decision is made on the long-term succession following the departure of Mr. Blades - is well positioned for the challenges ahead and the further implementation of Strategy 2020+, and that the members of the Executive Board will advance and further develop Bilfinger as a competitive and leading international industrial services provider.

Overall, the activities of the Supervisory Board and its committees in financial year 2020 were intensive and characterized by a trusting and constructive cooperation among the members. On this basis, it was possible for the Supervisory Board to satisfy its monitoring and advisory function and thus also its responsibilities as a corporate body.

Cooperation between the Supervisory Board and the Executive Board

During financial year 2020, the Supervisory Board performed the duties incumbent upon it in an orderly manner in accordance with the law, the Articles of Incorporation and the Rules of Procedure. The Executive Board and the Supervisory Board worked together in a spirit of mutual trust for the benefit of the company. The Executive Board informed the Supervisory Board and its committees regularly, without delay and comprehensively both in writing and orally, of all issues of relevance to the company, particularly with regard to strategy, planning, business development, risk situation, risk management and compliance. The cooperation with the Executive Board was characterized by an open and detailed dialog.

The Supervisory Board reviewed, openly and critically discussed in detail and evaluated the reports from the Executive Board. It continuously and thoroughly monitored the work of the Executive Board, also on the basis of this reporting, and provided advice regarding the management and strategic positioning and development of the company, in particular with regard to the implementation of the Strategy 2020+. The Supervisory Board was involved regularly, directly and at an early stage, especially for decisions of fundamental importance for the company. The primary benchmarks for the supervision of the Executive Board by the Supervisory Board remained the legality, correctness, suitability and profitability of the Group-wide management of the business by the Executive Board. The content and scope of reporting from the Executive Board fulfilled the requirements placed on it by the law. As well as the reports prepared by the Executive Board, the Supervisory Board also received additional information from the Executive Board on a regular basis as well as whenever required. Between the scheduled meetings, at least the Chairman of the Supervisory Board and the Chairman of the Executive Board regularly exchanged ideas and information with regard to questions of strategy and planning, the progress of business, the risk situation, risk management and compliance at Bilfinger.

Article 15 Paragraph 1 of the Articles of Incorporation of Bilfinger SE and a revised catalog prepared by the Supervisory Board, embedded in the Rules of Procedure for the Executive Board and the Supervisory Board as well as the responsible committees and regularly reviewed for any necessary adjustments, list the transactions and measures of fundamental importance which require the approval of the Supervisory Board or one of its committees. The Supervisory Board or the responsible committee decided on transactions and measures submitted to the Supervisory Board in the reporting year and requiring its approval after reviewing them and discussing them with the Executive Board.

In the reporting year, no conflicts of interest of members of the Executive Board or Supervisory Board arose that would have had to be disclosed to the Supervisory Board without delay. Where potential conflicts of interest were reported to the Supervisory Board or otherwise became known, they were examined and no conflicts of interest requiring disclosure were identified.

In the reporting period, there were no related-party transactions in accordance with the new Section 111a Subsection 1 Sentence 2 and Section 111b Subsection 1 of the German Stock Corporation Act (AktG).

Supervisory Board meetings

In financial year 2020, the Supervisory Board convened for eight regular (six in the previous year) and three extraordinary (one in the previous year) meetings. The regular meetings took place on February 11, March 10, April 22, May 13, June 24, August 10, November 11 and December 15. Extraordinary meetings were held on February 26, October 22 and December 4. The average attendance rate of all Supervisory Board members at meetings of the Supervisory Board and its committees was 98.74 percent in the reporting year (87.35 percent in the previous year). The following overview shows which Supervisory Board meetings and committee meetings the individual members participated in:

Committee	Name of the Supervisory Board member													
	Dr. Eckhard Cordes	Stephan Brückner	Agnieszka Al-Selwi	Dorothée Deuring	Nicoletta Giadrossi	Dr. Ralph Heck	Susanne Hupe	Rainer Knerler	Dr. Janna Köke	Frank Lutz	Robert Schuchna	Jörg Sommer	Jens Tischendorf	Dr. Bettina Volkens
Supervisory Board														
February 11, 2020	•	•	•	•	x	•	•	•	•	•	–	•	•	–
February 26, 2020	•	•	•	•	•	•	•	•	•	•	–	•	•	–
March 10, 2020	•	•	•	•	•	•	•	•	•	•	–	•	•	–
April 22, 2020	•	•	•	•	•	•	•	•	•	•	–	•	•	–
May 13, 2020	•	•	•	•	•	•	•	•	•	•	–	•	•	–
June 24, 2020	•	•	•	•	–	•	•	•	•	•	•	•	–	•
August 10, 2020	•	•	•	•	–	•	•	•	•	•	•	•	–	•
October 22, 2020	•	•	•	•	–	•	•	•	•	•	•	•	–	•
November 11, 2020	•	•	•	•	–	•	•	•	•	•	•	•	–	•
December 4, 2020	•	•	•	•	–	x	•	•	•	•	•	•	–	•
December 15, 2020	•	•	•	•	–	•	•	•	•	•	•	•	–	•
Presiding Committee														
February 11, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–
February 19, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–
February 26, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–
March 9, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–
April 22, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–
July 2, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	•
July 23, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	•
August 10, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	•
September 14, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	•
December 14, 2020	•	•	–	–	–	•	–	•	–	–	–	–	–	–

Supervisory Board meetings, continued >

< Supervisory Board meetings, begin

	Name of the Supervisory Board member													
	Dr. Eckhard Cordes	Stephan Brückner	Agnieszka Al-Selwi	Dorothée Deuring	Nicoletta Giadrossi	Dr. Ralph Heck	Susanne Hupe	Rainer Knerler	Dr. Janna Köke	Frank Lutz	Robert Schuchna	Jörg Sommer	Jens Tischendorf	Dr. Bettina Volkens
Audit Committee														
February 7, 2020	–	–	–	•	–	–	–	–	•	•	–	•	–	–
March 6, 2020	–	–	–	•	–	–	–	–	•	•	–	•	–	–
May 11, 2020	–	–	–	•	–	–	•	–	–	•	–	•	–	–
August 10, 2020	–	–	–	•	–	–	•	–	–	•	–	•	–	–
November 9, 2020	–	–	–	•	–	–	•	–	–	•	–	•	–	–
Strategy Committee														
January 23, 2020	•	•	–	–	–	•	•	•	–	–	–	–	•	–
March 30, 2020	•	•	–	–	–	•	•	•	–	–	–	–	•	–
July 23, 2020	•	•	–	–	–	•	•	•	–	–	•	–	–	–
September 14, 2020	•	•	–	–	–	•	•	•	–	–	•	–	–	–
September 29, 2020	•	•	–	–	–	•	•	•	–	–	•	–	–	–
Nomination Committee														
March 2, 2020	•	–	–	–	–	–	–	–	–	•	–	–	•	–
March 9, 2020	•	–	–	–	–	–	–	–	–	•	–	–	•	–
March 26, 2020	•	–	–	–	–	–	–	–	–	•	–	–	•	–
April 29, 2020	•	–	–	–	–	–	–	–	–	•	–	–	x	–
Meeting participation rate for each Supervisory Board member in %	100.00	100.00	100.00	100.00	80.00	96.15	100.00	100.00	100.00	100.00	100.00	100.00	90.91	100.00
Total meeting participation rate of the members of the Supervisory Board in %							98.74							

• = Participation (in individual cases also by telephone) X = excused non-participation – = no member

In the reporting year, the members of the Executive Board regularly took part in the meetings of the Supervisory Board, whereby the Supervisory Board also generally convened for certain agenda items and topics without the Executive Board when warranted.

Topics in the plenary sessions

Current business developments and the situation of the company and the Group were discussed at all regular meetings of the Supervisory Board. The chairmen of the committees of the Supervisory Board each informed the plenum about the activities of the bodies they lead. In addition, the Supervisory Board regularly discussed the impact of the COVID-19 pandemic on the business development and situation of the company and the Group from April 2020. Other key issues discussed by the full Supervisory Board included refinancing, the financial position, corporate planning, development of earnings in the individual business areas, changes to the corporate structure and the optimization of administrative costs, the continued assertion and pursuit of claims for damages against former members of the Executive Board for breaches of duty, and the discussion and implementation of ARUG II-related requirements as well as the new version of the GCGC. The Supervisory Board continued to deal intensively with the topic of compliance, the compliance management system and the internal control system. Together with its Audit Committee, the Supervisory Board accompanies and monitors the systematic framework, further development, optimization and application of the preventive, detective and repressive measures taken by the company against the violation of laws and regulations.

In detail, the meetings of the Supervisory Board dealt with the following topics:

On February 11, 2020, the preliminary results for the 2019 financial year and the outlook for 2020, corporate planning for 2020 to 2024 including the budget for 2020, the strategy 2020+ as well as preparations for the 2020 Annual General Meeting were discussed. In addition, the topics of the D&O insurance program, Executive Board personnel matters and Executive Board remuneration, especially fulfillment of the variable remuneration components in 2020, were addressed. At this meeting, the Supervisory Board also dealt with the Report of the Supervisory Board, the combined Corporate Governance Report and Declaration of Corporate Governance as well as the Remuneration Report for the 2019 financial year.

At the extraordinary meeting on February 26, 2020, the Supervisory Board dealt with the continued assertion and pursuit of claims for damages against twelve former members of the company's Executive Board for breaches of duty and decided, subject to approval from the Annual

General Meeting, to conclude an out-of-court liability and coverage settlement agreement with the former Executive Board members and the D&O insurers. The Annual General Meeting of Bilfinger SE also approved the settlement on June 24, 2020. The settlement ended Bilfinger SE's assertion of claims for damages against the former Executive Board members and has a total volume of €18.2 million. In addition to the waiver of salary claims, Bilfinger received an amount of €16.75 million from the D&O insurers.

On March 10, 2020, the Supervisory Board focused primarily on the annual and consolidated financial statements for 2019 and approved the proposed resolutions to the Annual General Meeting. In accordance with the recommendation of the Audit Committee, the Supervisory Board proposed to the Annual General Meeting that the accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, be elected to conduct the external audit of the annual and consolidated financial statements for 2020. The Annual General Meeting approved this proposal on June 24, 2020. The auditor responsible for Bilfinger at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was again Prof. Dr. Sven Hayn. The March meeting also dealt with current business and market developments as well as Executive Board remuneration issues. The non-financial report 2019 was also a topic of the meeting.

At its meeting on April 22, 2020, the Supervisory Board addressed liquidity management and the business, particularly in the wake of the COVID-19 pandemic. In addition, the Supervisory Board, together with the Executive Board, decided to hold a virtual Annual General Meeting in 2020 in accordance with the COVID-19 Pandemic Mitigation Act.

On May 13, 2020, the Supervisory Board dealt with the quarterly statement as of March 31, 2020, the current business situation, Supervisory Board and Executive Board personnel matters, and, in the wake of the COVID-19 pandemic, the invitation to the virtual Annual General Meeting including an adjusted dividend proposal to the Annual General Meeting.

At its meeting on June 24, 2020, the agenda included Supervisory Board personnel matters and the out-of-court settlement in the case of the collapse of the Cologne Municipal Archives.

On August 10, 2020, the focus was on the half-year report as of June 30, 2020 with the outlook for 2020 as well as the discussion of Executive Board remuneration matters. In addition, the Supervisory Board again dealt with business and market development and the implementation of the new GCGC recommendations. The Supervisory Board also resolved to update its Rules of Procedure and has made them available on the company's website.

On October 22, 2020, the Supervisory Board dealt with a current project in an extraordinary meeting.

On November 11, 2020, the Supervisory Board dealt in particular with the quarterly statement as of September 30, 2020, the Technologies division, sustainability reporting, the remuneration system for the Supervisory Board and current projects. Furthermore, a review of the competence profile and independence of the Supervisory Board members was carried out within the scope of corporate governance.

Current issues and projects were discussed at the extraordinary meeting on December 4.

At the meeting on December 15, 2020, the Supervisory Board addressed the topics of corporate planning 2021 to 2025 including the 2021 budget, renewal of the revolving credit facility, current projects, compliance and information security. The meeting also dealt with recommendations of the new GCGC and the associated updated Declaration of Conformity. In addition, the Supervisory Board discussed Executive Board remuneration issues at the meeting and dealt with Executive Board personnel matters.

The members of the Supervisory Board are responsible for the training and continuing education measures that are necessary for them to perform their duties, such as on changes in the legal framework, and are supported in this by the company. Members of the Supervisory Board remain connected to Bilfinger's system for regular online training on compliance issues.

Work of the committees

In order to ensure the efficiency of its activities, the Supervisory Board has formed a Presiding Committee, an Audit Committee, a Strategy Committee as well as a Nomination Committee. The meetings and decisions taken by the committees, especially the meetings of the Audit Committee, Presiding Committee and Strategy Committee, were prepared by reports and other information from the Executive Board. There were regular reports on the meetings of the committees in the plenum of the Supervisory Board.

Presiding Committee of the Supervisory Board

The Presiding Committee of the Supervisory Board consists of *four members.* It partially prepares the plenary meetings and makes recommendations on important resolutions. Its duties include, in particular, dealing with personnel and remuneration matters of the Executive Board, including conflicts of interest, insofar as these do not have to be regulated by the Supervisory Board as a whole in accordance with the German Stock Corporation Act or the recommendations of the GCGC (in such a case, preparation takes place in the Presiding Committee).

In financial year 2020, there were eight regular meetings of the Presiding Committee of the Supervisory Board and two extraordinary meetings. The Presiding Committee regularly and thoroughly dealt with Executive Board remuneration, the Executive Board remuneration system, including revisions based on the requirements of ARUG II and the recommendations of the new GCGC, Executive Board personnel matters and other Executive Board topics. In addition, the Presiding Committee of the Supervisory Board made recommendations to the Supervisory Board on the allocation of responsibilities and governance topics. As an exception, a few of the resolutions of the Presiding Committee of the Supervisory Board were made in written form.

On February 19, 2020, the members of the Executive Committee received training from an external consultant on the legal framework for the revision of the Executive Board compensation system in accordance with ARUG II and the new GCGC. In addition, the General Counsel reported on the amendments and new recommendations of the GCGC at the meeting of the Presiding Committee on April 22, 2020.

Audit Committee

The Audit Committee also consists of *four members* and has equal representation. It monitors the accounting, the accounting process as well as the functionality and effectiveness of the risk management system, the internal auditing system and the internal control system. It also deals with questions relating to auditing and compliance as well as the compliance system. In addition, it is incumbent on the Audit Committee to conduct a preliminary review of the non-financial (Group) report and the non-financial (Group) declaration. The Chairman of the Audit Committee in the reporting year, Mr. Lutz, has particular knowledge required by law and experience in the application of accounting principles, auditing and internal control procedures.

The Audit Committee convened for five regular meetings in the past financial year. In addition to the Group management report, the committee primarily dealt with the annual financial statements for 2019, the quarterly statements and half-year reports for 2020, including the corresponding interim financial statements as of March 31, June 30 and September 30. Over the course of the year under review, the impact of the drop in oil prices and the COVID-19 pandemic on the business and situation of the company were the main topics of discussion. Representatives of the auditor participated in all regular meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements 2019, the auditor's review of the half-year report as of June 30, 2020 and on the significant findings and statutory amendments and developments in the area of accounting and auditing for the work of the Audit Committee. The Chairman of the Audit Committee also met individually with the Chief Financial Officer outside the committee meetings and discussed, among other things, the annual financial statements, the interim financial reports and additional finance topics with her. Furthermore, the Chief Financial Officer took part in the meetings of the Audit Committee on an ad hoc basis, in particular on compliance issues.

The Audit Committee reviewed the independence of the external auditors and gave a justified recommendation that the Supervisory Board propose their election by the Annual General Meeting in 2020. The Audit Committee is not aware of any reasons to doubt the external auditor's impartiality. The committee awarded the contracts for the audit of the individual and consolidated financial statements as well as for the auditor's review of the interim financial statements as of June 30, 2020 to the auditors, negotiated the audit fee with them and determined the focus of the audit. It also reviewed and approved the non-audit services to be provided by the auditor, where consistent with the established guidelines and other requirements, and ensured compliance with the fee limit for such services. In addition, representatives of the auditor informed the members of the Audit Committee regarding the new regulations on auditing and reporting by the auditor, in particular the requirements of the European Single Electronic Format (ESEF) and the draft bill for the Financial Market Integrity Strengthening Act (FISG). Further, the heads of Corporate Accounting, Controlling & Tax and Corporate Tax provided the committee members with an update on the Directive on Administrative Cooperation (DAC 6) reporting requirements for cross-border tax arrangements and on the handling of deferred taxes at Bilfinger. Finally, once again in this financial year, the Audit Committee carried out an evaluation of the quality of the audit of the financial statements from the previous year.

The Audit Committee was informed about the development of the risk situation through quarterly reports from Corporate Controlling, which were also submitted to the full Supervisory Board. The Audit Committee received regular reports on the activities of Internal Audit & Controls (including Books & Records Audits, Project Audit and Internal Control Design) and Corporate Compliance and discussed the topics in the reports. In order to allow the Audit Committee to evaluate risk management, Corporate Internal Audit & Controls and Corporate Compliance provided the

Committee with quarterly reports and Project Audit and Internal Control Design provided an annual report. The Audit Committee reviewed the functionality of the internal control system and the risk-management system in relation to the accounting process. The Audit Committee is of the opinion that the internal control system, the internal auditing system and the risk management system including the risk early warning system meet the demands that are made of them. The Audit Committee accompanies the implementation of improvement measures and will ensure that the ongoing development of these systems remains a priority in the future. Other topics on the agenda in the reporting year were the Sustainability Report and the non-financial reporting 2019, the situation regarding health and safety in the Group (Health, Safety, Environment, Quality - HSEQ), and the renewal of the revolving credit facility.

The Audit Committee dealt in particular with questions of compliance in detail and on a regular basis. The Chief Compliance Officer regularly reported to the committee on his activity as well as on the status of the of the compliance management system and its development, he also communicated personally with the Chairman of the Audit Committee over the course of the reporting year.

Nomination Committee

In line with the recommendation of the German Corporate Governance Code, the Supervisory Board has formed a Nomination Committee. This committee consists of *three members representing the shareholders* and suggests suitable candidates to the Supervisory Board for its recommendations for the election of Supervisory Board members to be made to the Annual General Meeting. There were two meetings of the Nomination Committee in the reporting year. Due to the departures of Ms. Giadrossi and Mr. Tischendorf, the Nomination Committee resolved in March and April 2020 to recommend to the shareholders on the Supervisory Board that Dr. Bettina Volkens and Mr. Robert Schuchna be proposed for election to the Supervisory Board by the next Annual General Meeting. Beyond this, the Nomination Committee did not convene in financial year 2020.

Strategy Committee

The Strategy Committee consists of *six members* and has equal representation. It accompanies the corporate strategy and principles of Group organization (with the exception of personnel issues), including their fundamental implementation. In terms of the fundamental matters of corporate strategy, it prepares any potential resolutions of the Supervisory Board and should formulate relevant recommendations for the Supervisory Board. It is also responsible for the decisions on legal and other transactions subject to approval that were assigned to it.

The Strategy Committee convened for four regular meetings and one extraordinary meeting in financial year 2020. In its meetings, it dealt in particular with Strategy 2020+, focusing among other things on the strategy of the Technologies division, the purchasing organization and strategy as well as issues related to hydrogen. In addition, the Strategy Committee dealt with business development, the further development of the operational management structure and the program to reduce administrative costs in the year under review. The committee also dealt in detail with the individual divisions and regions of the Group, their business and positioning, the profile and performance of selected Group companies as well as selected transaction projects and legal transactions subject to approval.

Corporate governance and declaration of compliance

In financial year 2020, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code as well as its requirements. On December 17, 2020, the Executive Board and the Supervisory Board jointly issued the annual Declaration of Compliance pursuant to Section 161 AktG. The current joint Declaration of Compliance from the Executive Board and the Supervisory Board as well as the previous declarations are permanently available on our website www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/. In addition, the Executive Board also reports on corporate governance at Bilfinger for the Supervisory Board in Chapter *A.4.1 Declaration of corporate governance and corporate governance report*.

Self-assessment

The Supervisory Board regularly evaluates the efficiency of its activities and those of its committees at least every two years. The next self-assessment of efficiency is scheduled for financial year 2021.

Audit of the company and consolidated financial statements

Accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as appointed auditors, has audited the annual financial statements and the combined management report of

Bilfinger SE and the Group prepared by the Executive Board in accordance with the German Commercial Code (HGB) for financial year 2020 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for financial year 2020 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Section 315e Subsection 1 of the German Commercial Code (HGB). The consolidated financial statements were also issued with an unqualified audit opinion by the auditors. The audit assignment had been issued by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting of June 24, 2020. The aforementioned financial statements, the audit reports of the external auditors and the proposal of the Executive Board on the appropriation of profits were provided to all members of the Supervisory Board in an orderly manner and in good time. The Audit Committee of the Supervisory Board, in preparation for the review and discussion of these documents by the plenary session of the Supervisory Board, discussed the financial statements and the audit reports as well as the proposal on the appropriation of distributable earnings, with the proposal for a dividend distribution, in the presence of the external auditors. In this context, the Audit Committee dealt in particular with the especially important key audit matters described in the Auditor's Report, including the audit treatments undertaken by the auditors. In addition, the Audit Committee had the auditor report on the collaboration with Corporate Internal Audit & Controls, Corporate Accounting, Controlling & Tax and others in positions relating to risk management and on the effectiveness of the internal control and risk management systems, in particular with regard to accounting, whereby the auditor stated that no significant weaknesses were found. Against this backdrop and in accordance with its own considerations, the Audit Committee is of the opinion that the internal control system, the internal auditing system and the risk management system meet the demands that are made of them, but should be continually optimized. In addition, the Audit Committee discussed with the auditor his audit report on the separate Non-Financial Report for financial year 2020 of Bilfinger SE and the Group to which reference is made in the combined management report.

The Supervisory Board undertook a detailed review of the annual financial statements, the consolidated financial statements and the combined management report of Bilfinger SE and the Group for the year 2020, as well as the proposal of the Executive Board on the appropriation of distributable earnings – following an explanation of these documents by the Executive Board – and dealt with these matters at its meeting on March 2, 2021. The audit from the Supervisory Board also covered the separate non-financial Group report 2020 of Bilfinger SE and the Group. The external auditors, represented by the two auditors who signed the audit opinion, also participated in the meeting on March 2, 2021. They explained the audit and responded to questions from the Supervisory Board on the results of the audit as well as its form and scope and, in this regard, went into detail for particularly important key audit matters including the audit treatments that were undertaken. They also discussed with the Supervisory Board the internal control and risk management system, in particular as it relates to the accounting process. The Supervisory Board shares the opinion of the Audit Committee on the effectiveness of these systems, including the pursuit for ongoing for improvement. The Supervisory Board was convinced that the audit by the external auditors was conducted in a proper manner. In concurrence with the recommendation of the Audit Committee, the Supervisory Board took note of and approved the results of the audit conducted by the external auditors. Following the final results of the Supervisory Board's own review carried out on this basis, there were no objections made; this applied, in particular, to the corporate governance statement combined with the corporate governance report, namely to the extent that its components are to be analyzed by the Supervisory Board alone. At its meeting held on March 2, 2021, the Supervisory Board approved the annual and consolidated financial statements and the combined management report for the 2020 financial year as submitted by the Executive Board. The company's financial statements for financial year 2020 were thus adopted.

The Supervisory Board, in its assessment of the situation of the company and the Group, is in agreement with the assessment made by the Executive Board in its combined management report. The Supervisory Board consents to the proposal of the Executive Board on the appropriation of distributable earnings, particularly with regard to the stringency of accounting and dividend distribution policy, the effects on liquidity, creditworthiness and future financing needs, as well as with consideration of shareholders' interests. In accordance with the recommendation of the Audit Committee, it consents to the Executive Board's proposal for the appropriation of distributable earnings and with the proposed dividend distribution.

Executive Board personnel matters

There were no personnel changes in the Executive Board in the reporting year. Tom Blades (Chairman), Duncan Hall (Chief Operating Officer) and Christina Johansson (Chief Financial Officer) continued to form the Executive Board in the year under review.

In January 2021, the Supervisory Board and the Chief Executive Officer, Tom Blades, mutually agreed to comply with Mr. Blades' request not to extend his contract beyond June 30, 2021 for personal reasons and against the background of his reaching the age of 65 soon. In agreement with the Supervisory Board, Mr. Blades declared the resignation of his mandate as Chairman and member of the Executive Board with immediate effect and withdrew from day-to-day business, but will remain available to support the company. Chief Financial Officer Christina Johansson has assumed the duties of Chief Executive Officer and Labor Director on an interim basis while retaining her current functions. The Supervisory Board of the company is addressing with the issue of long-term succession and will make a final decision on the matter in the months ahead.

Supervisory Board personnel matters

Ms. Nicoletta Giadrossi, successor to Ms. Lone Fønss Schrøder, and Mr. Jens Tischendorf stepped down as shareholder representatives on the Supervisory Board of the company with effect from the beginning of the Annual General Meeting on June 24, 2020. In place of Ms. Giadrossi, the Annual General Meeting on June 24, 2020 appointed Dr. Bettina Volkens as shareholder representative on the Supervisory Board of Bilfinger SE for the remainder of Ms. Fønss Schrøder's term of office, i.e. until the end of the Annual General Meeting that resolves on the ratification of actions for the 2020 financial year, but for a period of no more than six years. In place of Mr. Tischendorf, the Annual General Meeting on June 24, 2020 appointed Mr. Schuchna as shareholder representative on the Supervisory Board of Bilfinger SE for the remainder of Mr. Tischendorf's term of office, i.e. until the end of the Annual General Meeting that resolves on the ratification of actions for the 2020 financial year, but for a period of no more than six years. Dr. Volkens and Mr. Schuchna accepted the Supervisory Board mandate and were intensively supported by the company during their inauguration through individual discussions with the Executive Board, selected department heads and other experts as well as comprehensive corporate documentation and legal information and instruction. In addition, site visits to various Bilfinger locations were offered to all Supervisory Board members.

Personnel changes also took place in the Supervisory Board committees in the reporting year. Ms. Susanne Hupe has been a member of the Audit Committee since March 10, 2020, and took over as Vice Chair on May 11, 2020. Ms. Hupe succeeds Dr. Köke, who stepped down from the Audit Committee at her own request on March 10, 2020. Dr. Köke continues to focus on her tasks in the full Supervisory Board. Furthermore, on June 24, 2020, Mr. Schuchna was elected as a member of the Strategy Committee and Nomination Committee for the duration of his term in office on the Supervisory Board, where he succeeds the Supervisory Board member Mr. Tischendorf, who stepped down on June 24, 2020.

Dr. Eckhard Cordes (Chairman), Ms. Dorothée Deuring, Dr. Ralph Heck, Mr. Frank Lutz, Mr. Robert Schuchna and Dr. Bettina Volkens thus represent the shareholders on the Supervisory Board. Representatives of the employees remain Ms. Agnieszka Al-Selwi, Mr. Stephan Brückner (Deputy Chairman), Ms. Susanne Hupe, Mr. Rainer Knerler, Dr. Janna Köke and Mr. Jörg Sommer. The duration of each person's membership in the Supervisory Board can be found in the overview of the *Boards of the company*. The current members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates.

Thanks to Executive Board and employees

The Supervisory Board thanks the members of the Executive Board for the trusting and constructive cooperation as well as their outstanding commitment in the past financial year, particularly in light of the COVID-19 pandemic and the impact resulting from volatility in the price of oil. The Supervisory Board would also especially like to express its thanks and its appreciation to all employees for their good work and the commitment they have demonstrated for Bilfinger in the challenging financial year 2020. Despite the special circumstances and considerable uncertainties in the 2020 financial year, they met the challenges as a Bilfinger team, together getting Bilfinger through this difficult situation moving the company forward.

Adoption of this report

The Supervisory Board adopted this report at its meeting on March 2, 2021 in accordance with Section 171 Subsection 2 AktG.

For the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board
Mannheim, March 2, 2021

A.4 Corporate Governance

A.4.1 Declaration of corporate governance and corporate governance report

In accordance with Principle 22 of the German Corporate Governance Code in the version dated December 16, 2019, which took effect on March 20, 2020 (GCGC), the annual report of the Executive Board and the Supervisory Board on corporate governance at Bilfinger is integrated into the declaration of corporate governance for Bilfinger SE and the Group to be issued below pursuant to Sections 289f, 315d of the German Commercial Code (HGB). The explanations apply to both Bilfinger SE and the Group, unless presented otherwise.

The declaration of corporate governance together with the corporate governance report is also available on the Company's website at https://www.bilfinger.com/en/company/corporate-governance/declaration-of-corporate-governance/. This and previous versions of the declaration of corporate governance are available for at least five years in accordance with the German Corporate Governance Code.

Declaration from the Executive Board and the Supervisory Board of Bilfinger SE on the recommendations of the "Government Commission German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG)

On December 17, 2020, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following Declaration of Compliance:

"Bilfinger SE complies with all of the recommendations of the German Corporate Governance Code (GCGC) as amended on December 16, 2019 with the following exceptions:

As a result of limitations and complications caused by the Corona pandemic, the Supervisory Board of Bilfinger SE has not yet completed its revision of the Executive Board remuneration system on the basis of the Act on the Implementation of the Second Shareholders' Rights Directive (BGBl I 2019, p. 2637) as well as the GCGC 2020, among other things. Accordingly, on the basis of the Executive Board remuneration system in place since 2015, the recommendations G.1 (regarding the definition of the remuneration system with the explicit determination of the target total remuneration and the maximum remuneration, both with regard to the total remuneration and with regard to the multi-year-variable remuneration component – Long Term Incentive (LTI), as well as the explicit determination of the relative proportions of the remuneration components), G.2 (regarding the determination of the specific target total remuneration for each Executive Board member), G.3 (regarding the use of a peer group of other companies), G.10 Sentence 2 (regarding the four-year minimum holding period for long-term variable amounts), G.11 Sentence 2 (regarding the possibility of withholding and reclaiming variable remuneration components), G.13 Sentence 1 (regarding the severance payment cap insofar as applicable to severance payments in the event of a change of control (change-of-control clauses)) and G.15 (regarding the offsetting of remuneration without annual allowance in the case of intra-Group Supervisory Board mandates) were not followed to the extent indicated. The Supervisory Board will complete the revision of the Executive Board remuneration system in time to present the new Executive Board remuneration system together with the Executive Board for approval at the next Annual General Meeting scheduled for April 15, 2021. Until the new Executive Board remuneration system takes effect and, in addition, for existing contracts of Executive Board members, the current Executive Board remuneration system in place since 2015 will continue to apply.

Further, the recommendation in G.7 Sentence 1 regarding the definition of performance criteria for all variable remuneration components prior to the start of the financial year as relates to the short-term operational and strategic objectives of the Short Term Incentive (STI) to be defined and the target of the LTI for the financial year or the 2021 tranche will not be followed in this financial year. A timely determination is not possible due to the complicated and delayed budgeting process for 2021 caused by the Corona pandemic and the circumstances surrounding it. The Supervisory Board intends to comply with the recommendation in G.7 Sentence 1 to this extent from next year, which means that the targets for the STI and LTI for 2022 will be set already in 2021.

The recommendation in G.7 Sentence 1 with regard to the linking of compensation components to specific targets in advance is not followed, nor with regard to the possibility of special payments at the reasonable discretion of the Supervisory Board. This allows the Supervisory Board, in exceptional cases, to make such a payment to recognize and further incentivize outstanding successes or individual achievements by a member of the Executive Board that have a significant beneficial effect on the company and generate benefits in the future. In this context, a corresponding special payment is subject to a strict obligation to justify such a payment and is limited in that it is subject to the appropriateness requirement as part of total remuneration.

Since issuing the Declaration of Compliance of December 11, 2019, the company has, until today's date, complied with all recommendations of the German Corporate Governance Code as amended on February 7, 2017, with the following exception:

The recommendation in Section 4.2.3 Subsection 2 Sentence 6 (limitations on the maximum amount of Executive Board remuneration in general and the variable components of that remuneration) has not been followed. As part of the Long Term Incentive (LTI), the variable remuneration component for members of the Executive Board of the company, valid from 2015, virtual shares in the company, so-called performance share units (PSU), are allocated each year, the number of which is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as determined by the Supervisory Board as well as the development of the total shareholder return value (TSR value) of the company's share in relation to the TSR value of the shares of the MDAX-listed companies. The final number of units is subject to a cap which limits the final number to 150 percent of the original number of units. The share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of a share-based remuneration. The Supervisory Board is authorized, however, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs.

Mannheim, December 17, 2020

For the Supervisory Board	For the Executive Board
Dr. Eckhard Cordes	Tom Blades

This Declaration of Compliance is also published on the company's website at https://www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/ and is updated when changes occur as well as independent of any changes at least once a year. This and previous versions are available for at least five years in accordance with the German Corporate Governance Code.

Principles of corporate governance

Our corporate practices are shaped by integrity, fairness, transparency and cooperation, both internally with employees and externally with business partners and the general public. Within the scope of our activities for the company, we are guided by the generally recognized principles of responsible corporate governance. For us, responsible corporate governance means actively implementing legal requirements, the provisions of the Articles of Incorporation of Bilfinger SE, our internal Group regulations and principles as well as recommendations that generally go beyond these, in particular those of the GCGC, when it comes to decision-making and control processes.

German Corporate Governance Code

At Bilfinger, clearly structured and practiced corporate governance is a top priority. It forms the basis of our decision-making and control processes. In addition, the principles of good and responsible corporate governance guide the actions of the management and supervisory bodies of Bilfinger SE. The term 'corporate governance' as it is generally understood refers to the legal and factual framework for the management and supervision of a company, including its organization, its business management principles and guidelines as well as the internal and external monitoring and control mechanisms.

A comprehensive and transparent corporate governance ensures the responsible, value-oriented and sustainable management and control of the company. It forms the foundation for sustainable business success and fosters trust among our shareholders, customers, employees, business partners and the financial markets.

The GCGC contains principles, recommendations and suggestions for the Executive Board and the Supervisory Board that are intended to ensure the company is managed in its own best interests. Bilfinger supports the goal set out by the GCGC of enhancing the transparency and comprehensibility of the corporate governance system and fostering trust among national and international investors, customers, employees as well as the public and other stakeholders in the management and supervision of German listed and capital-market-oriented companies. Bilfinger SE complies with the recommendations of the GCGC, barring the exception listed in the above declaration issued in accordance with Section 161 AktG. Bilfinger SE also fulfills the non-binding suggestions of the GCGC to as great an extent as possible.

Principles of our actions

We take responsibility for our actions, comply with applicable law and ensure compliance with internal policies and processes. In this regard, we target our business behavior toward Group-wide standards that go beyond the requirements of the law and the GCGC. They are based on our corporate values as they are laid out in our Mission Statement and the Group principles. In this regard, integrity and safety are of utmost importance and our primary objective. To achieve a lastingly stable and thus sustainable company success on this basis, it is our goal that our business activities are also aligned with the needs of the environment and society. We have defined the most important principles in our Code of Conduct, which provides all employees of Bilfinger SE and the Group with orientation for responsible, compliant and proper conduct in daily business and which is binding for all employees worldwide, including members of the boards. This relates to how we deal with each other and how we deal with customers and business partners and the general public. Among the most important principles are, on the basis of respect for law and order, fairness and responsibility. In addition to the general principles of behavior, the Code of Conduct includes, among other things, rules related to integrity as well as the handling of conflicts of interest, and prohibits corruption and discrimination of any kind. The individual topics are substantiated by corresponding Group policies. The Code of Conduct and the substantiated Group policies are regularly reviewed and adjusted for current needs and developments.

Integrity and safety constitute the cornerstones of our corporate culture. Responsibility for our employees, for the environment and in our interaction with partners is firmly rooted in our Mission Statement. Our shared corporate values are defined in our Bilfinger Code of Conduct.

We are also a member of the United Nations' "Global Compact", an international association of companies and organizations. Its members have committed themselves, within their scope of influence and on the basis of 10 principles of ethical business activity to, among other things, supporting human rights, fighting discriminatory labor and social practices, improving environmental protection, expanding the use of environmentally friendly technologies and advocating against corruption in all its forms.

Transparency

Bilfinger SE informs participants in the capital market and those members of the general public who are interested promptly, regularly and adequately regarding the economic situation of the Group and new relevant facts. The Annual Report and all interim reports are published on the company's website in due time. In addition, press releases or, whenever necessary, ad hoc announcements provide information on current events and developments. More extensive information on the Group can be found on the website at www.bilfinger.com. All scheduled dates for important recurring publications or events, such as the Annual General Meeting, Annual Report, quarterly statements, interim report or Capital Markets Day, are summarized in a financial calendar and are also available on the website.

In accordance with recommendation A.3 GCGC, the Chairman of the Supervisory Board is also prepared, if necessary and in consultation with the Executive Board, to hold discussions with investors on topics specific to the Supervisory Board.

Compliance and basic features of the Compliance Management System

Integrity, legal responsibility and compliance are inseparable from our daily business operations. Compliance with legal and internal regulations is the basis of successful business activity and is part of good corporate governance. Our objective is to ensure that all employees worldwide always fulfill their tasks in accordance with all applicable laws, internal policies, internationally recognized standards of behavior and voluntary commitments – because we never compromise on integrity, compliance and safety. Our comprehensive Bilfinger Compliance Management System pursues the objective of preventing compliance violations through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, reacting quickly and consistently punishing misconduct.

To firmly and sustainably establish the Compliance Management System in the company, we rely on clear and comprehensive compliance governance, which is understood and internalized by our employees, and on the smooth interaction of all control functions within the company.

The supporting of Group companies through compliance managers, training courses and regular internal communication ensures that all employees are familiar with the Code of Conduct and all relevant policies, including their amendments and updates. In addition, a Compliance Help Desk offers a central point of contact for comprehensive advice for all employees on compliance-related issues. All of our employees are required to report possible compliance violations. Such reports can also be made anonymously through the whistleblower system, which is not only available internally, but also to external third parties. Internal whistleblowers are particularly protected against reprisals. Information provided in this manner as well as other possible violations of compliance rules are carefully reviewed as part of our internal investigation process to determine and prove possible misconduct. Any indication of particularly serious compliance violations are assessed by an independent, cross-departmental committee (Independent Allegation Management Committee). A separate committee (Disciplinary Committee) sanctions proven misconduct and ensures the consistent application of sanctions. Findings from the internal investigations are also used to continually improve the Compliance Management System as well as the effectiveness of processes and controls. To manage and monitor the organization as well as the implementation and further development of the entire Bilfinger Compliance Management System, there is a Compliance Review Board. This body consists of the members of the Executive Board as well as corporate department heads and convenes quarterly under the chairmanship of the Chief Compliance Officer. Corporate Internal Audit & Controls verifies the implementation of the Compliance Management System and the implementation of the compliance policies within the scope of internal audits and separate audits from the Internal Control System in the individual business units.

We formulate clear compliance requirements also for our business partners, because integrity and compliant behavior are a vital precondition for any relationship to proceed in a spirit of trust. For this reason, we work to ensure, in the selection of our direct business partners, that they comply with the laws, follow ethical principles and also operate this way in the supply chain. We apply a risk-based due diligence process to audit our business partners before entering into a business relationship. For certain third parties classified as very risky, there are also audits conducted during the business relationship by Corporate Internal Audit & Controls (from January 1, 2021 Corporate Internal Audit & Investigations).

The appropriateness and effectiveness of the Bilfinger Compliance Management System is continuously reviewed and optimized by us to ensure that regulatory requirements, market changes and the needs of our customers are taken into account. The continuing effectiveness of the Bilfinger Compliance Management System is a top priority for Bilfinger.

Composition and working methods of the Executive Board

Bilfinger SE is a European stock corporation headquartered in Germany and is subject to the special European SE regulations and the German SE Implementation Act as well as the German SE Employee Involvement Act. It has a dual management and control structure consisting of the Executive Board and the Supervisory Board. The two committees work in close cooperation for the benefit and in the interest of the company. The third body of the company is the Annual General Meeting. At present, no use is made of the possibility of forming an advisory board, as allowed by Article 17 of our Articles of Incorporation.

The *members of the Executive Board* are appointed by the Supervisory Board. The Executive Board had three members in the reporting year. Due to the resignation of the Chairman of the Executive Board, the Executive Board currently has had two members since January 20, 2021. The Executive Board manages the company in its own responsibility in the interests of the company. As its executive body, it is committed to increasing the sustainable value of the company. Its tasks include setting the company's corporate goals and strategic focus, coordinating these with the Supervisory Board and implementing them, taking decisions on matters of principle, managing and monitoring the operating units and business of Bilfinger SE and the Group as well as implementing and monitoring an efficient internal control and risk management system. The Executive Board ensures compliance with statutory provisions and internal guidelines and the observance of these within the company. The Executive Board has established a comprehensive Compliance Management System. The Compliance Management System's basic features are described in the preceding section *Compliance and basic features of the Compliance Management System.* The Executive Board represents the company to third parties. Its actions are guided by the interests of the company, i.e. the interests of shareholders, employees and other groups affiliated with the company, including the public, with the aim of a sustainably increasing enterprise value. The Supervisory Board has issued Rules of Procedure for the Executive Board which contain the rules of cooperation within the Executive Board and between the Executive Board and the Supervisory Board. The members of the Executive Board base their actions on the Rules of Procedure, legal provisions, the Articles of Incorporation and the Schedule of Responsibilities as well as on other relevant regulations. In accordance with the Schedule of Responsibilities approved by the Presiding Committee of the Supervisory Board, Executive Board members are each allocated responsibility for the management of certain areas. They take joint responsibility for the management of the company, however. In addition, the Chairman of the Executive Board coordinates the work of Executive Board members. The resolutions of the Executive Board are made primarily in the regular Executive Board meetings. They may, however, also be made in extraordinary Executive Board meetings, in written procedures or through other methods of communication. For certain transactions and actions, including measures and transactions of an Executive Board member, which are of exceptional importance for the company or which involve an exceptional economic risk, the Executive Board Rules of Procedure or self-defined specifications require a resolution by the full Executive Board. Approval from the Supervisory Board or one of its committees is also required for particularly significant actions and transactions in accordance with the Articles of Incorporation and Rules of Procedure. This includes, among other things, the fundamental determination and basic changes to the corporate strategy as well as the Group organization, the addition of new business segments or the discontinuation of existing business segments, the purchase and sale of investments above a certain volume as well as entering into long-term financial commitments and the issue of bonds. The Executive Board and Supervisory Board work closely together for the benefit of the company. At regular intervals, the Executive Board reports to the Supervisory Board or its relevant committee comprehensively on the strategy of the business units, the corporate planning, profitability, business development and the position of the company as well as on the internal control system, the risk management system and the compliance system.

In the reporting year 2020, 30 Executive Board meetings (thereof five extraordinary meetings) were convened. The Executive Board has not formed any own committees.

With regard to the composition of the Executive Board, it is incumbent on the Supervisory Board to prepare a diversity concept pursuant to Section 289f Subsection 2 No. 6 HGB. This is described in greater detail in the section *Joint diversity concept and competence profile for the cooperation between the Executive Board and the Supervisory Board*.

Details of the remuneration of the Executive Board members can be found in the *remuneration report*, which is part of the combined management report. The remuneration report for the last financial year, the respective auditor's report and the applicable remuneration system are published - to the extent required by law and available - on the Company's website at https://www.bilfinger.com/en/company/corporate-governance/remuneration-executive-board-and-supervisory-board/.

Composition and working methods of the Supervisory Board

Supervisory Board

In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of 12 members, six of whom are representatives of the shareholders and six of whom are employee representatives. The shareholder representatives are elected by the Annual General Meeting. It is thereby incumbent on the Supervisory Board, in accordance with Section 124 Subsection 3 Sentence 1 AktG, to propose candidates to the Annual General Meeting. The appointment of the employee representatives is carried out by the SE Works Council in accordance with the agreement on employee participation reached between company management and the European employee representatives on July 15, 2010. With regard to the appointment of those members to be appointed by the SE Works Council, the Supervisory Board has no right to make proposals; it is – as is the case for the Annual General Meeting as well – not involved in the selection procedure for the employee representatives in the Supervisory Board. Members of the Supervisory Board all have the same rights and obligations and are not bound by instructions or orders.

The Supervisory Board advises and monitors the Executive Board in its management of the company and is responsible for the appointment and dismissal of Executive Board members, their employment contracts and remuneration, including the remuneration system. At the proposal of the Presiding Committee, it sets the targets for the variable remuneration components of the Executive Board's remuneration and their fulfillment, and reviews the appropriateness of the overall remuneration together with the remuneration system for the Executive Board on a regular basis. The Supervisory Board is also involved in decisions of fundamental importance to the company and discusses – generally with the Executive Board – business development and planning as well as strategy and its implementation at regular intervals. The Supervisory Board, taking into account the external auditors and the audit reports submitted by them as well as the proposals of the Audit Committee, also undertakes a detailed examination, as required by law, of the individual financial statements, the consolidated financial statements and combined management report of Bilfinger SE and the Group, as well as of the proposal of the Executive Board on the appropriation of profits. Within the scope of its responsibilities, the Supervisory Board also monitors the company's compliance with legal provisions, official regulations and internal guidelines. In general, it receives reports from the Executive Board at regular intervals on issues provided for by law and other relevant topics. The information and reporting obligations of the Executive Board to the Supervisory Board, its committees and – between Supervisory Board meetings – to the Chairman of the Supervisory Board were defined in greater detail by the Supervisory Board in an information regulation. For transactions of fundamental importance or which have been otherwise classified as particularly significant, such as major acquisitions, disposals, capital expenditures and finance measures, the Articles of Association and Rules of Procedure stipulate that approval is required from the Supervisory Board or one of its committees.

The Supervisory Board executes its tasks in accordance with legal requirements, the Articles of Incorporation, its Rules of Procedure and its resolutions. To prepare the Supervisory Board meetings, separate preparatory meetings of the shareholder and employee representatives are held as required. The Supervisory Board also meets regularly without the Executive Board. The resolutions of the Supervisory Board are made primarily in Supervisory Board meetings, but can also be made in written procedures or through other methods of communication. Insofar as nothing else is compulsory under the law, Supervisory Board resolutions require the simple majority of votes cast. In the event of a tied vote and a renewed voting which also leads to a tied vote, the Chairman of the Supervisory Board has a casting vote. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board; in reporting year 2020 there were 11 meetings (thereof three extraordinary meetings) of the Supervisory Board.

Each member of the Supervisory Board must disclose conflicts of interest to the Supervisory Board. Information on conflicts of interest that have arisen and how they are dealt with is provided in the Report of the Supervisory Board. Special on-boarding events are held for new Supervisory Board members to familiarize them with the company's business model and the structures of the Bilfinger Group. Further information on support for Supervisory Board members during their induction and on training and development measures can be found in Chapter *A.3 Report of the Supervisory Board*.

The Supervisory Board regularly evaluates the efficiency of its activities and the activities of its committees, but at least every two years. The last self-assessment took place in financial year 2019 and the next self-assessment of the Supervisory Board and its committees is scheduled for financial year 2021.

The Supervisory Board informs shareholders in detail about its activities as well as its additional reporting obligations in its annual report, which can be found in Chapter *A.3 Report of the Supervisory Board*. The current composition of the Supervisory Board and its committees can be found in the Chapter *D.4 Boards of the company*. There, the mandates executed by members of the

Supervisory Board in the controlling bodies of other companies as well as significant activities beyond the Supervisory Board mandate with the company are listed. The curricula vitae of Supervisory Board members are published on the company's website at https://www.bilfinger.com/en/company/executive-supervisory-board/supervisory-board and are updated annually.

Remuneration of the members of the Supervisory Board is presented in the connected *remuneration report* (part of the combined management report). The remuneration report for the last financial year, the respective auditor's report and the applicable remuneration system are published - to the extent required by law and available - on the Company's website at https://www.bilfinger.com/en/company/corporate-governance/remuneration-executive-board-and-supervisory-board/.

Supervisory Board committees

In order to enhance the efficiency of its activities, the Supervisory Board in the reporting year formed a Presiding Committee, an Audit Committee, a Nomination Committee and a Strategy Committee. With the exception of the Nomination Committee, all committees have equal representation.

The Presiding Committee of the Supervisory Board, consisting of four members, includes Dr. Eckhard Cordes (Chairman of the Presiding Committee), Mr. Stephan Brückner (Deputy Chairman of the Presiding Committee), Dr. Ralph Heck and Mr. Rainer Knerler. The main tasks of the Presiding Committee include, in particular, regulating the personnel issues of the Executive Board and its remuneration, unless the provisions of the German Stock Corporation Act and the GCGC stipulate that they are to be regulated by the plenum of the Supervisory Board, as well as conflicts of interest. In particular, the Presiding Committee submits proposals for the appointment and dismissal of Executive Board members and is responsible for concluding, amending, extending and terminating employment contracts with members of the Executive Board, unless the Supervisory Board is mandatorily responsible. In proposing initial appointments, the Presiding Committee considers that the term of appointment should generally not exceed three years, with an assessment to be made on a case-by-case basis as to what term of appointment within the legally permissible term of appointment appears appropriate. When making proposals for the appointment of members of the Executive Board, the Presiding Committee pays attention to compliance with the competence profile and diversity concept defined by the Supervisory Board for the Executive Board, including the defined target for the proportion of women on the Executive Board (see the following section *Joint diversity concept and competence profile for composition of the Executive and Supervisory Boards*), as well as long-term succession planning and diversity. In this context, relevant resolutions of the Supervisory Board are prepared and recommendations for important resolutions are submitted to the Supervisory Board. In financial year 2020, ten meetings (thereof two extraordinary meetings) of the Presiding Committee took place.

The Audit Committee, consisting of four members, includes Mr. Frank Lutz (Chairman of the Audit Committee), Ms. Susanne Hupe (since March 10, 2020; until March 10, 2020 Dr. Janna Köke)(Deputy Chairwoman of the Audit Committee), Ms. Dorothée Deuring and Mr. Jörg Sommer. In the reporting year, the committee had and continues to have an independent member and Chairman in the person of Mr. Frank Lutz, who, in accordance with Section 100 Subsection 5 AktG, has expert knowledge in the areas of accounting and auditing and has particular experience in the application of internal control procedures due to his training and previous activities, including as CFO and in other audit committees. The Audit Committee deals, among other things, with questions of accounting and the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, the internal auditing system and compliance as well as with the audit of the consolidated financial statements. It is responsible for the preliminary audit of the annual and consolidated financial statements and the combined management report of Bilfinger SE and the Group. On the basis of the auditor's report on the audit of the financial statements, the Audit Committee submits proposals for the adoption of the annual financial statements of Bilfinger SE and approval of the consolidated financial statements by the Supervisory Board following its own preliminary review. The Audit Committee is responsible for discussing the quarterly statements and the half-year financial report with the Executive Board and the auditors, and for dealing with the auditors' reports on the review of the consolidated half-year financial statements and the interim Group management report. It deals with the selection and the independence of the auditor, issues the audit assignment for the annual financial statements and the consolidated financial statements to the auditor elected by the Annual General Meeting, makes a fees agreement with the auditor and also reviews the additional services provided by the auditor. In financial year 2020, five meetings of the Audit Committee took place.

In accordance with the recommendation of the GCGC, the Supervisory Board also established a Nomination Committee consisting exclusively of shareholder representatives. The Nomination Committee, which has three members, included in the reporting year Dr. Eckhard Cordes (Chairman of the Nomination Committee), Mr. Robert Schuchna (since June 24, 2020; until June 24, 2020, Mr. Jens Tischendorf) and Mr. Frank Lutz. The committee proposes suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of shareholder representatives to the Supervisory Board. On top of the necessary knowledge, skills and professional experience of the proposed candidates, the Committee gives due consideration to the objectives designated by the Supervisory Board for its composition and the adopted diversity concept, including in particular independence and diversity, while at the same time striving to meet the competence profile. Attention is also paid to the appropriate participation of women and men in accordance with the statutory requirements on gender quotas, and ensuring that members of the Supervisory Board as a whole are familiar with the sector in which the company operates. The committee convened four times in the 2020 reporting year.

The Strategy Committee, consisting of six members, includes Dr. Eckhard Cordes (Chairman of the Strategy Committee), Mr. Stephan Brückner (Deputy Chairman of the Strategy Committee), Dr. Ralph Heck, Mr. Rainer Knerler, Mr. Robert Schuchna (since June 24, 2020; until June 24, 2020, Mr. Jens Tischendorf) and Ms. Susanne Hupe. It accompanies the corporate strategy and Group organization (with the exception of personnel issues), including their fundamental implementation. In this context, it prepares any potential resolutions of the Supervisory Board and should formulate relevant recommendations for the Supervisory Board. In addition, it has responsibility for decisions on assigned legal business and transactions that require approval. The committee convened five times in the 2020 reporting year (thereof one extraordinary meeting).

Which meetings of the committees each individual member attended in the reporting year can be viewed in the overview in Chapter *A.3 Meetings of the Supervisory Board*.

The resolutions of the committees were made primarily in the meetings, but partially also in written procedures or through other methods of communication. The respective Chairmen of the committees reported to the plenary session of the Supervisory Board on the work done in the committees they lead.

Joint diversity concept and competence profile for the composition of the Executive and Supervisory Boards

Pursuant to Sections 289f Subsection 2 No. 6, 315d Subsection 2 HGB, Bilfinger SE shall report on the diversity concept it follows for the composition of the Executive Board and Supervisory Board, its objectives, the form of its implementation and the results achieved in the reporting year. The Supervisory Board has combined the diversity concept with the requirements of the German Act on Equal Participation of and Women and Men in Executive Positions and the targets defined in the fulfillment of relevant targets for the composition of the boards in the joint competence profiles for the Executive Board and the Supervisory Board described below. The competence profiles also serve as the basis for long-term succession planning.

Executive Board

The Supervisory Board and the Presiding Committee ensure that a long-term personnel and succession planning takes place in the Executive Board and coordinate this with the Executive Board. Due to the sensitivity of the topic, the corresponding planning process is primarily managed and coordinated in the Presiding Committee. The Presiding Committee deals with the subject at least once a year as a focal point, as well as when the occasion arises. Potential succession options are examined both internally with the support of the Executive Board and externally, if necessary with the help of external consultants, on the basis of the defined planning horizon and the requirement profiles developed for Executive Board members. Coordination with the Executive Board regarding possible internal succession takes place on a regular basis and also includes support for the potential promotion of candidates.

The Presiding Committee prepares the decisions of the Supervisory Board on the basis of the planning and requirement profiles in particular and prepares proposals and recommendations. Personal suitability, professional qualifications for the position, previous performance and experience, integrity and convincing leadership qualities as well as the ability to adapt business models and processes in a changing world are particularly important criteria for an Executive Board candidate. The Executive Board must, in its entirety, have the knowledge, skills and experience necessary for the orderly performance of its tasks. Diversity is an important selection criterion when filling Executive Board positions, also with regard to aspects such as age, gender as well as educational and professional background. The objective of the requirement profile for the Executive Board of Bilfinger SE is to ensure that the composition of a strong Executive Board is as diverse and complementary as possible.

As part of its decisions in the filling of Executive Board positions, the Supervisory Board also considers the following aspects, whereby the Supervisory Board, as well as the Presiding Committee, primarily consider the fulfillment of the following competence profile and diversity concept, whereby the Supervisory Board in the filling of a specific Executive Board position always gives weight to the circumstances of each individual case and is guided by the interests of the company.

Competence profile and diversity concept

- The members of the Executive Board should have many years of management experience, also in major companies or groups and bring with them experience from various careers wherever possible.
- At least one member should have international management experience.
- The Executive Board in its entirety should also embody an international perspective in the sense of various cultural backgrounds or international experience whereby, wherever possible, at least one member of the Executive Board should be of international origin.
- At least one member of the Executive Board should have a professional background in the process industry.
- The Executive Board in its entirety should have many years of experience in the areas of services, compliance, finance and personnel management.
- Integrity should be a high priority for each individual Executive Board member.
- The Supervisory Board has defined a target for the proportion of women in the Executive Board. This is described in the section *Equal participation of women and men in executive positions*.
- In accordance with the recommendation of the GCGC, the Supervisory Board has now defined an age limit for members of the Executive Board at the age of 67, which is the statutory retirement age. Deviations from the age limit in individual cases are to be justified. Regardless of this rule, the Supervisory Board pays attention to a sufficient mix of ages among the members of the Executive Board.

The members of the Executive Board have a broad spectrum of knowledge and experience as well as educational and professional backgrounds and possess international experience. The composition of the Executive Board as of December 31, 2020, in the estimation of the Supervisory Board, therefore corresponded with the competence profile and diversity concept that are followed. Even after the departure of CEO Tom Blades from the Executive Board in January 2021, the Supervisory Board believes the situation remains broadly unchanged, but in the course of the succession will ensure that the competence profile and diversity concept are met and that some competences are strengthened. Brief curriculum vitaes of the current members of the Executive Board can be found in Chapter A.2 Executive Board of Bilfinger SE and are available on the company's website at https://www.bilfinger.com/en/company/executive-supervisory-board/executive-board/. It can thus be seen that the Executive Board of Bilfinger SE, even with its current two members, has a diverse and experienced composition. The members of the Executive Board have many years of management experience, including in groups, and bring with them experience from various careers. The Executive Board has the knowledge and experience considered essential in light of the services that Bilfinger provides. Both members of the Executive Board have international management experience, including expertise in personnel, and Mr. Hall has a professional background in the process industry with a focus on oil and gas. Ms. Johansson, as an experienced financial expert, has many years of experience in the field of finance. Compliance and integrity are a top priority for all members of the Executive Board. No member of the Executive Board is older than 67 and there is a sufficient mix of genders among the members of the Executive Board.

Supervisory Board

In terms of the composition of the Supervisory Board, it is to be ensured that its members generally have the knowledge, skills and experience necessary for the orderly execution of the office and the tasks associated with it as well as the particular requirements laid out by the law and the GCGC for the Supervisory Board, its committees and individual members. The objective of the requirements profile for the full Supervisory Board of Bilfinger SE is also to ensure that the composition of the Supervisory Board is as diverse and complementary as possible so that the Supervisory Board as a whole has the knowledge and experience considered essential in view of Bilfinger's activities. In the event of an upcoming new appointment, a relevant examination will be undertaken to determine which of the desirable skills on the Supervisory Board should be strengthened.

Pursuant to the recommendation in C.1 of the GCGC, the Supervisory Board should name specific targets for its composition and develop a competence profile for the entire committee. For its composition, it is expected that, within the framework of the specific company situation, the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit that is to be defined for members of the Supervisory Board and a standard time limit for membership of the Supervisory Board as well as diversity will all be appropriately considered. In addition to an appropriate consideration of women, this also includes diversity in terms of cultural origin, educational and professional backgrounds as well as experience and ways of thinking. The GCGC also recommends that proposals from the Supervisory Board to the Annual General Meeting take these objectives into consideration and, at the same time, that the fulfillment of the competence profile for the full Supervisory Board should be pursued. The status of the implementation shall be published in the Declaration on Corporate Governance. In addition, the Supervisory Board, pursuant to Section 289f Subsection 2 No. 6 HGB, shall prepare a diversity concept.

Against this backdrop, the Supervisory Board within the framework of the specific situation of the company, has defined the following goals for its composition, including the competence profile and diversity concept:

Competence profile

- Integrity should be a high priority for each individual Supervisory Board member.
- At least two members should, as a result of their international experience, embody to a significant extent the criterion of internationality.
- At least three members should have detailed knowledge and experience from the company itself.
- While at least one independent member of the Supervisory Board should, pursuant to the requirements of Section 100 Subsection 5 AktG, have particular knowledge and experience in the areas of accounting and auditing, a further member should have particular knowledge and experience in the area of finance and at least two more should have particular knowledge and experience in the area of business administration.
- At least two members should possess particular experience from leading positions in industrial or services companies.
- The Supervisory Board should, if possible, have, as representatives of the shareholders, three entrepreneurs or personalities who have already acquired experience in the management or monitoring of another medium-sized or large company.
- Overall, the members should be familiar with the sector in which the company operates, Section 100 Subsection 5 AktG.

- In their entirety, members of the Supervisory Board should have different educational levels, professional and socio-economic backgrounds as well as geographic presences.

Independence

- At least three shareholder representatives should be independent of the company, the Executive Board or a controlling shareholder, as defined in the provisions of C.6 ff GCGC. In this regard, at least four shareholder representatives should be independent of the company and the Executive Board, which means that they should not have any personal or business relationship that could give rise to a material and not merely temporary conflict of interest, or they shall have been members of the Supervisory Board for more than 12 years. In addition, at least two shareholder representatives should be independent of a controlling shareholder, insofar as such a controlling shareholder exists. In accordance with the GCGC, this is assumed to be the case in particular if one is not a member of the executive body and has no personal or business relationship with the executive body that could give rise to a conflict of interest that is not merely temporary.
- The Chairmen of the Supervisory Board, the Audit Committee and the Presiding Committee shall be independent of the company and the Executive Board. The Chairman of the Audit Committee shall also be independent of the controlling shareholder.
- A maximum of two members are to be former members of the Executive Board.
- No member should exercise a management or consulting function for a significant competitor of the company. In addition, they should have no consulting or management function for clients, suppliers, creditors or other business partners, nor should they hold any position which could lead to a conflict of interest.

Age limit and term of office

- The Supervisory Board pays attention to a sufficient mix of ages among the members of the Supervisory Board.
- As a rule, no member should be over 75 years of age at the time of the Annual General Meeting which is to decide on his or her appointment as member of the Supervisory Board; exceptions are to be justified.

- Generally speaking, no shareholder representative should serve on the Supervisory Board for more than 12 years; any exceptions must be justified.

Diversity

- Overall, the members should represent a sufficient degree of diversity. In this regard, this diversity concept is to be taken into consideration for a correspondingly diverse composition.
- The Supervisory Board should have a balance of male and female members; in this regard, the statutory minimum number of women and men is to be observed.

Implementation of the composition targets and the competence profile and diversity concept for the Supervisory Board

The proposals for the election of shareholder representatives to the Supervisory Board, which are made by the Supervisory Board to the Annual General Meeting, are prepared for the Supervisory Board by the Nomination Committee. This ensures that when considering suitable candidates, the appointment objectives for the Supervisory Board, in particular the completion of the competence profile and the diversity concept, are taken into account. The Supervisory Board considers the objectives mentioned above in the resolutions it proposes to the Annual General Meeting for the appointment of shareholder representatives to the Supervisory Board on the provision that those persons whose personal and professional qualifications make them the best suited for the position be proposed. With the composition, fulfillment of the competence profile and the diversity concept should be pursued for the full committee. The implementation of the legally prescribed gender quota for the Supervisory Board remains unaffected.

Generally, it should be kept in mind that the Annual General Meeting is not bound by nominations. The freedom of choice on the part of the employees in the election of Supervisory Board members from the employees is protected. In the process pursuant to the German Co-Determination Act for the election of employee representatives, the Supervisory Board has no nomination rights. The composition goals and the diversity concept for the Supervisory Board are therefore not to be seen as requirements for those entitled to vote or as a limitation of their freedom of choice.

In the opinion of the Supervisory Board, its current composition satisfies the objectives of the composition and, in particular, also satisfies the competence profile and the diversity concept. The members of the Supervisory Board have the professional and personal qualifications deemed necessary. In addition, they are in their entirety familiar with the sector in which the company operates and have the knowledge, skills and professional experience essential for Bilfinger to properly perform their duties.

The current composition as well as length of service of the Supervisory Board and the committees can be seen in the Chapter *D.4 Boards of the Company*. CVs of the current members of the Supervisory Board are available on the company's website under www.bilfinger.com/en/company/executive-supervisory-board/supervisory-board/. It can thus be seen from this information on the members that the Supervisory Board has a very diverse composition. In their entirety, members of the Supervisory Board have different educational levels, professional and socio-economic backgrounds as well as geographic presences. In the 2020 financial year, the Supervisory Board had five female members, two of them on the shareholder representative side and three on the employee representative side. This corresponds to a proportion of female members on the Supervisory Board of 42%.

With a view to the international orientation of the company, care shall be taken to ensure that the Supervisory Board includes a sufficient number of members with extensive international experience. More than the required two members of the Supervisory Board have professional experience in an international environment and particular knowledge and experience in finance and business administration. Primarily the Chairman of the Supervisory Board meets the requirements related to particular knowledge and experience in the areas of accounting and auditing as well as internal control procedures. He must be qualified as a financial expert in accordance with Section 100 Subsection 5 AktG. At least four members have detailed knowledge and experience with Bilfinger itself. At least four shareholder representatives have special experience from management positions in industrial or service companies. In addition, at least five shareholder representatives are experienced in the management or monitoring of another medium-sized or large company. Compliance and integrity are a top priority for all members of the Supervisory Board. No member of the Supervisory Board is older than 75 and there is a sufficient mix of ages among the members of the Supervisory Board.

In the assessment of the shareholder representatives on the Supervisory Board, the appropriate number of independent shareholder representatives in the Supervisory Board under consideration of the ownership structure is four. The Supervisory Board generally classifies all shareholder representatives as independent in accordance with the GCGC, i.e. from the Company, the Executive Board and any controlling shareholder, but in particular Ms. Dorothée Deuring, Dr. Ralph Heck, Mr. Frank Lutz and Dr. Bettina Volkens (from June 24, 2020; until June 24, 2020 Ms. Nicoletta Giadrossi). As an independent member, Mr. Frank Lutz also performs the function of Chairman of the Audit Committee and is at the same time a financial expert in accordance with Section 100 Subsection 5 of the German Stock Corporation Act (AktG). In this context, all shareholder representatives are classified as independent of the company and the Executive Board. No member of the Supervisory Board was previously a member of the Executive Board. The company has no controlling shareholder within the meaning of the GCGC in conjunction with the German Stock Corporation Act. Even if Bilfinger's major shareholder Cevian were to be viewed as a controlling shareholder, the four aforementioned shareholder representatives on the Supervisory Board are also considered independent in this respect. Not least, no member of the Supervisory Board should exercise a management or consulting function for a significant competitor of the company.

Equal participation of women and men in executive positions

In relation to the law on the equal participation of women and men in executive positions in the private and public sectors and its implementation in Sections 76 Subsection 4, 96 Subsection 2 and 111 Subsection 5 AktG, we have achieved the targets set until December 31, 2020 and set the following targets for Bilfinger for the period up until December 31, 2023.

Management levels 1 and 2 below the Executive Board include employees who, according to the company's internal definition, fall under management levels1 and 1a or management level 2. The Executive Board had resolved to achieve a target of ten percent women at management level 1 of Bilfinger SE and 23 percent women at management level 2 of Bilfinger SE by December 31, 2020. As of June 30, 2017, the reporting date for the definition of the target figure, this proportion was six percent at management level 1 and 23 percent at management level 2. As a result of the restructuring in the Group, particularly at headquarters during this period, as well as a streamlined structure, particularly at the upper management levels, the target figures were not achieved as of December 31, 2020. In management level 1, however, an increase from six percent to more than 8 percent was achieved, falling only slightly short of the target of ten percent. By contrast, the proportion of women at management level 2, which was particularly affected by the measures mentioned above, was just under five percent on December 31, 2020, and accordingly only one fifth of the target was achieved. Bilfinger also slightly missed its own target of increasing the proportion of women in management positions (management levels 1 to 3) in the Group worldwide to 15 percent by December 31, 2020. At the end of the 2020 reporting year, the proportion of women in the total workforce was almost 13 percent.

With regard to management level 1 and 2, the Executive Board decided to achieve a target of a 10 percent share of women in Bilfinger by December 31, 2023. In addition, Bilfinger is maintaining its self-imposed target of further increasing the proportion of women in management positions (management levels 1 to 3) in the Group by the end of 2023 - without a fixed target.

As of June 30, 2017, the Supervisory Board had set a target for the proportion of women on the Executive Board that it would continue to have no female members until December 31, 2018. If a vacancy had become available by December 31, 2020, the Supervisory Board would attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. Since December 1, 2018, Christina Johansson has been a member of the Executive Board, which means that the requirement was exceeded as of the balance-sheet date of December 31, 2020. The Supervisory Board has now set a target of 30% women and men on the Executive Board by December 31, 2023, i.e., with an Executive Board of 3 members, at least one woman and one man.

In addition, the legally required minimum share of women and men in the Supervisory Board was achieved as follows.

For the Supervisory Board, a minimum requirement as of December 31, 2020 and unchanged until December 31, 2023 is the statutory gender quota of a 30 percent share of women and men. This requirement has been fulfilled with a share of women in the Supervisory Board of 42 percent as of the balance-sheet date December 31, 2020.

Shareholders and the Annual General Meeting

Our shareholders exercise their membership rights, in particular their right to information and voting rights, in the Annual General Meeting. The Annual General Meeting is to be convened and held at least once each year. The Annual General Meeting generally takes place within a five-month period after the end of a financial year. The Executive Board presents certain documents to the Annual General Meeting, including the company and consolidated financial statements as well as the combined management report for Bilfinger SE and the Bilfinger Group. It decides on the appropriation of profits and on formal approval of members of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders when needed, and the external auditors. In addition, decisions are made on the legal foundations of the company, including in particular amendments to the Articles of Incorporation, capital measures and in certain other cases as specified by applicable law or the Articles of Incorporation. It decides in principle in an advisory capacity on the approval of the remuneration system for the members of the Executive Board, in an original capacity on the approval of the remuneration system for the members of the Supervisory Board and the specific remuneration of the Supervisory Board, and in a recommending capacity on the approval of the remuneration report for the preceding financial year. Each share entitles its holder to one vote at the Annual General Meeting. From the time an Annual General Meeting is convened until the end of the General Stockholders' Meeting, the reports, documents and information required by law for the Annual General Meeting are available on the company's website, as are the agenda for the Annual General Meeting and any counter-motions or election proposals from shareholders that are to be made accessible. For upcoming elections of shareholder representatives to the Supervisory Board, a detailed curriculum vitae is also published for each candidate, providing information on, among other things, his or her main activities and relevant knowledge, skills and professional experience.

Due to the special circumstances of the COVID 19 pandemic, the Annual General Meeting on June 24, 2020 was held as a virtual Annual General Meeting without the physical presence of shareholders or their proxies, but only with the possibility of participation by means of electronic communication, in accordance with Section 1 Subsection 2 of the Act on Measures in Corporate, Cooperative, Association, Foundation and Condominium Law to Combat the Effects of the COVID 19 Pandemic of March 27, 2020 (Federal Law Gazette I No. 14 2020, p. 570).

Details on our investor relations activities are provided in the *Transparency* section.

Reportable transactions with financial instruments of the company (Manager’s Transactions)

Pursuant to Article 19 of the EU Directive number 596/2014 of April 16, 2014 on market abuse (including amendments made most recently by Regulation (EU) 2019/2115 of November 27, 2019), the members of the Supervisory Board and Executive Board as well as other persons with management duties who regularly have access to insider information on the company and who are authorized to make significant business decisions, and certain persons who are in a close relationship with those persons are legally obliged to disclose to Bilfinger SE and the German Federal Financial Supervisory Authority (BaFin) any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €20,000 in any calendar year, as soon as possible and at the latest within three working days. We immediately publish details of such transactions on our website, among other places, at https://www.bilfinger.com/en/company/corporate-governance/directors-dealings-with-financial-instruments-of-the-company/.

Financial loss-liability insurance

The company has taken out financial loss liability insurance, which covers the activities of the members of the Executive Board and the Supervisory Board (D&O insurance). This insurance includes at least the deductible for Executive Board members legally required by Section 93 Subsection 2 Sentence 3 AktG and at least at least a corresponding deductible for Supervisory Board members.

Mannheim, March 2, 2021

Bilfinger SE
The Executive Board The Supervisory Board

A.4.2 Remuneration report

This remuneration report describes the current remuneration system for the Executive Board, which has been valid since financial year 2015 and was approved by the Annual General Meeting on May 7, 2015, including the amendments decided upon since that time. Further, the remuneration granted to and allocated to the members of the Executive Board and Supervisory Board in the reporting year 2020 is presented individually and in detail with regard to the structure and amount of the individual components. In some cases - only in terms of amount - different agreements have been reached with individual Executive Board members on the basis of the current 2015 remuneration system. These are described in greater detail below.

The remuneration report is based on the provisions of the German Commercial Code, German accounting standards and International Financial Reporting Standards as well as the recommendations of the German Corporate Governance Code. Individual more far-reaching requirements of the German Stock Corporation Act (AktG) as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II; BGBl I 2019, 2637) are also already implemented in the remuneration report on a purely voluntary basis.

A fundamental revision of the remuneration system for the Executive Board, taking into account the requirements of ARUG II together with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 (GCGC), was prepared by the Presiding Committee of the Supervisory Board for the Supervisory Board in the reporting year and finally resolved by the Supervisory Board on February 9, 2021. Plans call for the submission of this revised Executive Board remuneration system to the 2021 Annual General Meeting for approval. It will then apply for all new and renewable Executive Board contracts and will be presented in detail in the remuneration report for 2021.

The remuneration report is part of the Group management report.

Executive Board remuneration

Basic features of the Executive Board remuneration system and appropriateness of the remuneration The remuneration system of the Executive Board from 2015 is geared toward a long-term and sustainable, profitable development of Bilfinger. It is thus also intended to promote the business strategy. Executive Board remuneration first of all comprises a fixed annual salary and variable remuneration with two components, one single-year component and one multi-year component.

In this context, the major portion of the granted variable remuneration components has a multi-year assessment basis and thus a long-term orientation. Executive Board members can participate in a sustainable increase in the value of Bilfinger and are incentivized in a way that allows them to focus on the long-term well-being of the Company. The one-year variable remuneration component is based not only on economic success factors but also on personal performance indicators, which also include non-financial aspects. Other elements of the remuneration system include fringe benefits and retirement benefits. There are also regulations for Executive Board members that are related to remuneration, in particular on termination of service, which are also described separately below.

At the same time, the current remuneration system shall ensure that remuneration appropriately relates to the tasks and performance of the Executive Board members and the position of the Company. Outstanding performance is more strongly rewarded; whereas shortfalls in performance lead to a noticeable reduction in remuneration. The appropriateness of the Executive Board remuneration is reviewed annually by the Presiding Committee and, on the basis of its recommendation, by the Supervisory Board.

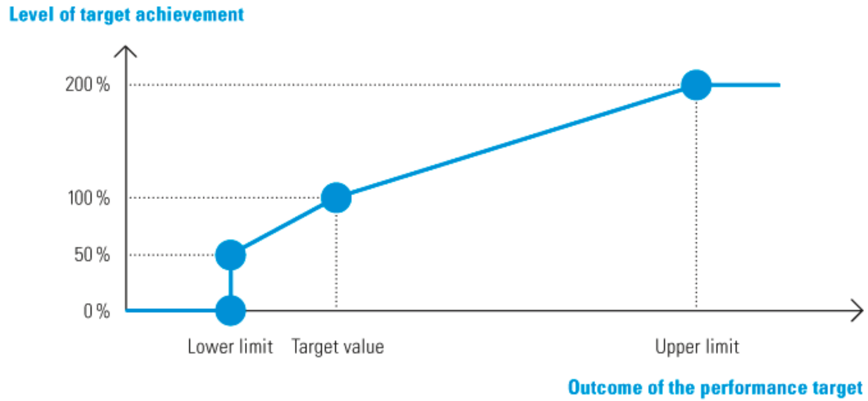
For the appropriateness review and assessment of the customary nature of the specific total remuneration for the members of the Executive Board, the Presiding Committee and Supervisory Board in addition to the remuneration data of the companies from the SDAX will henceforth, in accordance with recommendation G.3 of the GCGC, also use remuneration data from a selected group of German and European companies (Peer Group), which the Supervisory Board has selected primarily according to the criteria of comparability by sector, number of employees or similar situation of the company (so-called turnaround companies), taking into account the availability of remuneration data. The Supervisory Board reviews the composition of this Peer Group annually. For the financial year 2021, the Peer Group is made up of Arcadis, Fraport, GEA Group, Heidelberger Druckmaschinen, MTU Aero Engines, Knorr-Bremse, Krones, Petrofac and Wood Group. At the same time, the Presiding Committee and the Supervisory Board take into account the ratio of the remuneration of the Executive Board members to the average remuneration of management level 1 which, according to the Company's internal definition, includes employees at management levels 1 and 1a, as well as of the entire Bilfinger workforce in Germany in accordance with recommendation G.4 of the GCGC.

Annual fixed salary The annual fixed salary amounts to €600 thousand for ordinary members of the Executive Board, €650 thousand for Christina Johansson as Chief Financial Officer and €1,200 thousand for the Chairman of the Executive Board.

Variable remuneration The variable remuneration shall consist of two components, a variable remuneration with a one-year assessment basis, the short term incentive (STI), and a variable remuneration with a multi-year assessment basis, the long term incentive (LTI). In addition, the granting of a special or recognition bonus is at the discretion of the Supervisory Board.

The STI is based on the achievement of the economic success targets adjusted EBITA and free cash flow. With an individual performance factor (IPF), which is also included, the Supervisory Board can take account of the individual performance of each member of the Executive Board as well as unforeseen events that have a material impact on the activities of the members of the Executive Board. The target value and the scope of the economic success targets with the upper and lower limit as well as the criteria for the IPF of the respective member of the Executive Board are determined at the beginning of the relevant financial year by the Supervisory Board. In line with recommendation G.7 of the GCGC, it is planned for the future that a determination will be made prior to the start of the relevant financial year.

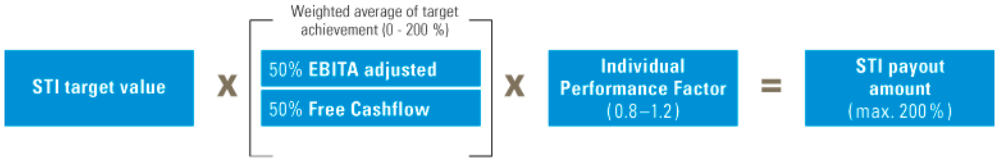
The annual initial value of the STI, corresponding to a 100 percent target achievement, amounts to €500 thousand for ordinary members of the Executive Board, €600 thousand for Christina Johansson as Chief Financial Officer and €1,000 thousand for the Chairman of the Executive Board. This figure changes depending on the achievement of the target values defined each year by the Supervisory Board for the development of adjusted EBITA and free cash flow of the Bilfinger Group. Achievement of these equally weighted targets only counts within a corridor between an absolute upper and lower limit. These limits are set by the Supervisory Board for each performance target together with the target value for the relevant financial year. Below the lower limit, the degree of target achievement is zero. With achievement of the lower limit, the degree of target achievement amounts to 50 percent. It increases on a linear basis up to the target of 100 percent and from there, also on a linear basis, up to the absolute upper limit to 200 percent (‘cap’).



The criteria used to assess the IPF of each member of the Executive Board include strategy implementation, leadership, innovation, market success factors, corporate culture and Environment, Social & Governance (ESG).

Disbursement of the STI is made following the conclusion of the relevant financial year if the targets are met and is calculated by multiplying the initial value with the arithmetic mean of the degree of achievement of the two economic success targets and the IPF determined for each member of the Executive Board for the relevant financial year (factor 0.8 to 1.2). The IPF is based on the evaluation of individual overall performance of the Executive Board member, oriented toward the defined criteria and unforeseen events in the financial year. In the case of the assumption or termination of an Executive Board mandate during the year, there is an entitlement to payment of the STI for this financial year pro rata temporis.

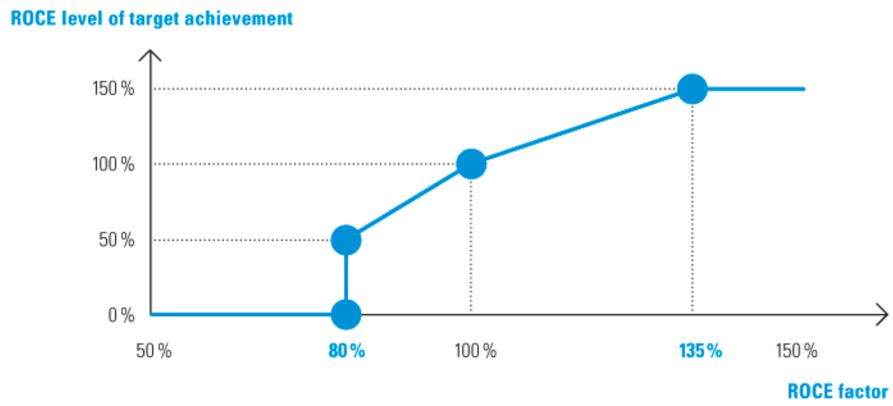
SHORT TERM INCENTIVE



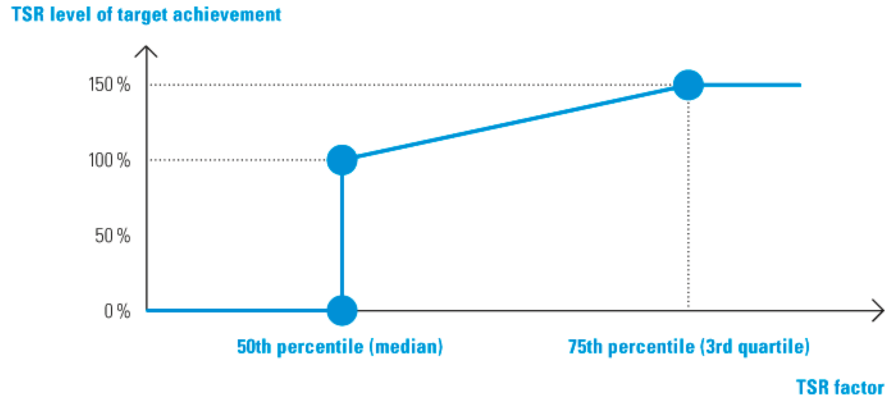
The LTI is designed to reward the sustainable long-term development of the Company. It includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSUs). Their number can change over the course of a three-year performance period depending on the degree of target achievement of the two success targets ROCE and development of the relative total shareholder return figure (TSR figure) of the Company shares pursuant to the regulations below. The resulting number of PSUs corresponds to the number of real shares of Bilfinger SE, which the relevant Executive Board member can receive at the conclusion of the performance period.

At the beginning of each financial year, ordinary members of the Executive Board receive PSUs with a current market value of €630 thousand; Christina Johansson as Chief Financial Officer receives PSUs with a current market value of €700 thousand, and the Chairman of the Executive Board receives PSUs with a current market value of €1,400 thousand. In the case of the assumption or termination of an Executive Board mandate during the year, the number of PSUs allocated for this financial year is decreased pro rata temporis.

ROCE is determined as unadjusted ROCE after taxes. The ROCE target achievement level for the performance period is determined as the quotient of the average of the ROCE values actually achieved to the average value of the achievement of annual target values set by the Supervisory Board in the relevant years (ROCE factor). Only an ROCE factor within the corridor of 80 to 135 percent of the ROCE target value (minimum and maximum value), calculated as the arithmetic mean of the defined annual ROCE target values in the performance period, counts towards target achievement. The degree of target achievement is zero below the minimum value. If the minimum value of 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then increases on a linear basis up to the ROCE target value with a degree of target achievement of 100 percent and from there again on a linear basis up to a maximum value of 135 percent of the target value to a maximum degree of target achievement of 150 percent ('cap').

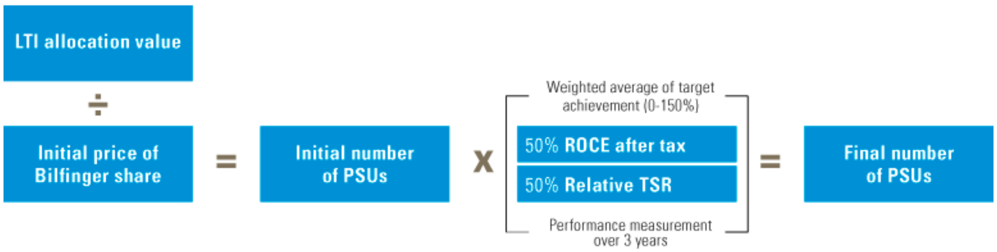


The second success factor for the LTI, the relative TSR value, is determined on the basis of a comparison of the TSR values of the shares of the companies listed on the MDAX during the whole performance period. If Bilfinger is positioned below the median in comparison to the other MDAX companies through the performance period, the target achievement amounts to zero percent. In case of the achievement of the median, the target achievement amounts to 100 percent. It then increases on a linear basis and can, in the case of a positioning at the 75th percentile or above, amount to a maximum of 150 percent.



The final number of PSUs is calculated by multiplying the initial number of PSUs with the arithmetic mean of the degree of target achievement for the two success targets. The final number is subject to a cap of a maximum 150 percent of the initial number of PSUs (‘Number-Cap’). In addition, the Supervisory Board is authorized, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs. At the end of the performance period, members of the Executive Board receive a number of real Bilfinger shares corresponding to the final number of PSUs. The Company is authorized, however, to make a full or partial cash settlement in place of the delivery of Bilfinger shares, the amount of which is measured based on the current market price.

CALCULATION OF THE FINAL NUMBER OF PSUS



In addition to the STI and LTI, the Supervisory Board can, at its own discretion, grant a member of the Executive Board, on the basis of a previously concluded target-setting agreement, a special bonus or retroactively a recognition bonus for special achievement. Basically, there is no legal entitlement to such a bonus on the part of the member of the Executive Board except in the case of an explicit commitment from the Supervisory Board.

Own investment in Bilfinger shares Members of the Executive Board are obliged to purchase Bilfinger shares, the purchase price of which equals one year's gross annual fixed salary, and to hold them for the period of their appointment to the Executive Board. The purchase is to be made within a time period of five years, whereby shares with a value of at least one-fifth of the total amount to be applied must be purchased in each financial year. Shares that are granted to a member of the Executive Board within the scope of the LTI at the end of the performance period are counted against this purchase obligation.

Fringe benefits The Executive Board remuneration system provides for fringe benefits in the form of benefits in kind and allowances, for the most part consisting of allowances to insurance and the use of company cars including a pool driver. Where relevant, the values to be accounted for in accordance with tax guidelines are taken as a basis.

Retirement benefits Retired members of the Executive Board receive pension payments from the age of 62. In case of the death of a member of the Executive Board with pension entitlement and assuming further conditions are met, dependents are entitled to pension benefits in the form of widow and orphan pensions, insofar as other arrangements have not been made in individual cases. For new contracts since the third quarter of 2016, benefit entitlements for surviving dependents will exclusively take the form of capital payments to the extent this has been agreed. The current members of the Executive Board have not made any such relevant agreement. The entitlements described above have been transferred to an external institution in the form of a reinsured relief fund and are based on contributions made by the Company to the relief fund and contractually agreed with the members of the Executive Board in the amount of 45 percent of the fixed remuneration (50 percent in the case of Ms. Johansson). All future pension entitlements are fully funded so that there is no financial burden on the Company in the event of a claim. For all contracts, there is a right to select between payment of the retirement benefit as a capital payment or as a life-long pension. The benefits of the external institutions also cover the risk of occupational disability, insofar as other arrangements have not been made in individual cases. The pension arrangement of Ms. Johansson covers pension payments only. Mr. Hall has not concluded a pension arrangement, but instead receives the annual contribution paid out as salary in one amount.

The following table shows the Company's contributions to the relief fund for the year 2020 and the expected annual pension entitlements or the expected amount of principal payments to active members of the Executive Board already achieved by members of the Executive Board upon retirement, assuming a retirement age of 62 years (unless indicated otherwise).

RETIREMENT BENEFITS	Expected amount of the principal payment upon retirement	Expected annual pension entitlement upon retirement	Contribution to the relief fund	
			2020	2019
in € thousand				
Tom Blades (Chairman)	2,853[a]	83[a]	540	540
Christina Johansson	2,985	87	325	325
Duncan Hall[b]	–	–	–	–
			865	865[c]

a Calculation on the assumption of a retirement age of 65 years.
b Mr. Hall receives the annual contribution to the relief fund paid out as part of the fixed remuneration.
c Due to the departure of Executive Board member Michael Bernhardt as of December 31, 2019, the total contributions for 2019 were adjusted accordingly by his amount (€270 thousand) compared to the previous year's remuneration report.

Total remuneration granted and allocated for the financial year

Total remuneration granted and allocated for 2020, comprising the basic annual salary, variable remuneration including share-based remuneration, benefits in kind and the addition to the relief fund and the pension allowance , can be found in the *corresponding remuneration tables below*.

It should initially be noted that the Executive Board members waived 20 percent of their fixed remuneration in the second quarter of 2020 in order to contribute to the COVID-19 pandemic situation.

The remuneration system in place since the 2015 financial year does not provide for any upper limits in terms of amount for the remuneration of the Executive Board as a whole and the long-term oriented portion of the variable remuneration components. As already described, members of the Executive Board receive a certain number of PSUs as part of the LTI. While the final number of PSUs is limited, the share price of the Company that is relevant for the value of the PSUs at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of a share-based remuneration. The following table thus contains no maximum amounts. In accordance with Section 87a Subsection 1 Sentence 2 No. 1 AktG, the new Executive Board remuneration system will provide for required maximum amounts; which will be presented in the remuneration report for the year 2021.

With Ms. Johansson, the Supervisory Board, due to the circumstance that she was not involved in the corporate planning for financial years 2018 and 2019, has also agreed (insofar as still relevant for the reporting year) that, with regard to the STI for 2019, a weighted average of the target achievements, i.e. the results of the economic success targets, of 100 percent will be guaranteed. In addition, with regard to the LTI for 2018 (pro rata temporis) and 2019, the fulfillment of the ROCE parameters of the LTI at 100 percent has been guaranteed. Due to the fulfillment of the ROCE target in the years 2018 and 2019 of over 100 percent in each case, however, the guarantee did not apply in this respect.

Because Mr. Hall was also involved in the Group's corporate planning for fiscal year 2019 only with regard to the partial planning at that time for the Northwest Europe division, the Supervisory Board additionally agreed with Mr. Hall that a weighted average of the degree of target achievement, i.e. the results of the economic performance targets, would be guaranteed at 60 percent for 2019 with regard to the STI and at 100 percent with regard to the LTI for 2019. This guarantee, too, has not been applied with regard to the LTI due to a fulfillment of the ROCE target in 2019 of more than 100 percent.

No guarantees were agreed for variable remuneration components for Executive Board members for the reporting year.

Further, the Supervisory Board resolved in February 2021 to grant the Executive Board members active in the reporting year a one-time recognition bonus for their above-average performance and commitment in the reporting year marked by the COVID 19 pandemic, through which they safely led Bilfinger and achieved a good result for Bilfinger, taking into account the severity of the situation. The one-time recognition bonus amounts to €190 thousand for Mr. Blades, €114 thousand for Ms. Johansson and €95 thousand for Mr. Hall.

No loans or advances were made to the members of the Executive Board in the fiscal year 2020. No remuneration was paid for positions held on supervisory boards or comparable boards of Group companies by members of the Executive Board in the financial year 2020.

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR

in € thousand	Tom Blades (Chairman)				Christina Johansson (Chief Financial Officer)				Duncan Hall (Member of the Executive Board)			
	2019	2020	2020 min	2020 max	2019	2020	2020 min	2020 max	2019	2020	2020 min	2020 max
Fixed remuneration	1,200	1,200	1,200	1,200	650	650	650	650	870[c]	870[c]	870	870
Fringe benefits	45	38	38	38	39	36	36	36	13	13	13	13
One-time payment	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,245	**1,238**	**1,238**	**1,238**	689	**686**	**686**	**686**	883	**883**	**883**	**883**
One-year variable remuneration: STI	347	1,000	–	2,000	540	600	–	1,200	270	500	–	1,000
Multi-year variable remuneration: LTI (share-based) Tranche 2019-2021[a]	918	–	–	–	459	–	–	–	413	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2020-2022[a]	–	1,269	0[b]	n/a	–	635	0	n/a[b]	–	571	0	n/a[b]
Total	2,510	**3,507**	**1,238[b]**	**n/a**	1,688	**1,921**	**686**	**n/a[b]**	1,566	**1,954**	**883**	**n/a[b]**
Benefit expense	540	540	540	540	325	325	325	325	–	–	–	–
Total remuneration	3,050	**4,047**	**1,778[b]**	**n/a**	2,013	**2,246**	**1,011**	**n/a[b]**	1,566	1,954	883	n/a[b]

a Fair value at granting.
b Not applicable, as the LTI is not limited due to the payment in real shares.
c Fixed remuneration of €600 thousand plus payment of the annual contribution for retirement benefits of €270 thousand.

ALLOCATION FOR THE REPORTING YEAR

in € thousand	Tom Blades (Chairman) 2019	Tom Blades (Chairman) 2020	Christina Johansson (Chief Financial Officer) 2019	Christina Johansson (Chief Financial Officer) 2020	Duncan Hall (Member of the Executive Board) 2019	Duncan Hall (Member of the Executive Board) 2020
Fixed remuneration	1,200	1,140	650	618	870[b]	840[b]
Fringe benefits	45	38	39	36	13	13
One-time payment	–	190[a]	–	114[a]	–	95[a]
Total	1,245	**1,368**	689	**768**	883	**948**
One-year variable remuneration: STI	347	310	540	186	270	155
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019	0	–	–	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2018-2020[c]	–	717	–	30	–	–
Total	1,592	**2,395**	1,229	**984**	1,153	**1,103**
Benefit expense	540	540	325	325	–	–
Total remuneration	2,132	**2,935**	1,554	**1,309**	1,153	1,103

a The granting of a recognition bonus for special performance and the amount of such a bonus are at the discretion of the Supervisory Board.
b Fixed remuneration plus payment of the annual contribution for retirement benefits of €270 thousand.
c Value of the earned PSUs/Bilfinger shares pursuant to the LTI as of December 31, 2020 (based on the XETRA closing share price on December 30, 2020).

Calculation of variable remuneration components allocated for the financial year

The variable remuneration components allocated for 2020- as shown in the corresponding, preceding compensation tables - are calculated in detail as explained below.

Definition and fulfillment of the STI criteria For 2020, the Supervisory Board defined the following target, minimum and maximum values for the economic success criteria of the STI and they were fulfilled as follows:

ECONOMIC SUCCESS CRITERIA STI 2020	Minimum target (target achievement 50%)	Target (target achievement 100%)	Maximum target (target achievement 200%)	Figure actually achieved	Degree of target achievement in %
€ million					
Adjusted EBITA	35	100	165	20	0
Free cash flow	100	126	171	106 [a]	62

a Free cash flow after adjustment for early payment of taxes.

The average level of target achievement for the STI's equally weighted economic success criteria for 2020 is thus 31 percent.

The criteria for the Individual Performance Factor (IPF) were defined for the Executive Board members at the beginning of the reporting year by the Supervisory Board regarding employee management and development, implementation of the strategy as well as corporate culture. As part of the general assessment of the activities of each member of the Executive Board, the Supervisory Board has determined the following achieved IPFs based on the evaluation of achievement of the defined criteria:

IPF	Achieved IPF 2020
Tom Blades (Chairman)	1.0
Christina Johansson	1.0
Duncan Hall	1.0

On the basis of the above figures, the STI payout values for 2020 for the individual Executive Board members are calculated as shown in the following table.

CALCULATION OF THE STI 2020	Weighted degree of target achievement in %	Achieved IPF	STI target in € thousand	STI payout in € thousand
Tom Blades (Chairman)	31	1.0	1,000	310
Christina Johansson	31	1.0	600	186
Duncan Hall	31	1.0	500	155

Definition and fulfillment of the LTI (tranche 2018-2020) For the performance period of the 2018-2020 LTI tranche which expired at the end of the reporting year, the following initial numbers of PSUs were allocated by the Supervisory Board at the beginning of 2018 on the basis of an initial 2018 Bilfinger share price of €37.89 and the corresponding allocation values:

LTI TRANCHE 2018-2020 PSUS ALLOCATED	Allocation value in € thousand	Number of PSUs allocated
in T€		
Tom Blades (Chairman)	1,400	36,950
Christina Johansson	59 [a]	1,570
Duncan Hall [b]	–	–

a Allocation pro rata temporis due to joining the Executive Board on December 1, 2018.
b Not yet a member of the Executive Board in 2018.

In the relevant performance years 2018 to 2020, the Supervisory Board defined the following annual targets for ROCE (as non-adjusted ROCE after taxes) and the following ROCE figures were actually achieved:

LTI TRANCHE 2018-2020 ROCE FULFILLMENT

in %	ROCE target	ROCE actually achieved
2018	-0.21	0.15
2019	0.95	1.80
2020	5.08	6.88

On this basis, the average of the annual targets results in an ROCE target for the 2018-2020 tranche of 1.94 percent and the percentage ratio of the average of the actually achieved ROCE values to the tranche's ROCE target is 152 percent.

Because the achievement of the target exceeds the corridor of 80 to 135 percent of the target, the maximum ROCE target achievement level is 150 percent.

For the second LTI success target, the relative TSR value, Bilfinger is positioned compared with the MDAX companies over the performance period at the 23rd percentile. This results in a degree of TSR target achievement for the tranche 2018-2020 of 0 percent.

By multiplying the average of the degree of ROCE target achievement and the degree of TSR target achievement by the initial number of PSUs, the final number of PSUs for the 2018-2020 tranche is calculated, which corresponds to an equal number of Bilfinger shares and which had the following fair value as of December 31, 2020:

LTI TRANCHE 2018-2020 FINAL NUMBER OF PSUS	Initial number of PSUs	Degree of ROCE target achievement in %	Degree of TSR target achievement in %	Final number of PSUs	Value of the final number of PSUs in € thousand
Tom Blades (Chairman)	36,950	150	0	27,713	717[a]
Christina Johansson	1,570	150	0	1,178	30[a]
Duncan Hall[b]	–	–	–	–	–

a Fair value of a number of Bilfinger shares corresponding to the final number of PSUs as of December 31, 2020 (i.e. the closing price of Bilfinger shares in XETRA as of December 30, 2020).
b Not yet a member of the Executive Board in 2018.

Further disclosures in connection with Executive Board remuneration

Other arrangements for the members of the Executive Board In the case of a change of control, i.e., if a shareholder in the Company reaches or exceeds a shareholding of 30 percent of the Company's voting rights and in addition, due to an allocation of responsibilities decided upon by the Supervisory Board, a significant change occurs in the Executive Board members' responsibilities, or if the Company enters into a domination agreement as the controlled company, the members of the Executive Board have a special right of termination for their contracts of service. In the case of termination of a contract of service due to a change of control, the members of the Executive Board receive severance compensation for the remaining periods of their contracts of service subject to a maximum of three years. Severance compensation comprises the annual fixed salary as well as the variable remuneration, i.e. STI and LTI. The amount accounted for by STI is calculated based on the average variable remuneration from the last five full financial years, the amount accounted for by the LTI on the annual allocation value of the PSUs. In the event of a change of control, the severance payment is limited to 150 percent of the general severance payment cap of two years' compensation and to the remuneration for the remaining term of the contract of services. For new Executive Board members appointed and employed from February 9, 2021, the new Executive Board remuneration system does not include severance pay in the event of a change of control. At the same time, the Supervisory Board shall remain authorized to continue the agreement on the change of control with a severance payment commitment up to a maximum of the so far agreed extent in the event that a current Executive Board member's appointment is extended.

In the case of the termination of the Executive Board member's service contract (with the exception of termination in the case of a change of control), the member of the Executive Board is subject to– under pain of a contractual penalty – a 24-month post-contractual prohibition of competition for which the Company shall pay compensation for each month of the prohibition in the amount of one-twelfth of 50 percent of the annual remuneration of the member of the Executive Board (annual fixed salary and variable remuneration). Other remuneration during this period is charged at 50 percent against the respective monthly compensation; a pension of the member of the Executive Board at 100 percent. The Company can waive the post-contractual prohibition of competition at any time, but only with a six-month period of notice for the continued payment of the compensation (except in the case of a valid extraordinary termination by the Company).

Total remuneration of former members of the Executive Board including pensions The amounts paid to members of the Executive Board who left the Company prior to the reporting year or their surviving dependents totaled €5,118 thousand in the reporting year (previous year: €3,572 thousand). This total amount includes pension payments to former members of the Executive Board who left the Company before the reporting year or to their surviving dependents in the reporting year of €2,494 thousand (previous year: €2,611 thousand). This total amount also includes payments to former member of the Executive Board, Mr. Michael Bernhardt, who left the Company on December 31, 2019, in the amount of €1,980 thousand. This amount contains a paid financial settlement until the original end of the term of the contract on October 31, 2020, a non-competition payment for two months as well as the allocation from the 2018-2020 LTI tranche of PSUs to be exchanged for 12,471 Bilfinger shares to Mr. Bernhardt. As of December 31, 2020, this allocation had a fair value of €323 thousand based on the XETRA closing price of the Bilfinger share on the last trading day in the year 2020, December 30, 2020. The total amount also included the allocation from the 2018-2020 LTI tranche of PSUs to be exchanged for 12,585 Bilfinger shares to the former Executive Board member Dr. Klaus Patzak with a corresponding fair value as of December 31, 2020, of €325 thousand. In addition, the former Executive Board member Joachim Müller received payments for transition compensation in the reporting year under an agreement of €319 thousand, which includes a settlement amount of €175 thousand for transition compensation claims from previous years.

No other payments were made. The present value of future pension obligations for the members of the Executive Board who left the Company prior to the reporting year or their surviving dependents calculated according to IAS 19 amounts to €30,320 thousand (previous year: €30,998 thousand).

Details of the total remuneration for former members of the Executive Board, including pensions, can be found in the following table, which has been prepared in compliance with data protection regulations:

PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD	Amount of payments made in 2020 in € thousand	Type of payments made in 2020
Michael Bernhardt	1,980	Financial settlement, non-competition payment, vested 12,471 PSUs from 2018-2020 tranche of LTI (in the form of Bilfinger shares; value as of Dec. 31, 2020)
Dr. Klaus Patzak	325	Vested 12,585 PSUs from 2018-2020 tranche of the LTI (in the form of Bilfinger shares; value as of Dec. 31, 2020)
Joachim Müller	319	Transition allowance (incl. settlement amount from transition allowance in previous years)
Executive Board member who left the Company more than 10 years ago	289	Pension
Executive Board member who left the Company more than 10 years ago	128	Pension
Executive Board member who left the Company more than 10 years ago	278	Pension
Executive Board member who left the Company more than 10 years ago	90	Pension
Executive Board member who left the Company more than 10 years ago	240	Pension
Executive Board member who left the Company more than 10 years ago	124	Pension
Executive Board member who left the Company more than 10 years ago	287	Pension
Executive Board member who left the Company more than 10 years ago	161	Pension

Payments to former members of the Executive Board, continued >

< Payments to former members of the Executive Board, begin

PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD	Amount of payments made in 2020 in € thousand	Type of payments made in 2020
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	42	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	178	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	39	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	87	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	184	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	152	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	63	Widow and orphan pension
Surviving dependent of an Executive Board member who left the Company more than 10 years ago	151	Widow and orphan pension
Total	5,118*	

* Total of rounded individual figures deviates slightly from the total figure due to rounding differences

Supervisory Board remuneration

The members of the Supervisory Board receive, as specified by Article 16 of the Articles of Incorporation of Bilfinger SE, in addition to the reimbursement of their expenses, an annual fixed remuneration of €70 thousand. The Chairman of the Supervisory Board receives two and a half times that amount; the Deputy Chairman of the Supervisory Board and the chairmen of the committees with the exception of the Nomination Committee receive double that amount. The members of the committees with the exception of the Nomination Committee receive one and a half times that fixed remuneration. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is only entitled to the highest of the respective amounts. Members of the Supervisory Board receive a meeting fee of € 500 for each meeting of the Supervisory Board and its committees that they attend (including participation by telephone or video conference). Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration. An overview with regard to participation of the individual members of the Supervisory Board in the meetings of the Supervisory Board and its committees in the year 2020 can be found in Section *A.3 Report of the Supervisory Board under Meetings of the Supervisory Board*.

The remuneration of the members of the Supervisory Board of Bilfinger SE in 2020 amounted to €1,356 thousand (previous year: €1,392 thousand), not including the value added tax refund. It should be noted that Supervisory Board members who were already members of the Supervisory Board before June 24, 2020 waived 20 percent of their fixed remuneration in the second quarter of 2020 to contribute to the COVID-19 pandemic situation. In fiscal year 2020, members of the Supervisory Board were also reimbursed for expenses, i.e. travel costs and other individual invoices for expenditures in connection with the activities in the Supervisory Board in the interests of Bilfinger SE, or such expenses were assumed by the Company in the total amount of €93 thousand (previous year: €107 thousand)

No remuneration was paid, or benefits granted for personal services rendered such as consulting or agency services to the Supervisory Board members.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS [a] OF BILFINGER SE *

in € thousand	**2020**	2019
Dr. Eckhard Cordes (Chairman, Chairman of the Presiding Committee, Chairman of the Strategy Committee)	181.3	184.0
Stephan Brückner (Deputy Chairman, member of the Presiding Committee, member of the Strategy Committee)	146.0	147.5
Agnieszka Al-Selwi	72.0	73.5
Dorothée Deuring (member of the Audit Committee)	107.8	110.5
Lone Fønss Schrøder (until May 8, 2019)	–	24.5
Nicoletta Giadrossi (from July 11, 2019, until June 24, 2020)	32.4	34.9
Dr. Ralph Heck (member of the Presiding Committee, member of the Strategy Committee)	112.3	112.0
Susanne Hupe (member of the Strategy Committee, member of the Audit Committee from March 10, 2020)	109.3	110.5
Rainer Knerler (member of the Presiding Committee, member of the Strategy Committee)	112.8	113.5
Dr. Janna Köke (member of the Audit Committee until March 10, 2020)	79.7	111.5
Frank Lutz (Chairman of the Audit Committee)	143.0	147.0
Robert Schuchna (from June 24, 2020, member of the Strategy Committee)	59.3	–
Jörg Sommer (member of the Audit Committee)	107.8	111.5
Jens Tischendorf (until June 24, 2020, member of the Strategy Committee)	50.6	111.0
Dr. Bettina Volkens (from June 24, 2020)	41.5	–
	1,355.8	1,391.9

[a] Net amounts not including potential value added tax reimbursement

A.5 Bilfinger in the capital market

The Bilfinger share in stock market year 2020

The first months of the 2020 stock market year were marked by sharp price falls amid the onset of the COVID 19 pandemic. The German DAX, MDAX and SDAX share indices each reached their lows for the year on March 18, 2020. As the year progressed, share prices recovered once it became clear that the measures taken by both governments and companies were likely to stabilize economic development to some extent. The DAX, MDAX and SDAX recorded solid gains over the year as a whole. The DAX closed the stock market year with a gain of around 4 percent, the MDAX increased by around 9 percent and the SDAX gained around 18 percent. The Bilfinger share is part of the SDAX index of the German Stock Exchange.

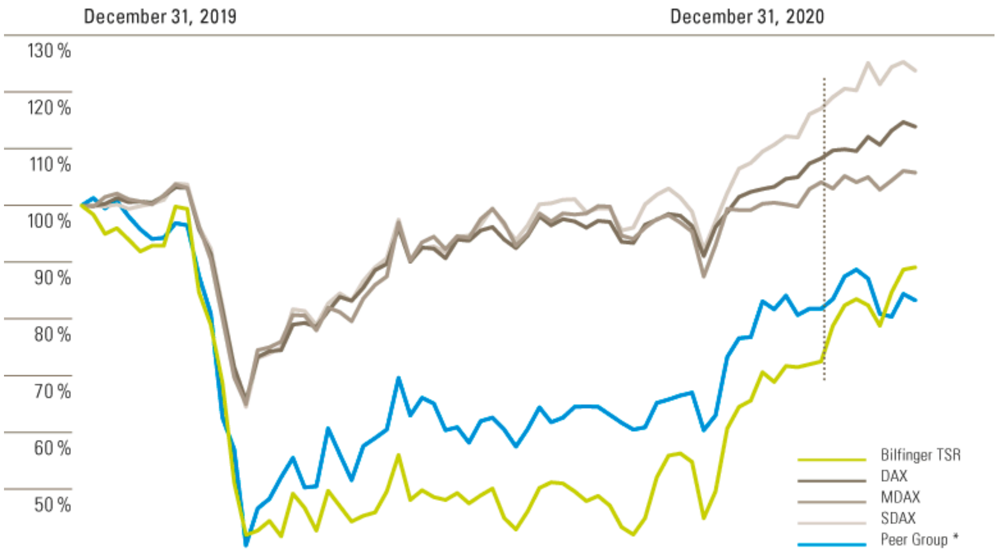
The value of internationally active, listed companies in the industrial services sector fell considerably in the first months of 2020 under the weight of the COVID 19 pandemic and, in particular, as a result of the collapse in the oil price that the pandemic helped trigger. After starting the new year with a closing price of €34.58 as of December 30, 2019, Bilfinger's shares were also unable to escape this trend, recording heavy share price losses in March.

In view of the changed conditions caused by the COVID 19 pandemic, the company took immediate and highly agile measures to reduce costs and protect liquidity. On this basis, Bilfinger was one of the first companies to publish an adjusted forecast for financial year 2020 on May 14. This forecast was confirmed throughout the course of the year and ultimately also met. By meeting its targets, the company signaled relative stability while at the same time a recovery in the oil price emerged in the second half of the year.

Bilfinger's share price rebounded, especially in the fourth quarter of the year. At the end of the year, the share price was €25.86, roughly 98 percent above the low for the year of €13.06 on April 3, 2020. Overall, however, the Bilfinger share was then unable to make up for the drop in the share price over the first few months of the year, and was around 25 percent below its comparative value at the end of the year. In the first two months of 2021, the increase in value continued with the price exceeding €30 per share at times.

Further information on the current development of the Bilfinger share is available on the website www.bilfinger.com under Investor Relations.

RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



* Weighted index of peer group companies by market capitalization as of December 31, 2019 (Aegion, Fluor, KBR, Matrix Services, Mistras, Petrofac, Spie, Team, Wood Group, Worley Parsons)

KEY FIGURES ON OUR SHARES

	2016	2017	2018	2019	2020
in € per share					
Earnings[1]	6.13	-2.01	-0.59	0.60	2.47
Adjusted earnings[2]	-0.17	-0.19	0.87	1.23	-0.20
Cash flow per share	-5.07	-2.71	1.21	2.74	2.99
Dividend	1.00	1.00	1.00	0.12	1.88
Dividend yield[3]	2.7%	2.5%	3.9%	0.3%	7.3%
Highest price	44.15	40.72	46.58	34.58	34.50
Lowest price	25.05	32.89	25.08	21.00	13.06
Year-end price	36.57	39.57	25.48	34.58	25.86
Book value[5]	37.30	32.65	30.24	28.92	30.01
Market value / book value[3,5]	1.0	1.2	0.8	1.2	0.9
Market capitalization in € million[3,7]	1,683	1,749	1,126	1,529	1,143
SDAX weighting (until 2016 MDAX)[6.8]	0.7%	2.6%	1.5%	1.7%	1.1%
Price-to-earnings ratio[3,4]	-215.12	-208.26	29.29	28.11	-129.30
Number of shares (in thousands)[6,7]	46,024	44,209	44,209	44,209	44,209
Average XETRA daily volume (no. of shares)	248,551	208,084	166,739	153,241	168,876

Unless stated otherwise, all information relates to continuing operations.
All price details refer to XETRA trading
1 Includes continuing and discontinued operations
2 Includes only continuing operations. Adjusted for special items. Explanation: see chapter B.2.2 Results of operations, adjusted earnings per share Also adjusted for amortization of intangible assets from acquisitions and goodwill. In addition, the tax rate was normalized to 31%, from 2019 at 27%.
3 Based on the year-end closing price
4 Based on adjusted earnings per share
5 Balance sheet shareholder's equity excluding minority interest
6 Based on year-end
7 Including treasury shares
8 SDAX with 70 companies since 2018

BILFINGER SHARE

ISIN / stock exchange symbol	DE0005909006 / GBF
WKN	590 900
Main listing	XETRA / Frankfurt
Deutsche Börse segment	Prime Standard
Share indices	SDAX, DAXsubsector Industrial Products & Services Idx., Euro STOXX

Shareholder structure

In financial year 2020, the number of outstanding shares was 44,209,042. The proportion of treasury shares at the end of the year was 8.84 percent. The largest shareholder is Cevian Capital with a reported 26.81 percent of the outstanding shares. The second largest shareholder is ENA Investment Capital LLP with a reported stake of 12.00 percent.

Further information and an overview of the current shareholder structure are also available on the website www.bilfinger.com under Investor Relations.

Dividend policy

Bilfinger pursues a sustainable dividend policy with the objective of allowing shareholders to participate appropriately in the Group's success. The Executive Board and Supervisory Board will therefore propose to the 2021 Annual General Meeting that a dividend of €1.88 per share be paid for financial year 2020, thus raising the previous year's dividend of €0.12 per share retroactively to the level of the minimum dividend of €1.00 per share. In relation to the share price at the end of 2020, this represents a dividend yield of 7.3 percent.

Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend at €1.00 until the general dividend distribution policy takes hold. This targets the payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on foreseeable medium term development of the company.

Communication with the capital markets

Bilfinger's investor relations team is in constant contact with more than 10 financial analysts who evaluate the company. Their recommendations and price targets are regularly updated in the Investor Relations section of the website www.bilfinger.com. This also applies to the consensus of current analyst estimates compiled by *Vara Research* .

Despite the limitations brought about by the COVID 19 pandemic, dialog with investors and analysts was maintained at a high level, primarily through virtual meetings. These talks, many of which were conducted with the participation of the Executive Board, totaled over 160 individual contacts with more than 130 different institutions over the entire year.

It was possible to hold the Bilfinger Capital Markets Day as an in-person event in Frankfurt am Main on February 13, 2020. The focus was on explanations regarding the continuation of the Group's strategic orientation that has been in place since 2017. The medium-term financial targets for 2024 presented in this context were confirmed unchanged in February 2021.

Annual General Meeting 2020

Bilfinger's Annual General Meeting on June 24, 2020 was held virtually without the physical presence of shareholders due to the effects of the COVID 19 pandemic.

Around 47 (previous year: 56) percent of the statutory share capital was represented at the Annual General Meeting. All agenda items were approved by a large majority in line with management's intentions.

The opportunity to submit questions to the Executive Board and Supervisory Board in advance was widely used at the virtual Annual General Meeting. Whereas a total of 105 questions were asked at the previous year's Annual General Meeting when shareholders were physically present, the number of questions submitted in due time for the virtual Annual General Meeting in 2020 was 122.

Corporate bond and S&P credit rating

The €250 million corporate bond issued in June 2019 has an interest coupon of 4.5 percent and a step-up in the amount of 125 bps following the rating downgrade in May 2020. The annual coupon is currently 5.75 percent. The Bilfinger bond closed the 2020 stock market year at 105.42 percent, slightly below the level of the previous year (108.61 percent).

Rating agency Standard & Poor’s currently gives Bilfinger a credit rating of BB-, stable outlook.

BILFINGER BOND 06/2024

ISIN / stock exchange symbol	DE000A2YNQW7
WKN	A2YNQW
Listing	Luxembourg (official trading)
Issue volume	€250 million
Interest coupon	5.750% (4.500% + step-up of 125 bps after rating change)
Maturity	June 14, 2024
Year-end closing price (Bloomberg)	105.42

B Combined management report

Contents

B.1 The Bilfinger Group

B.1.1 Business model

Bilfinger is an internationally-active industrial services provider. The Group enhances the efficiency of assets in the process industry, ensures their availability and reduces maintenance costs. The portfolio covers the value chain from consulting, engineering, manufacturing, construction and maintenance through to the expansion of plants and turnarounds. Services also include environmental technologies and digital applications.

B.1.2 Legal form and management

Bilfinger SE is a stock company in accordance with European law (Societas Europaea – SE) and, in addition to German stock company law, is also subject to specific SE regulations and the German law on implementing a European company as well as the German SE Employee Involvement Act. The management bodies of the Company are the Executive Board, the Supervisory Board and the Annual General Meeting.

The Executive Board of Bilfinger SE manages the company in its own responsibility. The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the company. These bodies work in close cooperation for the benefit of Bilfinger. Details are described in Chapter *A.4.1 Declaration of corporate governance and corporate governance report**, which is also available on the Internet site www.bilfinger.com under 'Investor Relations / Corporate Governance'.

* information external to the management report / not audited

B.1.3 Organization, strategy and objectives

Bilfinger SE is a holding company without its own business activities. The operating activities are organized decentrally and are carried out through subsidiaries which operate on the market as independent profit centers. The operating companies are divided into regions or divisions which in turn are each a part of one of the business segments.

The operating companies deliver their services for the most part in customers' plants. The business processes are therefore largely organized in a decentralized manner and this also applies to sales structures and procurement markets. In order to continuously improve process and cost efficiency, Bilfinger relies on general business development projects in relevant positions in the sales area. Central instruments also play an important role in procurement. Such instruments include the bundling of buying processes and the use of e-procurement platforms.

Key factors for the business are quantified in Chapter *B.2.4 Financial position – origin and distribution of value creation*. With a comprehensive range of services for plants in the process industry, an organizational structure that is aligned with the needs of our customers and the focus on defined customer industries, the foundation for the successful development of the company is created. Information on research and development activities at Bilfinger is included in Chapter *B.2.7 Innovation (research and development report)*.

Service lines, core regions and industries

Bilfinger delivers its services in the service lines Engineering & Maintenance as well as Technologies. Activities are concentrated on the core regions of Europe, the Middle East and North America, and on defined core industries: Our Group has exceptional competences and particularly strong customer relationships in the industrial sectors chemicals & petrochemicals, energy & utilities as well as oil & gas, which account for the majority of current revenue. In the pharma & biopharma, cement and metallurgy industries, the existing business will be further expanded and will demonstrate even stronger growth in the future.

Reportable Segments

REPORTABLE SEGMENTS FINANCIAL YEAR 2020

Engineering & Maintenance Europe	Engineering & Maintenance International	Technologies
Regions:	Regions:	Division (global)
United Kingdom	North America	Technologies
Nordics	Middle East	
Belgium / Netherlands		
Germany		
Austria / Switzerland		
Poland		

Bilfinger reports on business development in 2020 in the three segments Engineering & Maintenance Europe, Engineering & Maintenance International and Technologies. The range of services in the two Engineering & Maintenance segments is offered locally and includes services for the maintenance, engineering, extension and operation of industrial plants – all from a single source.

Engineering & Maintenance Europe Operational activities of the Engineering & Maintenance business in Europe were repositioned as of January 1, 2020. The previous three-level structure was replaced by an organization with only two levels and six regions. The reporting lines now go directly to the Executive Board. This management structure allows the Group to fortify its operating companies and give them greater entrepreneurial freedom. With a more decentralized organization and shorter decision-making paths, the units have assumed greater responsibility for the profitability of their businesses.

Due to the similarity of the markets, the economic environment as well as the financial parameters – particularly growth expectations and the extent of the margins – reporting on the regions in Europe in the Engineering & Maintenance segment will continue to be combined.

Engineering & Maintenance International The activities of the North America and Middle East regions relate to strategic growth regions outside Europe and form the Engineering & Maintenance International reporting segment.

Technologies Activities in the Technologies segment are positioned globally and there is a Group-wide coordination of market development. The key pillars of the business are components for the nuclear industry and for biopharmaceutical plants. These activities are considered growth areas due to the technological competence in place here.

Other Operations

Bilfinger reports on operating units that are active outside the defined business segments, regions and industries under Other Operations. These units are not part of the strategic positioning of the Group; they will be managed independently for value until a suitable owner has been found. As of January 1, 2020, four individual companies from Engineering & Maintenance Europe were reclassified to Other Operations which, as of the beginning of the year, thus consists of a total of six units. The selling process for three of these companies was completed in the course of 2020 so that three companies remain in Other Operations at the end of the year.

B.1.4 Financial management system

The key financial management metrics for financial year 2020 include figures for growth, profitability, capital efficiency as well as for liquidity and capital structure. Revenue, adjusted EBITA, return on capital employed (ROCE) and free cash flow serve as the most important key figures for financial management.

B.1.4.1 Growth

Revenue Profitable organic growth in volume is a cornerstone of the strategy for increasing Bilfinger's enterprise value. In addition, targeted acquisitions can contribute to the growth in volume.

Planning is conducted on the basis of orders received and order backlog; both key figures represent early indicators for revenue. For projects, the entire contract volume after signing is recognized; for framework agreements without a guaranteed volume, expected revenue for the coming 12 months on a rolling basis is booked in orders received and order backlog.

B.1.4.2 Profitability

EBITA / adjusted EBITA The indicator of operating profit of the corporate units and of the Group, and thus the measure of earnings for segment reporting, is ‘earnings before interest, taxes and amortization’ (EBITA).

In this context, Bilfinger focuses on ‘adjusted EBITA’ or EBITA that has been adjusted for special items. For better comparability of operating performance over time, special items such as disposal gains or losses, restructuring measures or expenses in connection with the further development of the IT landscape and the compliance system are eliminated.

Net profit Net profit consists of operating profit plus / minus amortization of intangible assets from acquisitions, financial income and expense and taxes. Also with regard to net profit reference is made to an *adjusted net profit* with adjustments made for the above-mentioned special items as well as for amortization of intangible assets from acquisitions. In addition, a normalized tax rate is assumed here.

B.1.4.3 Capital efficiency

Value added and ROCE The value added by our business segments and the Group is measured with the help of value and cash-oriented management. The company employs its capital in a targeted manner in order to achieve significant value added. Positive value added is only achieved for the Group if the average return on capital employed (ROCE) is higher than the weighted average cost of capital (WACC). These figures are calculated after taxes. Further details are provided in the Chapter B.2.2 Results of operations - Value added. The underlying parameters are regularly reviewed and adjusted in the case of relevant changes in the market environment.

Free cash flow / adjusted free cash flow / net working capital To facilitate the operationalization of value-oriented management, the company orients itself on free cash flow. Free cash flow is calculated on the basis of cash flow from operating activities less net investments in property, plant and equipment and intangible assets. A major factor to be considered in this regard is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes toward an increase in the return on capital employed (ROCE) and in the value added by the business segment concerned.

In addition, as in the past, adjusted free cash flow is still considered at Group level. As described above, it is calculated on the basis of cash inflow from operating activities less net investment in property, plant and equipment, and adjusted for special items. These special items logically correspond to the approach in EBITA.

Investments Although compared with some industries the Group's business is not very capital intensive, planned additions to property, plant and equipment are subject to intensive investment controlling.

B.1.4.4 Capital structure and liquidity

Net debt and dynamic gearing ratio To manage liquidity, Bilfinger focuses on the important key figures net debt and the dynamic debt ratio, which also includes net debt as relates to EBITDA (EBITA plus depreciation and amortization on property, plant and equipment and intangible assets).

Note on pro-forma key figures

In addition to the key figures prepared in accordance with IFRS, Bilfinger also reports on pro-forma key figures (for example EBITA, adjusted EBITA, EBITA margin, adjusted EBITA margin, adjusted earnings per share, adjusted net profit, adjusted cash flow from operating activities, adjusted free cash flow) which are not a component of the accounting regulations and which are also not subject to these regulations. These pro-forma key figures are to be seen as a supplement, but not as a substitute for the disclosures required by IFRS. The pro-forma key figures are based on the definitions provided in this Annual Report. They are used for management purposes because they are based on purely operational development and therefore offer a considerable degree of transparency as relates to the actual business development of the Group. At the same time, a perspective that includes special items is also reported.

The quantitative reconciliations of the special items in the key earnings figures are shown in Chapter *B.2.2 Results of operations,* the quantitative reconciliations of the special items in cash flow are explained in Chapter *B.2.4 Financial position*.

Other companies may calculate these key figures differently.

B.2 Economic report

B.2.1 General statement of the Executive Board on the economic situation

PLAN / ACTUAL COMPARISON	Actual 2020	Forecast Interim Report H1 2020	Forecast Annual Report year-end 2019	Actual 2019
Revenue				
Group	€3,461.0 million	decrease of about 20% as compared to prior year	organically stable	€4,326.9 million
Engineering & Maintenance Europe	€2,220.6 million	significant decrease	organically stable	€2,578.2 million
Engineering & Maintenance International	€521.2 million	significant decrease	slight decrease	€911.6 million
Technologies	€498.0 million	less pronounced decrease	significant increase	€538.4 million
EBITA adjusted				
Group	€19.8 million	significantly below prior year level but still positive	substantial increase to margin of about 4%	€104.0 million
Engineering & Maintenance Europe	€68.8 million	significant decrease but still positive	significantly positive development	€106.4 million
Engineering & Maintenance International	-€20.8 million	significant decrease but still positive	slight improvement	€42.4 million
Technologies	-€10.5 million	significant improvement, again negative	substantial improvement to positive earnings	-€27.9 million

Plan / actual comparison, continued >

< Plan / actual comparison, begin

PLAN / ACTUAL COMPARISON	Actual 2020	Forecast Interim Report H1 2020	Forecast Annual Report year-end 2019	Actual 2019
Net profit	€99.4 million	negative figure	significant improvement at least break-even	€24.2 million
Adjusted net profit from continuing operations	-€8.0 million	significant decrease	significant improvement	€49.5 million
Free cash flow	€93.2 million	continued positive figure	significantly positive development	€56.9 million
Return on capital employed (ROCE)	6.9%	below prior year figure (after taxes)	significant improvement (after taxes)	1.8%

* The outlook was adjusted on May 14, 2020 against the background of the COVID 19 pandemic and volatile development in the price of oil (excluding adjusted net income from continuing operations and return on capital employed/ROCE) and confirmed in the interim report on the first half of 2020 on August 13, 2020 (statements on adjusted net income from continuing operations and return on capital employed/ROCE added). On November 12, 2020 the outlook for adjusted EBITA in the Engineering & Maintenance International segment was lowered, while the outlook for the Group's adjusted EBITA remained unchanged due to opposing developments in the Engineering & Maintenance Europe segment.

Due to rounding, individual figures may not add up exactly to the totals given and percentages presented may not precisely reflect the absolute values to which they relate.

Bilfinger entered 2020 with a sense of optimism that was based on positive business development in the previous year. The outbreak of the COVID 19 pandemic and the temporary steep drop in the price of oil, however, had a marked impact on our company in financial year 2020 since the end of the first quarter. The forecasts in the 2019 Annual Report, not yet affected by these developments, could not be reached as a result of these unforeseeable developments. They were adjusted in May 2020 after careful consideration of the situation and confirmed in the interim report for the first half of 2020.

As anticipated, after bottoming out in April and May, the business recovery gained momentum as the year progressed. European business in particular demonstrated strong resilience and a high degree of cost agility. Capacity was reduced where the medium-term outlook is subdued, including in the upstream oil and gas business in the North Sea. We wound down loss-making activities while taking strategic action to address underperforming units, for example in the Technologies segment. Compared with year-end 2019, the number of employees in the Group was reduced by around 5,000, most of them in North America, Northern Europe and the United Kingdom.

The effects of the COVID 19 pandemic on Bilfinger's markets and business activities are described in detail in Chapters *B.2.1.1 Economic environment*, *B.2.2 Results of operations*, *B.2.4 Financial position* and *B.2.3 Net assets* as well as in Chapter *B.3 Opportunity and risk report* and in Chapter *B.4 Outlook*.

Government subsidies, including wage subsidies, partially compensated for under-utilization in the business areas affected by the sharp decline in activity. At peak times in the second quarter of the reporting year, about 3,000 European employees of the Group were on short-time work, a figure equal to about 10 percent of the total workforce. The United Kingdom accounted for the largest share, with further emphasis on Austria and Switzerland as well as Poland, Scandinavia and Germany. At the end of the year, the number of European employees on short-time work programs was still just under 500, less than 2 percent of the total workforce.

In addition, the use of opportunities to defer taxes and social security contributions contributed to the stable development shown by cash flow over the course of the year – even under difficult conditions. Overall, we made use of government grants, primarily in the United Kingdom, in Austria and the Netherlands totaling about €36 million (in accordance with IAS 20). Details are provided in Chapter *C.6.3.2 Government grants and other measures in connection with the COVID 19 pandemic*.

Forecasts issued in the half-year financial report 2020 were met at the end of the year, with two positive and one negative deviation.

Because the situation in Engineering & Maintenance International proved much more challenging than initially anticipated, adjusted EBITA here was negative, contrary to the mid-year forecast. Capacity under-utilization in North America had a particularly strong impact in this context. However, because business at Engineering & Maintenance in Europe was at the same time more robust than initially expected, it was possible to achieve the earnings level forecast for the Group as a whole.

The sale of the former Building and Facility Services business of Bilfinger (now: Apleona) to EQT in 2016 included a cash inflow as well as non-cash components, including a preferred participation note (PPN) from which we are entitled to approximately 49 percent of the proceeds after deduction of debt in the event of a resale. At the beginning of December 2020, EQT announced the sale of all shares in Apleona Group GmbH with a purchase price that exceeded expectations, resulting in a capital gain of €209.7 million for Bilfinger based on the carrying amount of €240.3 million. The increased financial result arising from the revaluation of the PPN led to significantly positive net profit at Bilfinger in 2020. The negative figure that had been expected in the forecast issued in the middle of the year could not fully anticipate the proceeds from the sale of Apleona.

The capital gain from the revaluation of the PPN in Apleona also led to a significant improvement in return on capital employed (ROCE), so that the outlook issued for this in May 2020 was also significantly exceeded.

Business development

Orders received for the Group in 2020 decreased organically by 7 percent to €3,724.1 million (previous year: €4,158.8 million). The Group's order backlog was solid at €2,584.7 million (previous year: €2,567.1 million), corresponding to an organic increase of 5 percent.

As expected, Group revenue decreased organically by 17 percent to €3,461.0 million (previous year: €4,326.9 million) as a result of limitations from the COVID 19 pandemic. The gross margin of 8.6 percent reflects low utilization as a result of the COVID 19 pandemic and a drop in the price of oil in the second quarter. Gross profit declined to €296.1 million (previous year: €411.8 million). Adjusted selling and administrative expenses continued to improve significantly to €291.3 million (previous year: €346.9 million), the adjusted ratio measured against sales was 8.4 percent. The efficiency programs implemented together with strict, agile cost management are having a sustained positive impact.

On this basis, Bilfinger achieved positive adjusted EBITA of €19.8 million (previous year: €104.0 million). This corresponds to an adjusted EBITA margin of 0.6 percent (previous year: 2.4 percent). Further restructuring measures led to an expected increase in adjusted special items to -€76.8 million (previous year: -€71.9 million).

In the Engineering & Maintenance Europe segment, orders received on an organic basis were virtually stable at €2,449.0 million (previous year: €2,529.5 million). Write-downs in order backlog for the upstream oil and gas business were offset by project orders. The order backlog was €1,706.8 million (previous year: €1,601.2 million), an organic increase of 8.9 percent over the prior-year level. Organically, revenue fell by 13 percent to €2,220.6 million (previous year: €2,578.2 million). The European maintenance business showed itself to be very resilient and agile. Revenue in the upstream oil and gas business in the North Sea, however, declined significantly due to COVID 19 restrictions. Adjusted EBITA was clearly positive at €68.8 million (previous year: €106.4 million) with a margin of 3.1 percent (previous year: 4.1 percent).

Orders received in Engineering & Maintenance International declined organically by 48 percent to €440.6 million (previous year: €856.7 million). This development reflects the absence of project awards in 2020, particularly in North America and coming on the heels of a very strong previous year. Order backlog thus decreased to €323.8 million (previous year: €455.1 million). The 42 percent organic decline in revenue to €521.2 million (previous year: €911.7 million) was partly expected, but was compounded by the challenging environment. Adjusted EBITA was negative at -€20.8 million (previous year: €42.4 million) and was impacted by under-utilization in North America. The adjusted EBITA margin was -4.0 percent (previous year: 4.6 percent).

Orders received at Technologies increased organically by a significant 58 percent to €718.8 million (prior year: €456.4 million). One major driver of this positive development was the call-up of major parts of the contracts for the Hinkley Point C nuclear power plant in the United Kingdom totaling almost €200 million. Contributions also came from other projects, including the BP pipe bridge in Germany. Order backlog increased to €559.6 million (previous year: €373.8 million). At €498.0 million (previous year: €538.4 million), organic revenue was 7.0 percent below the previous year, for the most part due to the discontinuation of loss-making activities. The segment's adjusted EBITA amounted to -€10.5 million (previous year: -€27.9 million).

Net income increased to €99.4 million (previous year: €24.2 million) despite lower adjusted EBITA. This is primarily a result of the mark-to-market valuation of the preferred participation note in Apleona, which followed the announcement that EQT had signed a corresponding selling agreement in December. The revaluation of €209.7 million was recognized in the financial result.

This also had an impact on return on capital employed (ROCE), which improved to 6.9 percent (previous year: 1.8 percent).

Free cash flow increased to €93.2 million in the reporting year (previous year: €56.9 million). As a result of the success achieved from measures to improve working capital as well as careful management of investments, there was a significant cash inflow in the fourth quarter that enabled the repayment of almost all utilized tax and social security deferrals that Bilfinger had benefited from in the second quarter of the year.

B.2.1.1 Economic environment

Economy as a whole

In 2020, the COVID 19 pandemic resulted in the worst recession the eurozone economy has experienced in the postwar period. In the spring quarter, widespread pandemic-related official closures of businesses and schools, curfews, border closures, and disruptions in international supply chains led to an 11.8 percent decline in economic output from the previous quarter (DG ECFIN, p. 11). The steep decline, however, was followed by a strong recovery in the third quarter, which industries focused on exports benefited from due to a surprisingly rapid increase in world trade. The recovery was supported by the European Central Bank through its use of extensive purchases of government bonds, and by the member states and the European Union through debt-financed rescue and stabilization packages that were carried out on a historic scale. In the fall and winter, a second wave of infections coupled with renewed lockdown measures again dampened further recovery. This time around, however, the restrictions were more limited to the service sectors, meaning that industry was not affected to the same extent as in the spring. Overall, economic output in the euro zone fell by 6.8 percent in the reporting year (Eurostat). There are considerable differences behind this average. While Southern Europe has partially experienced recessions with double-digit GDP declines, the recession in Poland, for example, was limited to a relatively mild decline of 3.6 percent (DG ECFIN, p. 1). For Germany, the GDP decline of 5.0 percent (Federal Statistical Office) was somewhat more moderate than in the recession that occurred following the financial crisis in 2009. Business investments in equipment in the euro zone fell by a massive 19.1 percent in this negative environment (DG ECFIN, p. 177). Outside the euro zone, the United Kingdom suffered a particularly severe recession as a result of the pandemic and the uncertainties related to Brexit. GDP here was down 10.3 percent (DG ECFIN, p. 1).

The U.S. also experienced an economic downturn unseen in the postwar period of 9.0 percent in the second quarter compared with the previous quarter (DG ECFIN, p. 156). Unlike in Europe, the downturn was also associated with an immediate sharp rise in unemployment. However, this slump was followed by a much faster recovery than in Europe, also boosted in the U.S. by extensive support from the central bank and fiscal policy. For the year as a whole, this resulted in a 4.6 percent decline in U.S. economic output (DG ECFIN, p. 157).

The global recession in the pandemic year temporarily led to a very substantial drop in the price of oil and gas coupled with high volatility before prices stabilized again significantly toward the end of the year. This temporary drop in prices put a tremendous strain on oil producers such as those in the Gulf states and led to a GDP contraction of 6.0 percent for the oil-producing states of the Middle East (WEO, p. 58).

Engineering & Maintenance Europe

Throughout Europe, the markets for industrial services were impacted by the frictions related to the pandemic, especially in the spring months (Lün, p. 8). Hygiene measures with restrictions on plant access and production stoppages due to the crisis have hampered performance. Sales negotiations were more difficult, leading to delays in contract awards. Projects that had already been commissioned were also often postponed. This was in addition to phases of extreme uncertainty regarding the economic consequences of the pandemic, which temporarily led to a strong reluctance to make new investments in sectors particularly affected by declining exports. To some extent, however, production stoppages caused by the crisis generated additional inquiries, although this effect could not fully compensate for the negative consequences of the crisis.

Even though the chemical sector in the EU made it through the crisis more smoothly than most other industrial sectors, there was a 5.0 percent year-on-year decline in production in the second quarter, which was severely affected by lockdowns (VCI forecast). For the year as a whole, production in the European chemical and pharmaceutical industries stagnated (VCI forecast). In the chemical industry, especially the production of polymers declined sharply as a result of the sharp drop in demand from the automotive industry and plastics processing (VCI semi-annual conference). It was not possible for unusually high demand for disinfectants and cleaners in other segments to offset these shortfalls.

European chemical sites showed varying degrees of resilience. While the strict lockdowns severely hampered production in France and Southern Europe in the spring, developments in Germany, the Netherlands and Belgium were more favorable. The chemical and pharmaceutical industries in the United Kingdom and Poland performed particularly well in the crisis year. From January to November, production was up 5.8 percent as compared to the previous year in the United Kingdom and 2.2 percent in Poland (VCI WCR). This contrasted with declines of 2.0 percent in Germany and 4.2 percent in France (VCI WCR). The Polish chemical industry benefited from strong investment in further capacity expansion in recent years.

In the German market, sales by industrial service providers fell by 9.0 percent according to industry estimates (Lün, p. 10). Due to the greater stability of the chemical and pharmaceutical industries compared to other customer industries, their importance for providers of industrial services has increased further (Lün, p. 26).

In addition to the disruptions caused by the pandemic, the oil and gas sector in the United Kingdom and Norway was shaped by the sometimes dramatic fall in the price of oil in the reporting year. Prices per metric ton of Brent fell from over US $60 at the beginning of the year to lows of around US $20 in the spring, before stabilizing again at a level of over US $40 since the summer. Even before the pandemic-related drop in the price of oil, the sector was struggling from a decline in gas prices due to growing competition from liquefied natural gas imports from the U.S.; gas prices had already more than halved in the previous year (UK Oil&Gas Outlook, p. 8). The sector did demonstrate a degree of resilience in terms of production. The decline in oil and gas production was only 2.5 percent for the UK oil and gas fields in the first three quarters (UK Oil&Gas Autumn, p. 7). This was also helped by the fact that maintenance and repair work was reduced sharply in the first few months of the pandemic. As a result of the drop in prices and despite relatively stable production, there was a drastic decline in sales in the order of 50 percent in a two-year comparison (UK Oil&Gas Outlook, p. 11). This situation forced companies in the sector to make severe cuts in operating expenses and investments. In comparison with the previous year, the sector's capital expenditure, demolition and operating expenses dropped by GBP 3 to 4 billion from a level of GBP 14 billion in the previous year (UK Oil&Gas Autumn, p. 9). Of significance for the production potential of the oil and gas sector in the years ahead is the fact that exploration and exploratory drilling have also fallen to their lowest level since the 1970s and companies in the drilling industry have often had to be placed under creditor protection (UK Oil&Gas Autumn, p. 8).

In the Norwegian Shelf, production increased by a further 2.0 percent in the reporting year as a result of the high level of investment in recent years (Norwegian Petroleum), although the Norwegian government decided to reduce oil production compared with planning in order to help stabilize oil markets in the face of declining demand (Norwegian Petroleum). As is the case in the UK oil fields, there has also been a sharp drop in exploration activity in Norway due to the decline in sales. The number of wells drilled fell from 57 last year to just 30, the lowest level in 14 years (Oedigital).

Engineering & Maintenance International

The chemical and pharmaceutical industries in North America also had to contend with the impact of the pandemic and lower demand from important industrial customers. Even before this situation, the sector’s momentum had been hampered by a long-running trade dispute with China and that country’s impact on global supply chains. U.S. chemical production in the first three quarters was 3.7 percent below the level of the previous year. In particular, the sharp drop in demand from the automotive and aircraft industries, the fracking sector and, at times, the construction industry contributed to this downturn. As was the case in Europe, the decline in production was somewhat mitigated by pandemic-related demand for such things as plastics used in respirators and protective equipment as well as for cleaning agents and disinfectants (GTAI US Chemistry Covid-19).

The collapse of the price of oil led to a massive drop in drilling activity in the oil and gas industry and has had a particularly severe impact on the fracking sector. The number of wells dropped by 70.0 percent from 805 wells at year-end 2019 to just 244 wells by August, recovering slightly to 350 wells by year-end (Baker Hughes). This development led to a wave of insolvencies; according to industry estimates, roughly 250 oil and gas companies will have to file for creditor protection in 2020 and 2021 (GTAI US Chemistry Covid-19). Because demand for industrial services in the U.S. oil and gas industry is heavily dependent on new projects and because maintenance plays a subordinate role in oil and gas production, the crisis in the oil and gas industry has fully impacted the services business.

Monthly crude oil production in the U.S. had fallen to a two-and-a-half-year low in May, but recovered afterwards. Production for the year as a whole was 6.7 percent below the previous year. Due to stable demand from the energy industry and further increases in liquefied natural gas exports, the decline in natural gas production was less pronounced, decreasing by 2.3 percent (EIA Short-term Energy Outlook).

In the Gulf states, the low price of oil led to sharp increases in government deficits, forcing a slowdown in the pace of investments made to diversify the economy in order to reduce dependence on oil and gas production. Nevertheless, the Gulf states are standing by their strategy of expanding downstream industries in order to increase value creation at their own sites. In the short term, however, weak demand on international petrochemical markets slowed development in the sector.

To come to grips with the dynamic growth in electricity consumption over the last few years, extensive investment in electricity generation continue to be made in the Gulf states. Conventional oil and gas-fired power plants are being modernized or newly built. The Gulf states are also driving expansion of renewable power generation with heavy investments in solar and wind power plants. A total of 62 power plant projects with a total volume of US $123.0 billion (GTAI Saudi Arabia Solar Energy) are currently in the planning stages or under construction in Saudi Arabia. The United Arab Emirates became the first Gulf state to commission a nuclear power plant in the reporting year. With the four reactors that are being planned, the country intends to cover a quarter of its long-term electricity needs. Saudi Arabia is also pushing ahead with its nuclear energy program and plans to build up to 16 reactors over the next 20 years (Handelsblatt Emirate).

Technologies

Development in the energy industry across all regions is shaped by increasingly ambitious political targets for decarbonization. In Europe, the European Commission and European Parliament have set even more ambitious climate targets. The “European Green Deal” now lays out the central goal of climate neutrality for the EU by 2050. By 2030, emissions will be reduced by 60.0 percent compared with 1990; the previous target was 40.0 percent. The central instrument in this regard is a cross-sector CO_2 price secured externally by a CO_2 limit adjustment. This approach implies an increasing pricing path for CO_2 emission rights and significant social, regulatory and economic incentives to further increase efficiency and reduce the use of fossil energy sources in the energy sector and in industry.

For Germany, the Climate Protection Program 2030 has specified the key points for achieving the country’s climate targets. Extensive investments on the part of the federal government are foreseen. In the summer, the German government presented its national hydrogen strategy. The objective is to drive the production, transport and use of regeneratively produced hydrogen. With the passage of the Coal Phase-Out Act (*Kohleausstiegsgesetz*), a decision was taken to completely phase out coal-fired power generation with a time path until 2038. These decisions and the compensation planned for power plant operators have improved planning security in the sector. Incentives to invest in modern combined heat and power plants are also increased. The law addresses potential risks to supply security by continuously reviewing the impact of closures on supply security.

In the reporting year, CO_2 emissions in German power generation fell by a significant 22 percent in the first three quarters as compared to the same period in the previous year (BDEW CO2 emissions). On top of lower consumption by industry as a result of the COVID 19 pandemic, this was also due to the rapidly increasing share of renewables in the electricity supply and efficiency improvements at gas-fired power plants arising from modernization and new construction efforts.

As has been the case in previous years, the importance of the power plant business for the industrial services market declined due to the accelerating phase-out of fossil-based power generation. In Germany, the energy industry’s share of the services market is now less than 7 percent (Lün, p. 27).

The market for industrial services related to the demolition of nuclear power plants remains stable and predictable. In the reporting year, six reactors were still online in Germany, three of which have to be shut down by the end of 2021 at the latest while the last three have to be shut down by the end of 2022, thus giving further impetus to the demolition market (BMU).

In France, the Grand Carénage program from energy utility EDF to modernize and extend the service lives of nuclear power plants is proceeding according to plan. The investment budget foreseen in a 10-year window was increased slightly to €49.0 billion (EDF).

The UK government has formulated a ten-point plan for the country’s path to climate neutrality by 2050. By 2030, the capacity of offshore wind power is expected to increase four-fold. The country is also relying on nuclear power beyond the planned completion of the Hinkley Point C nuclear power plant in 2025 and is pushing research into innovative small and medium-sized reactor types (HM Government). Plans are being advanced for the construction of the new Sizewell C nuclear power plant, which, in terms of the technology used, is closely based on Hinkley Point C and will also be built by EDF (BBC news).

Poland’s energy industry, with its still overwhelming importance of coal-fired power generation, is at the beginning of a comprehensive transformation process as a result of EU decarbonization requirements. At the same time, the profitability of coal mining is declining due to low market prices and high costs for CO2 certificates in power generation. Demand for services to improve the efficiency of fossil-fuel fired power plants remained high, as did investment in gas-fired power plants. There have also been project delays in Poland due to COVID 19, however (GTAI Poland Coal).

The market for exhaust gas cleaning systems for ships (“scrubbers”) has declined considerably. The scrubbers can be used as an alternative to the use of low-sulfur fuels and have so far been installed on just over 4,000 ships worldwide (Lloyd’s List). As an alternative, however, they have become much less attractive as fuel prices have fallen in line with oil prices. In addition, there is an increasingly critical assessment of the environmental impact, so that a growing number of countries no longer accept this technology as a substitute for switching to low-sulfur fuel (Lloyd's List).

The EU pharmaceutical industry withstood the year of recession and was even able to increase its output by 6.0 percent in the second quarter – a period that was characterized by strict lockdowns (VCI forecast). The reason behind this strength in the pharmaceutical sector was partly pandemic-related special demand for pharmaceutical products, while stockpiling by uncertain consumers also had an impact. However, demand was dampened in phases by fewer physician visits and prescriptions. Nevertheless, the global pharmaceutical industry benefited worldwide from a 3.7 percent increase in sales of prescription medicines in the reporting year (Evaluate, p. 4). This sector benefited in particular from the continuing rise of biopharma products. These products have already managed to achieve a 30 percent share of global prescription drug sales (Evaluate, p. 20).

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B.2.1.2 Factors influencing business development

In addition to the impact of the COVID 19 pandemic and volatile developments in the price of oil, the operating business in the Engineering & Maintenance Europe, Engineering & Maintenance International and Technologies segments in the core regions of Europe, North America and the Middle East was subject to specific influencing factors in the respective industries. In the key sectors, the following main trends were recorded:

FACTORS INFLUENCING BUSINESS DEVELOPMENT

	Chemicals & Petrochem	Energy & Utilities	Oil & Gas	Pharma & Biopharma
Group*	Share of revenue: 30%	Share of revenue: 15%	Share of revenue: 20%	Share of revenue: 10%
Engineering & Maintenance Europe	Share of revenue: 40%	Share of revenue: 10%	Share of revenue: 20%	
	• Market slowly starts to recover with benefit of low feedstock prices	• ESG climate change drivers still hold, e.g. CO_2 limits, emissions, decentralized power generation	• OPEX stabilized after initial shock and gradual recovery foreseen	
	• Ongoing project investments still proceeding	• Green energy investment projects emerging as anticipated (e.g. renewables, hydrogen, carbon capture etc.)	• Recovery supported by asset integrity/shutdown related backlog plus older asset life extensions	
	• Deferred work/shutdowns expected to raise activity levels in 2021/22			
Engineering & Maintenance International	Share of revenue: 20%	Share of revenue: 10%	Share of revenue: 25%	
	• Trend for expansion and modernization projects in ME intact	• Continued growth in ME population and industry drives further development of alternative and nuclear energy concepts as well as water solutions	• Large oil & gas and LNG investment plans in several ME countries (e.g. UAE, Qatar, Kuwait) for the upcoming years	
	• Projects delayed but attractive project pipeline in NA	• In NA, more positive outlook for energy investment focused on energy storage, wind, solar and CO_2 reduction	• CAPEX and OPEX spend expected to increase in NA from 2021 onwards	

Factors influencing business development, continued >

< Factors influencing business development, begin

FACTORS INFLUENCING BUSINESS DEVELOPMENT

	Chemicals & Petrochem	Energy & Utilities	Oil & Gas	Pharma & Biopharma
Technologies		Share of revenue: 40%		Share of revenue: 35%
		• Energy transition focus in all our regions, esp. Europe and U.S.		• Mega trends remain unchanged despite COVID 19
		• Nuclear demand for new builds and maintenance increasing, esp. in France, UK, Finland and demand increasing for decommissioning in Germany		• Positive outlook on pharma OPEX; Trend to outsource services and production is increasing

* In addition, in 2020, 5 percent of Group revenue was accounted for by the metallurgy sector as well as 20 percent by cement and industries outside the defined core industries. Remaining shares are accounted for by these industrial sectors also in the individual segments.

In the Engineering & Maintenance Europe segment, the importance of framework and service agreements was highest with a roughly 75 percent share of segment revenue. Revenue in the project business totaled about 25 percent.

At Engineering & Maintenance International, service and framework agreements as well as the project business each accounted for approximately 50 percent of revenue.

In the Technologies segment, 95 percent of revenue were generated almost entirely from the execution of projects and the production of components, while service and framework agreements accounted for around 5 percent of revenue.

For the Group as a whole, framework and service agreements slightly predominated with a share of around 60 percent of Group revenue, while projects and component manufacturing accounted for around 40 percent.

B.2.2 Results of operations

OVERVIEW OF ORDERS AND REVENUE

in € million	2020	2019	Δ in %
Orders received	3,724.1	4,158.8	-10
Order backlog	2,584.7	2,567.1	1
Revenue	3,461.0	4,326.9	-20

In financial year 2020, orders received for the Bilfinger Group of €3,724.1 million were 10 percent below the prior-year figure; organically, the decrease was 7 percent. The market environment was significantly impacted by the effects of the COVID 19 pandemic and the sometimes significant drop in the price of oil, particularly in the first half of the year. As expected, this was partially offset in the second half of the year. At the end of the year, order backlog amounted to €2,584.7 million, and was thus 1 percent below the figure for the prior year (organically: 5 percent). Revenue decreased by 20 percent to €3,461.0 million, organically it fell by 17 percent. Here, too, the COVID 19 pandemic and development in the price of oil had an impact. Following the low point in the second quarter, the expected recovery arrived in the second half of the year.

REVENUE BY REGION

in € million	2020		2019		Δ in %
Germany	932.6	27%	963.2	22%	-3
Rest of Europe	1,877.7	54%	2,305.4	53%	-19
America	409.0	12%	798.3	18%	-49
Africa	105.1	3%	123.9	3%	-15
Asia	136.7	4%	136.1	3%	0
Total	**3,461.0**		4,326.9		-20

In the reporting year, about 81 percent of revenue was accounted for by our European markets. Germany contributed 27 percent of sales volume; the focus in European countries outside Germany was Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Austria. In North America, we generated 12 percent of our revenue and Africa contributed 3 percent.

REVENUE BY BUSINESS SEGMENT

in € million	2020	2019	Δ in %
Engineering & Maintenance Europe	2,220.6	2,578.2	-14
Engineering & Maintenance International	521.2	911.6	-43
Technologies	498.0	538.4	-8
Reconciliation Group	221.2	298.6	-26
thereof Other Operations	262.5	338.1	-22
thereof headquarters / consolidation / other	-41.4	-39.5	5
Total	**3,461.0**	4,326.9	-20

Engineering & Maintenance Europe

ENGINEERING & MAINTENANCE EUROPE

in € million	2020	2019	Δ in %
Orders received	2,449.0	2,529.5	-3
Order backlog	1,706.8	1,601.2	7
Revenue	2,220.6	2,578.2	-14

At Engineering & Maintenance Europe, orders received of €2,449.0 million were down 3 percent (organically: -2 percent) as compared to the previous year, partly due to a reduction in order backlog as a result of reduced expectations in the upstream oil and gas business in the North Sea. At €1,706.8 million, order backlog at the end of the year was, however, higher than the previous year.

As a result of the COVID-19 pandemic and the volatile oil price trend, the business segment recorded a significant decline in revenue of 14 percent (organically: -13 percent) to €2,220.6 million. As expected, the downward trend in the first half of the year was less pronounced in the second half. The European maintenance business proved to be very stable and agile, whereas revenue in the upstream oil and gas business in the North Sea was still well below the comparative figure in the second half of the year.

ENGINEERING & MAINTENANCE EUROPE:
REVENUE BY REGION

in € million	2020		2019		Δ in %
Germany	688.2	31%	681.4	26%	1
Rest of Europe	1,525.2	69%	1,893.0	73%	-19
Other	7.2		3.8		87
Total	**2,220.6**		**2,578.2**		**-14**

In 2020, about 31 percent of revenue generated in the Engineering & Maintenance Europe segment came from Germany. 69 percent of segment revenue was accounted for by European countries outside Germany – with a focus on Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Austria.

Engineering & Maintenance International

ENGINEERING & MAINTENANCE INTERNATIONAL

in € million	2020	2019	Δ in %
Orders received	440.6	856.7	-49
Order backlog	323.8	455.1	-29
Revenue	521.2	911.6	-43

Engineering & Maintenance International was mainly impacted by the sharp decline in North America. Following the completion of a number of major projects in the previous year, there was no impetus for the project business in 2020 due to the COVID 19 pandemic and the volatile price of oil. Slowed demand was also seen in the Middle East. Orders received in this segment declined by 49 percent (organically: -48 percent) to €440.6 million. Order backlog at the end of the year was €323.8 million. Revenue decreased by a significant 43 percent (organically: -42 percent) to €521.2 million.

ENGINEERING & MAINTENANCE INTERNATIONAL: REVENUE BY REGION

in € million	2020		2019		Δ in %
America	403.0	77%	792.6	87%	-49
Asia	118.1	23%	119.1	13%	-1
Total	521.2		911.6		-43

Our business outside Europe is bundled in the Engineering & Maintenance International segment. In the reporting year, 77 percent of revenue was generated in the North American market, while the Middle East contributed 23 percent to segment revenue.

Technologies

TECHNOLOGIES

in € million	2020	2019	Δ in %
Orders received	718.8	456.4	57
Order backlog	559.6	373.8	50
Revenue	498.0	538.4	-8

In the Technologies segment, orders received increased significantly in the reporting year. Buoyed by a comparatively robust overall performance, but also in particular by new orders in connection with the construction of the new Hinkley Point C nuclear power plant in the United Kingdom, orders received in this segment increased by 57 percent (organically: 58 percent) to €718.8 million. Order backlog of €559.6 million was significantly above the prior-year figure. Revenue declined by 8 percent (organically: -7 percent) to €498.0 million. Here, the effects of the COVID 19 pandemic were most noticeable in France as well as other countries and were compounded by declining revenue in areas such as processing.

TECHNOLOGIES: REVENUE BY REGION

in € million	2020		2019		Δ in %
Germany	227.1	46%	226.4	42%	0
Rest of Europe	252.9	51%	277.5	52%	-9
America	2.3	0%	1.1	0%	115
Africa	1.0	0%	18.8	3%	-95
Asia	14.5	3%	14.7	3%	-1
Total	498.0		538.4		-8

In the Technologies segment, 46 percent of revenue was attributable to Germany, and 51 percent of volume was generated in European countries outside Germany with a focus on France, the Netherlands, Austria and the United Kingdom. Our markets in the Middle East, Africa and North America accounted for a total of around 3 percent of segment revenue.

Reconciliation Group

RECONCILIATION GROUP

in € million	2020	2019	Δ in %
Orders received	115.6	316.1	-63
thereof Other Operations	232.6	355.6	-35
thereof headquarters / consolidation / other	-117.0	-39.5	-196
Revenue	221.2	298.6	-26
thereof Other Operations	262.5	338.1	-22
thereof headquarters / consolidation / other	-41.3	-39.5	-5

We report on operating units that are active outside the defined business segments, regions and industries under Other Operations. These units are not part of the strategic positioning of the Group. They will be managed independently for value until a suitable owner has been found. At the beginning of the reporting year, six units were allocated to Other Operations. Of these, three were sold during the 2020 financial year, leaving three companies in Other Operations at the end of the year.

In Other Operations, orders received decreased by 35 percent (organically: -6 percent) to €232.6 million. Revenue declined by 22 percent (organically: -1 percent) to €262.5 million. Significant deconsolidation effects as a result of the companies sold in 2020 are reflected here.

Revenue

CONSOLIDATED INCOME STATEMENT (ABRIDGED)

in € million	2020	2019
Revenue	**3,461.0**	4,326.9
Cost of sales	-3,164.9	-3,915.1
Gross profit	**296.1**	411.8
Selling and administrative expense	-309.7	-379.5
Impairment losses and reversals of impairment losses in accordance with IFRS 9	-6.5	1.2
Other operating income and expense	-57.9	-25.3
Income from investments accounted for using the equity method	12.5	19.9
Earnings before interest and taxes (EBIT)	**-65.5**	28.1
Financial result	181.1	-21.9
Earnings before taxes	**115.6**	6.2
Income taxes	-7.5	-3.9
Earnings after taxes from continuing operations	**108.0**	2.3
Earnings after taxes from discontinued operations	**-7.0**	23.6
Earnings after taxes	101.0	25.9
thereof non-controlling interests	1.6	1.7
Net profit	**99.4**	24.2
Basic earnings per share (in €)	2.47	0.60
thereof from continuing operations	2.64	0.01
thereof from discontinued operations	-0.17	0.59
Diluted earnings per share (in €)	2.44	0.60
thereof from continuing operations	2.61	0.01
thereof from discontinued operations	-0.17	0.59

Group revenue declined by 20 percent to €3,461.0 million (previous year: €4,326.9 million) due to the impact of the COVID 19 pandemic and volatile developments in the price of oil in financial year

2020. This figure includes in particular revenue from the provision of services and from production orders.

Cost of sales

The main components of cost of sales are material expenses and personnel expenses. Other components of cost of sales are depreciation of property, plant and equipment, amortization of rights of use from leases in accordance to IFRS 16 and of intangible assets from acquisitions, and other costs directly allocable to the selling process. The level of these costs in relation to sales revenue differs from period to period and fluctuates from order to order, mainly depending on the extent that subcontractors are used. Whereas order processing in the Group's own output volume is reflected in both material expenses and personnel expenses, all costs for the use of subcontractors are allocated to material expenses.

Cost of sales increased by 19 percent to €3,164.9 million (previous year: €3,915.1 million), and in relation to revenue was 91 percent (previous year: 91 percent). Of that total, material and personnel expenses accounted for 78 percentage points (previous year: 78 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions of €1.7 million (previous year: €3.9 million). This relates to scheduled amortization of capitalized items from acquired order backlogs and long-term customer relations from acquisitions. Depreciation of property, plant and equipment increased to €59.3 million (previous year: €55.3 million). This represents a significant portion of the cost of sales at €46.2 million (previous year: €49.1 million). Depreciation and amortization on rights of use from leases in accordance with IFRS 16 amounted to €56.4 million (previous year €51.3 million). This includes impairment losses of €3.3 million (previous year: €0.0 million).

Gross profit

Gross profit decreased to €296.1 million (previous year: €411.8 million) due to lower revenue. The gross margin accounted for a share of 8.6 percent of revenue (previous year: 9.5 percent).

Selling and administrative expenses

Selling, general and administrative expenses continued to decline significantly to €309.7 million (previous year: €379.5 million) – primarily as a result of tight cost control and the impact of structural measures further intensified in light of the COVID 19 pandemic's impact on our business.

Selling and administrative expenses adjusted for special items from the harmonization of the IT systems and from restructuring expenses in the amount of €18.4 million (previous year: €32.6 million) continued to improve significantly to €291.3 million (previous year: €346.9 million)

Bilfinger follows a strict cost management system with measures that had both temporary and sustainable effects. At 8.9 percent (previous year: 8.8 percent), selling and administrative expenses as a percentage of sales thus increased only moderately in the reporting year, despite the significant decline in revenue. Adjusted for special items from the harmonization of IT systems and restructuring expenses, the ratio was 8.4 percent (previous year: 8.0 percent).

Other operating income and expense

The negative balance from other operating income and expense increased to -€57.9 million (previous year: -€25.3 million). This is primarily due to a -€66.9 million increase in restructuring expenses (previous year: -€36.6 million) caused by the impact of the COVID 19 pandemic. There were also expenses of -€11.4 million (previous year: gain of €4.0 million) from disposals of investments in the course of portfolio adjustments and expenses of -€6.4 million (previous year: -€6.1 million) for the harmonization of IT systems.

Income from investments accounted for using the equity method

Income from investments accounted for using the equity method is composed of income and expenses from associates and joint ventures. It decreased to €12.5 million (previous year: €19.9 million), reflecting lower contributions from the Middle East and North America.

EBITA / adjusted EBITA / EBIT

Adjusted EBITA declined significantly to €19.8 million (previous year: €104.0 million), impacted by the consequences of the COVID 19 pandemic and volatile development in the price of oil. In relation to the significantly lower revenue, a positive adjusted EBITA margin of 0.6 percent (previous year: 2.4 percent) was achieved. Exchange rate effects of -€0.4 million (previous year: -€1.0 million) had an insignificant impact.

ADJUSTED EBITA BY BUSINESS SEGMENT

	Adjusted EBITA in € million		Adjusted EBITA margin in %	
	2020	2019	**2020**	2019
Engineering & Maintenance Europe	68.8	106.4	3.1	4.1
Engineering & Maintenance International	-20.8	42.4	-4.0	4.6
Technologies	-10.5	-28.0	-2.1	-5.2
Reconciliation Group	-17.7	-16.8	-	-
thereof Other Operations	6.2	-1.2	2.4	-0.4
thereof headquarters / consolidation / other	-23.9	-15.7	-	-
Continuing operations	**19.8**	104.0	**0.6**	2.4

The COVID 19 pandemic and volatile development in the price of oil impacted the earnings performance of our business segments to varying degrees in the reporting year.

Within the scope of the strict cost management that was applied, we reduced capacity where the longer-term outlook is subdued – for example in the oil and gas business in the United Kingdom – wound up loss-making activities while at the same time pursuing strategic alternatives, for example with an increased focus on business in the nuclear power sector. During the course of the year, the number of employees in the Group was also reduced by approximately 5,000, the majority of them in North America, Northern Europe and the United Kingdom.

At peak times in the second quarter of 2020, up to 3,000 European employees of the Group were on short-time work, a figure equal to about 10 percent of the total workforce. At the end of the year, the number of European employees on short-time work was still just under 500, a figure equal to less than 2 percent of the total workforce.

These government grants were mainly used in the United Kingdom, Austria and the Netherlands. In accordance with the net method selected, government grants, which under IAS 20 are classified as government grants related to profit or loss, were recognized as a reduction of the corresponding personnel expense, to date totaling approximately €36 million. Details can be found in Chapter C.6.3.2 Government grants and other actions related to the COVID 19 pandemic.

At Engineering & Maintenance Europe, adjusted EBITA was down as compared with the previous year at €68.8 million (previous year: €106.4 million), while the adjusted EBITA margin was 3.1 percent (previous year: 4.1 percent). As a result, despite the significant decline in revenue, the earnings situation in this segment was relatively stable in light of the robust European service business and agile cost management.

In the Engineering & Maintenance International business segment, adjusted EBITA decreased significantly to -€20.8 million (previous year: €42.4 million). The adjusted EBITA margin in the segment was -4.0 percent (previous year: 4.6 percent). In North America in particular, the sharp decline in orders received and widespread economic uncertainty resulted in significant under-utilization of capacity in some areas. Losses were also recorded in the Middle East. The adjustment and restructuring measures implemented in the reporting year began showing positive effects in the final months of the year, but this region has yet to stabilize.

At Technologies, adjusted EBITA improved to -€10.5 million (previous year: -€28.0 million) but was still negative. The EBITA margin was -2.1 percent (previous year: -5.2 percent). Structural measures introduced in this segment led to a sustained reversal of the earnings trend in the second half of the year.

EBITA not allocated to the business segments was stable at -€17.7 million (previous year: -€16.8 million). The Other Operations included here provided a positive earnings contribution.

EBITA excluding the special items described under *B.2.2 Results of operations – adjusted earnings per share* was impacted in particular by the necessary restructuring charges arising in connection with the COVID 19 pandemic and development in the price of oil. EBITA for the Group therefore declined significantly compared with the previous year and amounted to -€57.0 million (previous year: €32.1 million).

Respective restructuring costs are included in the figures for the business segments. Accordingly, EBITA at Engineering & Maintenance Europe was €36.0 million (previous year: €86.2 million), at Engineering & Maintenance International -€34.5 million (previous year: €36.7 million) and at Technologies -€36.0 million (previous year: -€35.2 million).

EBITA not allocated to the business segments amounted to -€22.5 million (previous year: -€55.6 million). It also includes restructuring costs and expenses for projects related to process and system harmonization as well as income from the disposal of investments in the course of portfolio adjustments.

After deducting amortization of intangible assets from acquisitions, the Group EBIT amounted to -€65.5 million (previous year: €28.1 million).

Financial result

The financial result increased significantly to €181.1 million (previous year: -€21.9 million). The increase is mainly due to the mark-to-market valuation of the preferred participation note from the sale of Apleona recognized in profit or loss. This arises from the sale of Bilfinger's Building and Facility Services business (now: Apleona) to financial investor EQT in September 2016. The agreement at the time included that in the event of a resale of Apleona, Bilfinger would receive a share of around 49 percent of the proceeds after deduction of debt. The resale of Apleona announced in December 2020 resulted in an increase in the value of the preferred participation note to €450.0 million (previous year: €240.3 million). The cash inflow is expected after closing of the transaction in the first half of the financial year 2021.

Under IFRS, the expected sale of Apleona in the first half of 2021 will lead to the described increase in fair value recognized in profit or loss in the 2020 consolidated financial statements, while the effect on profit or loss under German GAAP will only be recognized in Bilfinger SE's financial statements after realization and thus in the 2021 financial year.

Interest income in the reporting year totaled €1.4 million (previous year: €6.8 million). The decrease compared with the previous year resulted mainly from the absence of interest on the Apleona vendor note, which was incurred in the previous year until the corresponding repayment in the second quarter.

Current interest expenses decreased to -€20.5 million (previous year: -€28.3 million). In the previous year, there was a burden in the amount of €7.5 million from the higher gross debt prior to the repayment of the €500.0 million bond in December 2019 which had a particular impact here. This was partially offset by the increase in the coupon on the current bond from 4.5 to 5.75 percent following the downgrade of the S&P credit rating from BB to BB-, which took effect in the second half of the year. The interest expense on lease liabilities in accordance with IFRS 16 amounted to -€4.5 million (previous year: -€4.9 million).

Income of €209.7 million (previous year: €12.1 million) was generated from securities due to the revaluation of the preferred participation note for Apleona in the reporting year.

The interest expense from an increase in the retirement benefit obligation – offset against income from plan assets – amounted to -€3.6 million (previous year: -€5.6 million). The interest expense for minority interest was -€1.4 million (previous year: -€2.0 million).

Earnings before and after taxes

Earnings from continuing operations improved considerably as a result of the appreciation of the preferred participation note for Apleona. They amounted to €115.6 million (previous year: €6.2 million) before taxes and €108.0 million (previous year: €2.3 million) after taxes. No significant tax expense was incurred for the revaluation. Overall, the tax expense amounted to -€7.5 million (previous year: -€3.9 million).

Earnings after taxes from continuing operations amounted to -€7.0 million (previous year: €23.6 million). The positive prior-year figure was mainly a result of the reversal of provisions following agreement on selling contract guarantee obligations and as a result of the realization of claims from a legacy project.

Non-controlling interests

Profit attributable to minority interests was €1.6 million (previous year: €1.7 million).

Net profit / earnings per share

Consolidated net income increased significantly to €99.4 million (previous year: €24.2 million), in particular due to the revaluation of the preferred participation note for Apleona. Basic earnings per share increased to €2.47 (previous year: €0.60), while diluted earnings per share rose to €2.44 (previous year: €0.60).

Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the special items described below amounted to -€8.0 million (previous year: €49.5 million), adjusted earnings per share from continuing operations were €0.20 (previous year: €1.23). The figure relates to diluted earnings per share.

Dividend

The Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of €1.88 per share be paid for the 2020 financial year, thus increasing the previous year's dividend of €0.12 per share to the level of the minimum dividend of €1.00 per share with retroactive effect.

Adjusted earnings per share

The calculation of earnings per share in accordance with IFRSs is presented in the income statement. Earnings per share after adjusting for exceptional items and the amortization and impairment of intangible assets is a metric that is suited to enabling comparability over time and forecasting future profitability.

RECONCILIATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

in € million	**2020**	2019
Earnings before taxes	115.6	6.2
Special items in EBITA	76.9	71.9
Special items in financial income	-209.7	-11.9
Amortization of intangible assets from acquisitions and goodwill impairment	8.5	3.9
Adjusted earnings before taxes	**-8.7**	**70.1**
Adjusted income tax income / expense	2.3	-18.9
Adjusted earnings after taxes from continuing operations	**-6.4**	**51.2**
thereof non-controlling interests	1.6	1.7
Adjusted net profit from continuing operations	**-8.0**	**49.5**
Average number of basic shares (in thousands)	40,297	40,284
Adjusted basic earnings per share from continuing operations (in €)	**-0.20**	**1.23**
Average number of diluted shares (in thousands)	40,814	40,284
Adjusted diluted earnings per share from continuing operations (in €)	**-0.20**	**1.23**

SPECIAL ITEMS IN EBITA

€ million	2020	2019
EBIT	-65.5	28.1
Amortization of intangible assets from acquisitions and goodwill	8.5	3.9
EBITA	-57.0	32.0
Restructuring and efficiency enhancement expense	76.8	39.8
Income / expense for improvement of the compliance system	-17.1	-0.8
Process and system harmonization expense	13.2	36.0
Income / expense from the disposal of investments	3.9	-3.1
Total special items	76.8	71.9
Adjusted EBITA	19.8	104.0

Special items in financial result relate to earnings from the measurement at fair value of our preferred participation note for Apleona.

Scheduled amortization of intangible assets from acquisitions and impairment of goodwill totaling €1.7 million (previous year: €3.9 million) relates to scheduled amortization of intangible assets resulting from purchase price allocation following acquisitions and is therefore of a temporary nature. In addition, impairment losses of €6.8 million (previous year: €0.0 million) were incurred in the reporting year in connection with the goodwill impairment test in Other Operations as of June 30, 2020 which was induced by COVID 19.

Adjustments to income tax expense take into account the tax effects of the special items in EBITA and the amortization of intangible assets from acquisitions, as well as the non-capitalization of deferred tax assets on losses in the reporting year and the change to write-downs on deferred tax assets on tax-loss carryforwards from previous years. The adjusted effective tax rate was 27 percent. Adjusted earnings figures are metrics that are not defined under IFRS. Their disclosure is to be regarded as supplementary information.

Value added

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed in € million		Return in € million		ROCE in %		Cost of capital in %		Value added in € million	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Engineering & Maintenance Europe	821.1	879.5	37.2	76.9	4.5	8.7	8.3	7.4	-31.2	12.2
Engineering & Maintenance International	324.3	376.8	-34.1	29.3	-10.5	7.8	9.1	8.1	-63.5	-1.3
Technologies	246.4	270.2	-36.8	-31.7	-14.9	-11.7	11.6	10.1	-65.3	-59.1
Reconciliation Group	613.3	866.3	171.7	-31.4	-	-	-	-	122.2	-93.7
thereof Other Operations	66.4	98.5	-5.1	-2.1	-7.7	-2.1	11.9	10.3	-13.0	-12.2
thereof headquarters / consolidation / other	546.9	767.8	176.8	-29.4	-	-	-	-	135.2	-81.5
Continuing operations	2,005.0	2,392.8	138.0	43.1	6.9	1.8	8.8	7.7	-37.9	-142.0

Value added – the difference between return on capital employed (ROCE) and the cost of capital – is an important key figure for measuring the return on capital employed and for its efficient controlling. We include continuing operations in order to provide better comparability over time in the consideration of return on capital employed.

To determine the return, we rely on an after-tax calculation, based on EBIT and including interest income and income from securities. This means that we also consider special items, amortization of capitalized assets from acquisitions as well as potentially goodwill impairments in the calculation of the return. We thus want to ensure that all success components are represented in our return on capital employed.

Average capital employed for continuing operations decreased to €2,005.0 million in the reporting year (previous year: €2,392.8 million). The return from continuing operations improved significantly to €138.0 million (previous year: €43.1 million). Due to the significant income from the mark-to-market valuation of the preferred participation note in Apleona, income from securities was significantly higher than the prior-year figure.

The weighted average cost of capital (WACC) for the Group was 8.8 percent after taxes (previous year: 7.7 percent). Overall, ROCE rose to 6.9 percent (previous year: 1.8 percent), while absolute value added improved significantly to -€37.9 million (previous year: -€142.0 million).

Further explanations can be found in section *D.3 Return on capital employed controlling**.

* information external to the management report / not audited

B.2.3 Net assets

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)

in € million	2020	2019
Assets		
Non-current assets		
Intangible assets	765.2	802.5
Property, plant and equipment	269.7	311.9
Right of use assets from leases	189.3	227.4
Other non-current assets	89.2	334.6
	1,313.4	1,676.4
Current assets		
Receivables and other current assets	982.3	1,178.6
Marketable securities	450.0	0.0
Cash and cash equivalents	510.6	499.8
Assets classified as held for sale	0.0	0.0
	1,942.9	1,678.4
Total	**3,256.3**	3,354.8

Consolidated balance sheet (Abridged version), continued >

< Consolidated balance sheet (Abridged version), begin

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)

	2020	2019
in € million		
Equity & liabilities		
Equity	**1,198.6**	1,152.9
Non-current liabilities		
Provisions for pensions and similar obligations	340.0	338.0
Non-current financial debt	521.3	551.3
Other non-current liabilities	25.1	27.9
	886.4	917.2
Current liabilities		
Current financial debt	46.9	49.7
Other current liabilities	1,124.4	1,235.0
Liabilities classified as held for sale	0.0	0.0
	1,171.3	1,284.7
Total	**3,256.3**	3,354.8

The company’s net assets remain solid despite the challenging environment in the reporting year, mainly characterized by the COVID 19 pandemic and volatile development in the price of oil. The balance sheet total decreased only slightly to €3,256.3 million (previous year: €3,354.8 million).

On the assets side, non-current assets decreased to €1,313.4 million (previous year: € 1,676.4 million). At €765.2 million (previous year: €802.5 million), intangible assets were down from the previous year. Goodwill included in this figure decreased to €761.5 million (previous year: €796.1 million). This was primarily the result of currency effects, the deconsolidation of two companies sold in the Technologies segment and three companies from Other Operations together with an impairment loss of €6.8 million already recognized in Other Operations as of June 30, 2020 due to the effects of the COVID 19 pandemic and the volatile oil price. Property, plant and equipment declined further to €269.7 million (previous year: €311.9 million). Rights of use from leases in accordance with IFRS 16 totaled €189.3 million (previous year: €227.4 million)

A decrease to €89.2 million (previous year: €334.6 million) was recorded in other non-current assets. In the previous year, this included the preferred participation note for Apleona with a value of €240.3 million. Against the background of the resale of the company, the item revalued accordingly to €450.0 million is now reported under securities in the reporting year. In the reporting year, non-current assets included property, plant and equipment amounting to €269.7 million (previous year: €311.9 million), while rights of use from leases in accordance with IFRS 16 totaled €189.3 million (previous year: €227.4 million). Deferred tax assets declined to €55.8 million (previous year: €60.6 million).

Receivables and other current assets amounted to €982.3 million (previous year: €1,178.6 million), while receivables from work in progress fell to €262.4 million (previous year: €375.1 million). Cash and cash equivalents increased overall to €510.6 million (previous year: €499.8 million) in the year under review.

On the liabilities side, non-current liabilities amounted to €886.4 million (previous year: €917.2 million). Non-current financial debt decreased to €521.3 million (previous year: €551.3 million). As in the previous year, this item includes a bond in the amount of €250.0 million with maturity in June 2024 as well as promissory note loans in the amount of €123.0 million with maturities in April 2022 and October 2024. Non-current lease liabilities in accordance with IFRS 16 totaled €146.3 million (previous year: €176.1 million). At €46.9 million (previous year: €49.7 million), current financial debt was in line with the previous year. This item primarily relates to current lease liabilities in accordance with IFRS 16 of €46.6 million (previous year: €49.4 million). Net debt amounted to -€57.5 million (previous year: -€101.2 million) as of the reporting date.

There were no assets and liabilities classified as held for sale as of the balance-sheet date, as was the case for each in the previous year.

At €340.0 million (previous year: €338.0 million) and with a slightly lower discount rate of 0.7 percent (previous year: 0.9 percent) in the euro zone, there was no significant change in pension provisions. Other non-current liabilities were also in line with the previous year at €25.1 million (previous year: €27.9 million).

Overall, other current liabilities declined to €1,124.4 million (previous year: €1,235.0 million). Trade payables decreased to €293.3 million (previous year: €386.2 million), while advance payments received increased to €142.1 million (previous year: €136.0 million). Other provisions remained virtually unchanged at €300.3 million (previous year: €301.9 million). Working capital totaled €307.9 million (previous year: -€56.4 million).

Equity increased to €1,198.6 million (previous year: €1,152.9 million). Positive earnings after taxes of €99.4 million (previous year: €24.2 million) had an increasing effect. The equity ratio was 37 percent at the balance-sheet date (previous year: 34 percent).

B.2 4 Financial position

Principles and objectives of financial management

The main aspects of the Group's financial policy are determined by the Executive Board of Bilfinger SE. The prime objective of financial management is to maintain liquidity and limit financial risk. In addition, we regard financial flexibility as an important precondition for our further corporate development. Within the context of centralized Group financing, the application of available surplus liquidity as well as the provision and utilization of financing instruments for the entire Bilfinger Group are managed and executed by Corporate Treasury & Investor Relations.

Controlling of market price change risks as well as creditworthiness risks of financial counterparties is also carried out by means of a Group-wide limit and control system. To this end, financial derivatives are also used to a limited extent. We report on the management of financial risks in Chapter *B.3.2.3 Risk and opportunity report – Financial risks* and in detail in the notes to the consolidated financial statements in Chapter *C.6.30 Risks related to financial instruments, financial risk management and hedging transactions*.

GROUP FINANCIAL STATUS
RECOURSE LIABILITIES AND LIABILITIES
FROM LEASE OBLIGATIONS

	Credit facility	Availment	Credit facility	Availment
		2020		2019
in € million				
Bank guarantees	**948.6**	**495.7**	955.4	505.7
thereof with residual term < 1 year	948.6	495.7	955.4	505.7
Syndicated credit facilities	**335.0**	**0.0**	385.0	0.0
thereof with residual term < 1 year	85.0	0.0	85.0	0.0
Operating loans	**2.2**	**2.2**	2.5	2.5
thereof with residual term < 1 year	0.3	0.3	0.3	0.3
Corporate bond / promissory note loan	**373.0**	**373.0**	373.0	373.0
thereof with residual term < 1 year	0.0	0.0	0.0	0.0
Liabilities from lease obligations	**192.9**	**192.9**	225.6	225.6
thereof with residual term < 1 year	46.6	46.6	49.5	49.5

Financing

The main source of funds for corporate financing is our business operations and the cash they generate. This is based not only on operating profits, but also on the stringent management of working capital.

For the purpose of general corporate financing, which is carried out under consideration of matching maturities, our main banks have provided a syndicated credit facility that was newly negotiated in the reporting year of €250 million, which had not been utilized at the balance-sheet date. Availability of the facility is firmly committed until December 2023. The respective interest rate for drawings depends on the interest rate period selected, the credit margin is oriented toward a rating grid. The syndicated cash credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA). We also have additional short-term bilateral credit commitments of approximately €85.0 million.

In addition, we issued a €250.0 million bond with maturity in June 2024 with a fixed interest rate over the entire period. Several promissory note loans totaling €123.0 million maturing in April 2022 and in April 2024 with partly variable and partly fixed interest rates over the term to maturity were also taken out.

Bilfinger has at all times complied with the undertaking given in the terms and conditions of the new bond issued in June 2019 from the time of the issue of the bond in June 2019 until the end of the past financial year.

We have credit by way of bank guarantees of €948.6 million from various banks and bonding insurers available to meet the needs of the operating business, which are not fully utilized. Information on existing financial debt is provided in Chapter *C.6.26 Financial debt*.

Financial debt totaled €568.1 million (previous year: €601.0 million) at the reporting date, including lease liabilities of €192.9 million (previous year: €225.6 million) in accordance with IFRS 16. In terms of the financial debt, €521.2 million (previous year: €551.3 million) related to non-current liabilities and €46.9 million (previous year: €49.7 million) to current liabilities. We do not utilize off-balance sheet financing instruments. Bank balances of €2.8 million (previous year: €2.8 million) were pledged as of the reporting date.

Approved capital of €69 million is available for future capital increases. Bilfinger also has conditional capital of €14.0 million to be used to grant conversion and / or warrant rights in the case of convertible bonds being issued. We report in detail on the existing authorizations of the Executive Board to raise capital in Chapter *B.5 Takeover-relevant information pursuant to Section 289a and Section 315a of the German Commercial Code (HGB).*

Investments

Investments in property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – fell to €36.6 million (previous year: €63.6 million) in the reporting year as a result of economic uncertainty and declining sales. Of this amount, €21.6 million (previous year: €47.9 million) was invested in operating and office equipment, €7.2 million (previous year: €10.2 million) in technical equipment and machinery, €2.8 million (previous year: €2.2 million) in land and buildings and €1.6 million (previous year: €1.5 million) in intangible assets. Depreciation and amortization amounted to €59.3 million (previous year: €55.3 million). This figure includes impairment charges of €6.9 million (previous year: €0.0 million).

INVESTMENTS / DEPRECIATION BY BUSINESS SEGMENT

in € million	Investments	Depreciation	Investments	Depreciation
		2020		2019
Engineering & Maintenance Europe	26.2	36.0	46.4	35.5
Engineering & Maintenance International	2.8	6.3	6.9	6.4
Technologies	2.5	3.0	2.8	3.3
Reconciliation Group	5.1	14.0	7.5	10.1
thereof Other Operations	3.0	5.5	4.2	4.6
thereof headquarters / consolidation / other	2.1	8.5	3.3	5.5
Total	**36.6**	**59.3**	63.6	55.3

The Engineering & Maintenance Europe segment accounted for investments in the amount of €26.2 million (previous year: €46.4 million). €15.5 million was invested in operating equipment and office equipment, of which scaffolding accounted for €8.1 million. A further €8.2 million was invested in technical equipment and machinery and €1.9 million in real estate.

In the Engineering & Maintenance International business segment, we invested €2.8 million (previous year: €6.9 million), of which €1.1 million was invested in operating and office equipment, €0.5 million in technical equipment and machinery, €0.8 million in real estate and €0.4 million in intangible assets.

In the Technologies segment, investments amounted to €2.5 million (previous year: €2.8 million). Of that amount, €1.2 million went to operating and office equipment, €1.1 million to technical equipment and machinery and €0.2 million to intangible assets.

Investments in Other Operations totaled €3.0 million (previous year: €4.2 million).

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGION

in € million	2020	2019	Δ in %
Germany	13.1	25.8	-49
Rest of Europe	20.5	30.9	-34
America	2.1	5.4	-61
Africa	0.2	0.5	-60
Asia	0.7	1.0	-30
Total	**36.6**	**63.6**	**-42**

The regional focus of investment was again on Europe, which accounted for 92 percent of the total (previous year: 89 percent). Germany accounted for 36 percentage points of European investment (previous year: 41 percentage points).

Investments in financial assets were again of minor importance in the financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED VERSION)

in € million	**2020**	2019
Cash flow from operating activities of continuing operations	**120.4**	110.3
thereof special items	-43.3	-71.0
Adjusted cash flow from operating activities of continuing operations	163.7	181.3
Capital expenditure on P, P & E and intangible assets	-36.6	-63.6
Proceeds from the disposal of property, plant and equipment	9.4	10.2
Net cash outflow for property, plant and equipment / intangible assets	**-27.2**	-53.4
Free cash flow from continuing operations	**93.2**	56.9
thereof special items	-43.3	-71.0
Adjusted free cash flow from continuing operations	136.5	127.9
Payments made / proceeds from the disposal of financial assets	**8.3**	143.0
Investments in financial assets	**0.0**	-1.8
Changes in marketable securities	**0.0**	119.9
Cash flow from financing activities of continuing operations	**-82.2**	-243.8
Share buyback	0.0	0.0
Dividends	-7.3	-42.9
Payments from changes in ownership interest without change in control	-0.3	0.0
Borrowing	0.0	375.5
Repayment of financial debt	-51.8	-549.6
Interest paid	-22.8	-26.8
Change in cash and cash equivalents of continuing operations	**19.3**	74.2
Change in cash and cash equivalents of discontinued operations	**-6.5**	-32.3
Change in value of cash and cash equivalents due to changes in foreign exchange rates	**-2.0**	0.8
Change in cash and cash equivalents	**10.8**	42.7
Cash and cash equivalents at January 1	499.8	453.8
Change in cash and cash equivalents of assets classified as held for sale	0.0	3.3
Cash and cash equivalents at December 31	**510.6**	499.8

The cash flow from operating activities of continuing operations increased to €120.4 million (prior year: €110.3 million) despite a negative EBITA. This was mainly due to successful working capital management with a significant reduction in net working capital. Cash flow from operating activities adjusted for special items decreased to €163.7 million (previous year: €181.3 million). Special items decreased by a total of €43.3 million (previous year: €71.0 million). While expenses for restructuring were higher than in the previous year, significantly fewer funds were used for process and system harmonization. There was also cash inflow from the settlement reached with former members of the Executive Board in the reporting year.

SPECIAL ITEMS IN CASH FLOW

in € million	2020	2019
Cash flow from operating activities of continuing operations	**120.4**	**110.3**
Restructuring expense	47.1	32.5
Income / expense for improvement of the compliance system	-16.5	2.2
Process and system harmonization expense	12.7	36.3
Total special items*	43.3	71.0
Adjusted cash flow from operating activities of continuing operations	**163.7**	**181.3**

* Special items of €43.3 million (previous year: €71.0 million) relate in an identical amount to the adjustment of free cash flow.

Investments in property, plant and equipment and intangible assets were reduced to €36.6 million (previous year: €63.6 million). These outflows were countered by a cash inflow of €9.4 million (previous year: €10.2 million). Net investments thus decreased to €27.2 million (previous year: €53.4 million). This contributed to a significant increase in free cash flow to €93.2 million (previous year: €56.9 million). Adjusted free cash flow also improved to €136.5 million (previous year: €127.9 million).

Against the backdrop of the COVID 19 pandemic, we took advantage of the option to defer social security contributions and tax payments to improve the liquidity situation over the course of the year. At the end of the year, these liabilities, which as of June 30, 2020 amounted to a total in the high double-digit million euro range, had been nearly fully settled. Details are explained in Chapter *C.6.32 Government grants and other actions related to the COVID 19 pandemic*.

Disposals of financial assets resulted in a cash inflow of €8.3 million (previous year: €143.0 million). The high prior-year figure had included an inflow of €100.0 million from the early repayment of the deferred purchase price claim for Apleona. In the reporting year, there were no investments in financial assets (previous year: -€1.8 million) or inflows from the reduction of securities and other financial assets (previous year: €119.9 million).

The net cash outflow from financing activities fell significantly to -€82.2 million (previous year: -€243.8 million). From the repayment and taking of loans there was a net outflow of €51.8 million (previous year: €174.1 million). In the previous year, the issue of a new bond together with promissory note loans totaling €373 million and the repayment of the bond maturing in December 2019 had an impact of €500 million. In the reporting year, dividend payments, including payments to other shareholders, of €7.3 million (previous year: €42.9 million), were significantly lower than the previous year's outflows, because the dividend was reduced to the statutory minimum of €0.12 (previous year: €1.00) in view of the economic uncertainty caused by the COVID 19 pandemic and in order to improve the liquidity situation. Interest payments decreased to €22.8 million (previous year: €26.8 million) following a temporary increase in debt in the previous year in connection with the refinancing of the bond maturing in December 2019.

Continuing operations resulted in a net cash outflow of €19.3 million (previous year: €74.2 million).

Discontinued operations used funds of -€6.5 million (previous year: -€32.3 million). Cash outflows in the previous year resulted in particular from the settlement of selling contract guarantee obligations.

Changes in exchange rates resulted in an arithmetical decrease in cash and cash equivalents of €2.0 million (previous year: increase of €0.8 million). Cash and cash equivalents of activities classified as held for sale in the reporting year amounted to €0.0 million (previous year: €3.3 million). In total, cash and cash equivalents at the end of the year increased to €510.6 million (previous year: €499.8 million).

Origin and distribution of value creation

The Group's value creation originates from revenue, income from investments accounted for using the equity method and other operating income. Depreciation, material expenses and other costs had an impact on value creation.

In the distribution of value creation in 2020, 93 percent was accounted for by employees (previous year: 97 percent), 1 percent by creditors (previous year: 1 percent). The remaining value creation resulted in a corresponding increase in equity.

ORIGIN OF VALUE CREATION

in € million, continuing operations and discontinued operations	**2020**	2019
Revenue	3,463	4,329
Income from investments accounted for using the equity method	8	32
Other operating income	60	52
Depreciation and amortization	-124	-111
Cost of materials	-1,138	-1,430
Other costs related to value added	-283	-578
Value added	**1,986**	**2,294**

DISTRIBUTION OF VALUE CREATION

in € million, continuing operations and discontinued operations	**2020**	**in %**	2019	in %
To employees	1,852	93	2,232	97
To the state	7	0	3	0
To creditors	25	1	33	1
To minority interest	2	0	2	0
To shareholders (dividend for the respective financial year)	5	0	40	2
Change in equity	**95**	**5**	**-16**	**-1**

B.2.5 Information on the results of operations, net assets and financial position of Bilfinger SE

Results of operations

INCOME STATEMENT OF BILFINGER SE (HGB)

in € million	2020	2019
Revenue	139	136
Other operating income	40	56
Personnel expense	-43	-50
Amortization of intangible assets / depreciation of P, P & E	-1	-1
Other operating expense	-200	-135
Earnings from financial assets	90	-33
Interest result	-23	-23
Earnings before taxes	**2**	**-50**
Income tax expense	4	4
Net income (previous year: net loss)	**6**	**-46**
Profit carryforward	39	4
Release from other retained earnings	38	86
Distributable earnings	**83**	**44**

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €139 million (previous year: €136 million) and resulted almost solely from output volume charged to companies of the Group as well as from rental income.

Other operating income of €40 million (previous year: €56 million) relates for the most part to income from the reversal of other provisions and write-ups on receivables from subsidiaries as well as a gain from the merger of a subsidiary with Bilfinger SE. Also included is the compensation payment of €17 million received from the settlement reached with former Executive Board members in the first half of 2020.

The decline in personnel expenses from €50 million to €43 million resulted from the lower number of employees due to the restructuring program launched in the previous year.

Other operating expenses of €200 million (previous year: €135 million) were mainly made up of non-personnel administrative expenses, IT costs, rents and leases, insurance premiums, legal and consulting fees, additions to other accruals, losses from the disposal of investments and impairment losses on current assets. The increase compared with the previous year resulted in particular from increased write-downs on receivables from associates and from losses on the disposal of investments.

Earnings from financial assets of €90 million (previous year: losses of €33 million) mainly comprised gains / losses from profit-and-loss-transfer agreements, dividends received from Group companies and impairments of investments. The significant improvement was due to higher dividends and lower loss transfers from subsidiaries, as well as lower write-downs on the carrying amounts of investments in affiliated companies.

Interest income was nearly unchanged. A decrease in interest income from affiliated companies was offset by a decrease in interest expense. The latter was due to the temporary double burden in the previous year from interest payments on the new bond issued in the previous year and promissory note loans issued with continuing interest payments on the old bond, which expired with a time lag.

Earnings before taxes thus increased from -€50 million to +€2 million.

In terms of the income tax expense, it should generally be kept in mind that distributions as well as income and expense from investment measurement and disposals are mainly tax-neutral. Overall, a tax loss was recorded in Germany as in the previous year. Income in the amount of €4 million resulted from the partial reversal of provisions for trade taxes and for corporate income taxes in connection with the results of the company tax audit.

Distributable earnings in the amount of €83 million result from the annual profit of +€6 million (previous year: -€46 million) and retained earnings in the amount of €39 million (previous year: €4 million) with a release from retained earnings in the amount of €38 million (previous year: €86 million). It will be proposed that a dividend for financial year 2020 of €1.88 per share be paid out. This represents a dividend distribution of €76 million in relation to the number of shares entitled to a dividend as of March 2, 2021.

Net assets and financial position

BALANCE SHEET OF BILFINGER SE (HGB / ABRIDGED)

in € million	Dec. 31, 2020	Dec. 31, 2019
Assets		
Non-current assets		
Intangible assets and P, P & E	16	4
Financial assets	1,797	1,867
	1,813	1,871
Current assets		
Receivables and other assets	247	358
Cash and cash equivalents	473	462
	720	820
Accrued expenses	1	1
Excess of plan assets over pension liabilities	1	1
Total	2,535	2,693
Equity & liabilities		
Equity	1,325	1,322
Provisions	111	114
Liabilities	1,099	1,257
Total	2,535	2,693

The assets and financial position of Bilfinger SE are governed by its function as a holding company.

Assets totaling €2,535 million (prior year: €2,693 million) mainly comprised financial assets of €1,797 million (prior year: €1,867 million), receivables of €247 million (prior year: €358 million) as well as cash and cash equivalents of €473 million (prior year: €462 million).

The increase in intangible assets and property, plant and equipment relates to real estate of a former subsidiary that was merged into Bilfinger SE in 2020.

The €70 million decrease in financial assets to €1,797 million resulted from the sale of two subsidiaries in the Czech Republic with a total of €46 million, the merger of a subsidiary into Bilfinger SE with €31 million and write-downs on the carrying amounts of investments. This was offset by the granting of an intercompany loan in the amount of €33 million.

Receivables and other assets of €230 million (previous year: €344 million) mainly comprised receivables from subsidiaries in connection with the Group's centralized corporate financing.

Cash and cash equivalents increased slightly by €11 million to €473 million, attributable, among other things, to lower use of cash pool financing of Group companies.

Prepaid expenses resulted from a discount on the bond issued in 2019 and are reduced in proportion to the maturity.

The excess of plan assets over pension liabilities relates to existing surplus cover of partial retirement benefit obligations through plan assets.

The other side of the balance sheet included equity of €1,325 million (previous year: €1,322 million), provisions of €111 million (previous year: €114 million) and liabilities of €1,099 million (previous year: €1,257 million).

The slight increase in equity resulted from the annual profit for 2020, which exceeded the dividend payment.

Provisions included defined benefit obligations in the amount of €22 million (previous year: €17 million), tax provisions of €4 million (previous year: €9 million) and other provisions of €85 million (previous year: €88 million).

The increase in pension provisions results from a decrease in net plan assets due to a payout in the amount of the pension payments of the previous year. Another factor was the fact that the discount rate decreased further compared with the previous year.

The decrease in tax provisions is due to a partial reversal of provisions for corporate income tax and for trade tax in connection with the results of the tax audit.

The slight decrease in other provisions is the net result of several partly offsetting effects; of particular note is the extensive utilization of the restructuring provisions for personnel measures recognized in the previous year.

Liabilities in the amount of €712 million (previous year: €856 million) included liabilities to associates from deposits in connection with centralized cash pooling.

The equity ratio was 52 percent at the balance-sheet date (previous year: 49 percent). The increase resulted from the slight increase in equity with a decrease in total assets.

Opportunities and risks

The business development of Bilfinger SE as Group holding is generally subject to the same risks and opportunities as the Bilfinger Group.

As the parent company of the Bilfinger Group, Bilfinger SE is included in the Group-wide internal control and risk management system.

Outlook

As the parent company of the Group without any business operations of its own, Bilfinger SE receives revenue primarily from its subsidiaries. Expectations with regard to the Group's business development will generally affect the earnings of Bilfinger SE. For the 2021 financial year, we expect a significant improvement in earnings, in particular due to a significantly positive special item from the sale of the equity-like preferred participation notes from the sale of the former Building and Facility business unit (Apleona) completed in 2016.

Declaration of corporate governance in accordance with Section 289f of the German Commercial Code (HGB)

The declaration of corporate governance in accordance with Section 289f of the German Commercial Code (HGB) is included in Chapter *A.4.1 Declaration of corporate governance and corporate governance report**, which is also available on the Internet site www.bilfinger.com under 'Company / Corporate Governance'.

* information external to the management report / not audited

B.2.6 Employees

At the end of 2020, the Bilfinger Group workforce numbered 28,893 (previous year: 33,327) employees. The significant decline is the result of the COVID 19 pandemic and volatile developments in the price of oil. On top of this, there was a reduction of overcapacity, particularly in North America, due to a lack of new orders in the project business.

In Germany, the number of employees was largely stable at 6,909 (previous year: 7,051), while abroad the figure decreased significantly to 21,984 (previous year: 26,276). As a result of the COVID 19 pandemic and oil price developments in the upstream oil and gas business in the North Sea, the UK and Norway were particularly affected by capacity reductions. There were 5,524 employees in countries outside Europe (previous year: 6,638). A significant decline in the number of employees, particularly in North America was noticed here. The decline in the number of employees in the Middle East is partly due to the fact that the employees of a minority interest are no longer included in the year-end 2020 figures.

At peak times in the second quarter of the reporting year, as a result of the COVID 19 pandemic and the development of the price of oil, there were up to 3,000 European employees of the Group were on short-time work, a figure equal to about 10 percent of the total workforce. The United Kingdom accounted for the largest share, while other key markets were Austria and Switzerland as well as Poland, Scandinavia and Germany. At the end of the year, the number of European employees on short-time work was just under 500, a figure equal to less than 2 percent of the total workforce.

EMPLOYEES BY REGION

	2020	2019	Δ in %
Germany	6,909	7,051	-2
Rest of Europe	16,460	19,638	-16
North America	2,048	3,123	-34
Africa	714	754	-5
Asia	2,762	2,761	0
Group	**28,893**	**33,327**	**-13**

EMPLOYEES BY BUSINESS SEGMENT

	2020	2019	Δ in %
Engineering & Maintenance Europe	19,914	21,871	-9
Engineering & Maintenance International	4,800	5,874	-18
Technologies	2,274	2,415	-6
Reconciliation Group			
Headquarters / other	523	594	-12
Other Operations	1,382	2,573	-46
Group	**28,893**	33,327	-13

EMPLOYEE GROUPS

	Salaried	Industrial employees	Total	Salaried	Industrial employees	Total
			2020			2019
Engineering & Maintenance Europe	5,752	14,162	19,914	6,532	15,339	21,871
Engineering & Maintenance International	1,636	3,164	4,800	1,975	3,899	5,874
Technologies	1,634	640	2,274	1,718	697	2,415
Reconciliation Group						
Headquarters / other	523	0	523	585	9	594
Other Operations	561	821	1,382	997	1,576	2,573
Group	**10,106**	**18,787**	**28,893**	11,807	21,520	33,327

We are an internationally-focused Group that provides what tend to be highly diversified services. We therefore depend on employees who bring a broad range of experience, qualifications and perspectives to their jobs and help us to successfully take advantage of the market opportunities that arise.

One aspect of our activities in the area of equal opportunity is equality among male and female employees. It should be kept in mind that our predominantly industrial operational working environment in the commercial sector is heavily dominated by male workers. At the end of the reporting year, the share of women in the workforce Group-wide was 10.3 percent (previous year:10.3 percent).

EMPLOYEES BY GENDER	Male	Female	Total	Male	Female	Total
			2020			2019
Engineering & Maintenance Europe	18,095	1,819	19,914	19,853	2,018	21,871
Engineering & Maintenance International	4,397	403	4,800	5,410	464	5,874
Technologies	1,927	347	2,274	2,042	373	2,415
Reconciliation Group						
Headquarters / other	341	182	523	383	211	594
Other Operations	1,167	215	1,382	2,197	376	2,573
Group	**25,927**	**2,966**	**28,893**	29,885	3,442	33,327

Information in relation to the law that took effect in Germany in May 2015 on the equal participation of women and men in executive positions in the private sector and in the civil service as well as the information on the diversity concept as required by the CSR Directive Implementation Act (CSR-RUG) are included in Chapter *A.4.1 Declaration of corporate governance and corporate governance report**, which is also available on the website www.bilfinger.com under, 'Company / Corporate Governance'.

* information external to the management report / not audited

Employee development programs implemented over the course of the reporting year are described in Chapter *E. Non-financial report**.

* information external to the management report / not audited

B.2.7 Innovation (research and development report)

The focus of Bilfinger's innovation activities in the reporting year remained in the area of digitalization. The development of new solutions is carried out in line with the decentralized corporate structure both at the operating companies and at Bilfinger Digital Next, which pursues Group-wide digitalization projects. In the reporting year, a new innovation management team was established with the aim of accelerating the use of existing innovative solutions across companies and adapting existing digital solutions to specific business models. Here, innovative ideas from the operating companies are taken up and driven forward within the framework of joint developments.

In the reporting year, Bilfinger pursued innovation projects with a total expense of €8.1 million (previous year: €14.2 million).

RESEARCH AND DEVELOPMENT EXPENSES

in € million	2020	2019
Total expense	8.1	14.2
thereof digitalization	5.5	11.3
thereof industry	2.4	2.7
thereof energy and environment	0.2	0.2

The majority of expense, as was the case in the previous year, was incurred in the digitalization field of innovation, with both solutions for internal digitalization and solutions for customers being further developed. The Bilfinger Connected Asset Performance (BCAP) platform, an in-house development, is used to compile asset data for Internet of Things (IoT) applications and artificial intelligence (AI) based solutions to increase our customers' overall equipment effectiveness (OEE). The focus is on the reduction of quality deviations, improvement of plant availability as well as the optimization of energy management and throughput.

In addition, the BCAP platform has also been further developed for internal use by the company's own business units. The Bilfinger Maintenance Concept (BMC), for example, is supported with digital solutions that provide extensive assessments for the automated control and optimization of maintenance services. Scaffolding units as well as inspection services also use the platform to optimize operations and communicate with their customers.

For the monitoring and optimization of production processes, we have developed solutions with cognitive sensors that facilitate product quality tracking during the manufacturing process using acoustic perception. This leads to an increase in the efficiency of production plants and reduces fluctuation in product quality.

With Bilfinger's digital application PIDGraph, we have developed and launched a module that uses artificial intelligence to convert existing plant diagrams from paper to digital format. These can then be transformed in various engineering programs for further use. This solution helps our customers achieve the necessary level of digitalization for the extensive documentation of existing plants and also helps to ensure a safe operational process.

The focus on developing digital solutions has proven to be forward-looking in light of the COVID-19 pandemic. Using such solutions to monitor our customers' production processes will require less personnel on site at the respective plants.

B.2.8 Non-Financial Group Declaration pursuant to Sections 315b ff and 289b ff of the German Commercial Code (HGB)

For financial year 2020, Bilfinger SE has prepared a non-financial report pursuant to Section 340a Subsection 1a in connection with Section 289b Subsection 3 and Section 340i Subsection 5 in connection with Section 315b Subsection 3 HGB in the version amended through the CSR Directive Implementation Act (CSR-RUG). This is published in the Chapter *E. Non-financial report** outside the combined management report. The Group's non-financial report is also available on the website www.bilfinger.com under 'Company / Responsibility'.

Pursuant to Section 171 Subsection 1 Sentence 4 AktG, the Supervisory Board must audit the non-financial report. The audit of the Supervisory Board includes the legality, correctness and suitability of the reporting. To support its review, the Supervisory Board commissioned Ernst & Young Wirtschaftsprüfungsgesellschaft with an audit to achieve limited assurance pursuant to the audit standard ISAE 3000 (revised). The result of this audit is published in Chapter *E.6 Auditor's report*.

* information external to the management report / not audited

B.3 Risk and opportunity report

The recognition of opportunities and risks is an integral part of the management processes in all of our units, both operational and administrative. We define risks as negative deviations and opportunities as favorable deviations from our plans.

Bilfinger has a systematic management system for the integrated identification, evaluation and management of risks and opportunities.

For reasons of consistency with Chapter *B.4 Outlook,* the underlying timeline for the likelihood of risks and opportunities includes financial year 2021.

B.3.1 Risk management

B.3.1.1 Basic principles

The Group-wide risk management system serves to identify, evaluate and control significant risks in a targeted manner. It is focused on achieving the goals of the company in the context of the strategy developed for the Group.

The risk management process covers all activities for the systematic handling of risks in the Group. At Bilfinger, risk management is not an isolated process that runs parallel to company activities, but rather an integral part of existing company and business processes.

Since the finalization of the comprehensive redesign of the risk management system at Bilfinger in 2018, the systematic approach to identifying, evaluating and managing relevant risks has been based on the Enterprise Risk Management – Integrated Framework (2004) of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A Group-wide top-down / bottom-up process for reporting risks and opportunities has also been established, which is comprehensively supported by the implemented risk management tool and represents an essential component of the risk management system at Bilfinger. Not least, the risk management organization at Bilfinger includes, among other things, the definition of clear roles and responsibilities.

The risk strategy for the Bilfinger Group is formulated by the Executive Board in the context of the planning process and also includes the definition of parameters to assess which risks the company should take in order to achieve its desired goals, for example, by determining risk classes for projects and framework agreements. The starting point is the company's risk capacity. This describes the amount of risk the Group can take on without jeopardizing its continued existence. To summarize, the following applies:

- Individual risks that put the Group in jeopardy may not be taken. This also applies if liquidity cannot be quickly restored when a risk occurs.
- Possible combinations of significant individual risks are reviewed as to whether they represent an existential threat in total. This creates an informative overall picture of the risk profile.
- Risks from large projects and services contracts are subject to a special review, among others by Corporate Internal Audit & Controls.
- Insurable risks are, where financially viable, transferred centrally to external insurance companies.

The line organization's management is primarily accountable for the responsible handling of risks. The Supervisory Board, the Audit Committee and the Executive Board perform these superordinate functions:

- Supervisory Board and Audit Committee The Audit Committee monitors the risk situation and the functionality of the risk management system for the Supervisory Board on the basis of the risk report provided each quarter by the Executive Board. The Audit Committee is also informed of the results of the monitoring activities carried out by Corporate Internal Audit & Controls and Corporate Compliance. The Supervisory Board and the Audit Committee may make decisions regarding additional internal or external reviews.
- Executive Board The Executive Board assumes overall responsibility for the functionality of the risk management system. It monitors the risk management cycle, carries out the final review and prioritization of significant Group risks and reports to the Audit Committee and Supervisory Board in this regard.

Bilfinger is oriented toward the *Three Lines of Defense* model, with operations and functional supervision structured under Group headquarters and Corporate Internal Audit & Controls. Bilfinger's responsibilities and tasks are clearly defined at these levels:

- First Line: Operational

  - Division Heads (Executive President / Financial Director) Divisional / regional management is responsible for the functionality of the risk management system and its monitoring at divisional / regional levels and in the local units. Divisional / regional management regularly itemizes risks, as well as providing the final evaluation and prioritization of significant risks for the divisions / regions. This also includes the classification of risks to a defined risk owner and the approval of a division's / region's risk portfolio in the context of the reporting process.

  - Division / Region Risk Officer In its entirety, specific responsibility for the operational implementation of the risk management process and for monitoring and identifying risks lies with the Division / Region Risk Officer. This function is normally performed by a division's / region's financial director. The tasks of the Division / Region Risk Officer include, among other things, the plausibility of the overall risk situation with regard to its completeness and the evaluation of significant risks as well as the appropriateness and effectiveness of the mitigation measures – including the evaluation of necessary investments or expenses – and regular updates on the risk situation.

  - Division / Region Risk Coordinator Division / Region Risk Coordinators consolidate the individual risks at divisional levels in the course of risk inventory. They support the heads of the divisions / regions in the consistent application of risk management methods and in reporting to Corporate Risk Management or the Group Risk Organization.

  - Risk Owner Risk Owners are responsible for the identification, analysis and evaluation of individual risks. This also includes the evaluation and implementation of appropriate mitigation measures and the regular analysis and monitoring of the current situation regarding individual risks. This also comprises the evaluation of necessary investments and other expenses.

- Second Line: Functional supervision of headquarters

  - Bilfinger Risk Committee The Bilfinger Risk Committee generally meets every quarter on behalf of the Executive Board. Members include the Chief Financial Officer (CFO), the Financial Directors of the divisions / regions, the Group Risk Organization as well as the heads of Corporate Accounting, Controlling & Tax, Corporate Treasury, Corporate Legal & Insurance, Corporate Compliance, Corporate Internal Audit & Controls and the Head of Internal Control Systems. If necessary, the Bilfinger Risk Committee is supplemented with further experts from other specialist areas.

- The committee establishes plausibility for the quarterly risk reports and submits these to the Executive Board. It supports the design of a pragmatic risk management system, shares best-practice approaches and assumes responsibility for superordinate quality assurance of the quarterly risk report on significant Group risks. The Risk Committee also fulfills an important advisory function and contributes recommendations on the design of the risk management system.

- Group Risk Organization The Group Risk Organization is responsible for and has decision-making authority over methods and development of the risk management system. This includes the monitoring and design of all risk management processes at the level of the divisions / regions, headquarters and the Group as a whole. The Group Risk Organization bears overall responsibility for the execution of risk inventories at regular intervals, as well as for generating and submitting reports to the Executive Board, the Audit Committee and the Supervisory Board. Ongoing monitoring of the risk management system should ensure its effectiveness in light of constantly changing conditions and also continuously improve the process in the future.

- Corporate Central Functions In consultation with the Executive Board, Corporate Central Functions perform specialist monitoring tasks throughout the Group. They have wide-ranging obligations to request and receive information, to intervene in some cases and to issue individually defined competences to issue guidelines, and be actively involved with their specialist colleagues in the divisions / regions and subsidiaries. Corporate Central Functions partially assume primary responsibility for risks or make controlling interventions in the context of their Group-wide functional supervision.

- Third Line: Independent review

  - In accordance with the *Three Lines of Defense* model, Corporate Internal Audit & Controls, as an independent monitoring body, has the task of regularly reviewing the effectiveness and appropriateness of the risk management system and the internal control system on an incident-related or ad hoc basis. This includes their respective implementation into the corporate departments, divisions / regions as well as individual companies if necessary.

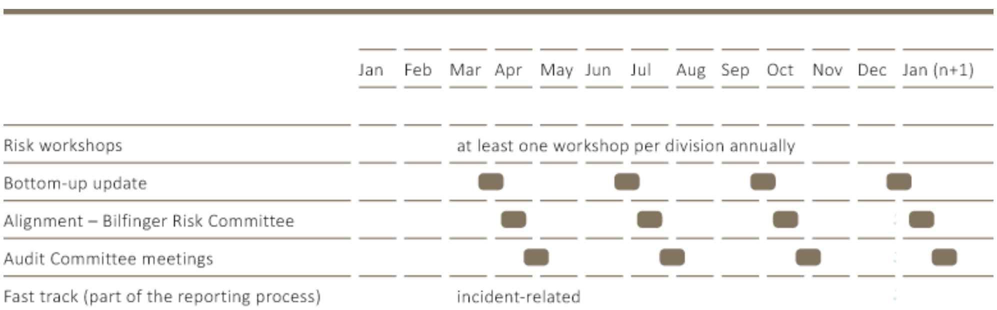
As part of the audit of the annual financial statements, external auditors also carry out a review of the appropriateness of the system in order to detect early threats to the continued existence of the Group.

In addition to the specific tasks and functions described above, the Principles of Risk Awareness, which are Group-wide and binding, apply to all staff. These aim to ensure that only manageable risks are taken. We promote risk awareness among employees by taking appropriate communication and training measures. Each employee is required to act responsibly in the handling of risks and to immediately report any knowledge of risk-related behavior.

B.3.1.2 Identification

Risk identification is conducted continuously in the course of daily business processes. It includes the regular and systematic analysis of internal and external developments and events that could lead to negative deviations from underlying planning.

In order to achieve comprehensive Group-internal transparency, risk identification is conducted as part of an ongoing, institutionalized process:



The annual calendar calls for at least one risk workshop at division / regional level as well as a quarterly update of the risk portfolio. Directly following this, the Bilfinger Risk Committee convenes, performs quality assurance on the quarterly risk report and forwards it for processing in the Executive Board and for submission to the Audit Committee.

Any significant risk is documented with a high degree of transparency and described comprehensibly. The description indicates cause and effect clearly.

The operating companies and divisions / regions as well as units at headquarters entrusted with company-wide functional supervision immediately report relevant short-term risks to the responsible Corporate Central Functions and, if relevant, to the Executive Board.

In accordance with the COSO standard, the identified risks are assigned to four categories: strategic risks, operational risks, financial risks and compliance risks. In this regard, the cause of a risk is decisive for the categorization.

B.3.1.3 Evaluation

Fundamental risks are evaluated as part of the yearly Risk Assessment Workshops of the divisions / regions. In so doing, the respective form of the risk (net) is determined while also considering the mitigation measures currently implemented. Each risk is evaluated in five defined levels using the parameters of *impact* and *likelihood*.

Different reference values are specified at both the Group and the divisional / regional level to assess the impact. The evaluation primarily takes place using a qualitative approach. At times, an additional monetary evaluation is made. However, this is assigned a subordinate value.

Evaluation scale of impact

Category	Level	Sample form	Indicative value corridor (€ million)
Low	1	No (perceptible) effect on service provision or customer satisfaction	0-20
Relevant	2	Achievement of strategic goal delayed	21-50
Substantial	3	Achievement of multiple goals delayed or individual goals no longer achievable	51-100
Major	4	Clear and protracted impairment of daily operations	100-500
Critical	5	Group’s continued existence in jeopardy	> 500

Evaluation scale of likelihood within the next 12 months

Category	Level	Likelihood of risk occurring within the forecast horizon
Very low	1	0 - 5%
Low	2	6 - 15%
Possible	3	16 - 30%
Increased	4	31 - 50%
Probable	5	> 50%

The assessment of the *impact* and *likelihood* allows risks to be prioritized and for necessary action to be taken in order to manage risks. Here, a focus is on the 10 most significant risks.

B.3.1.4 Control

Additional measures to manage risks, where reasonable and necessary, are taken on the basis of risks that have been identified and evaluated. Depending on the scope and value, this takes place in consultation with those in the companies defined as responsible for the risk management process and according to line functions.

Bilfinger differentiates between four fundamental strategies to deal with individual risks:

- Avoid Incalculable risks or risks with a disadvantageous risk-return ratio are avoided, for example by not accepting projects in a high risk category or ensuring that these risks are explicitly eliminated by means of contractual provisions.
- Transfer Depending on the situation, risks are contractually transferred to third parties such as insurers, subcontractors and customers outside the Group.
- Manage Manageable risks or their impact are reduced or limited by better operational execution, strengthened control or other mitigation measures (hedging etc.).
- Accept Remaining risks are accepted as such in their current respective form whenever further mitigation measures are not economically viable.

The costs and benefits will be taken into account in the selection of a control measure. Risk management is carried out within the business processes by the risk owner. The risk owner regularly monitors the evaluation of the identified risks in order to determine significant changes. The risk owner reviews the appropriateness of the implemented control measures for the risks assigned to him, as well as the implementation of additional measures deemed necessary.

The transparency necessary to control risks is achieved by communicating significant risks in the risk report, at least quarterly, to the Executive Board and to the Audit Committee of the Supervisory Board. The report regularly prepared by Group Risk Organization concerning significant risks and the overall risk situation within the Group is the basis for this.

B.3.2 Significant risks

Significant risks for Bilfinger are calculated on the basis of the described evaluation method. If risks calculated as significant occur, this could lead to negative effects on the net assets, financial position and results of operations as well as our reputation. The risks are presented on a net basis after risk limitation measures.

As of the balance-sheet date, the following significant risks result from the parameters of *impact* and *likelihood*:

Risk title	Rank	Risk field	Evaluation: Impact (1-5)	Evaluation: Likelihood (1-5)
Risks from projects and framework agreements	1	Operational	●●	●●●●
Adverse market developments	2	Strategic	●●	●●●
Corona virus pandemic	3	Operational	●●	●●●
Legal disputes and completed legacy projects	4	Compliance	●●●	●●
Inadequate agility	5	Operational	●●	●●●
Lack of adequate personnel	6	Operational	●●	●●●
Serious HSEQ incident	7	Operational	●●	●●
Inadequate progress in working capital / cash management	8	Financial	●	●●●
IT-related risks	9	Operational	●	●●●
Dependence on individual customers in some business sectors	10	Strategic	●	●●

The individual risks compiled under semantically aggregated risk titles in the fields of strategic risks, operational risks, financial risks and compliance risks are described in the following. Unless otherwise stated, the risks presented affect the entire Group. Risks specific to business segments include an appropriate indication.

Risks are monitored in accordance with COSO requirements. Additional risks with a lesser meaning for Bilfinger are followed alongside identified significant risks. Obligatory information, such as on risks from financial instruments, is explained in Chapter *C.6.30 Risks from financial instruments, financial risk management and hedging transactions.*

B.3.2.1 Strategic risks

Adverse market developments

Bilfinger depends on the general economic situation and the development of its markets. Competition in our markets is significant, and in all markets a very low concentration is currently recorded on the provider side. In particular, the high share of in-house employee capacities demanded by our business model leads to low marginal costs in this regard. However, this is a decisive factor in competitors' tactical pricing and thus supports their aggressive bidding approach in the near term. Bilfinger is also smaller than a range of its customers, who try to exploit their relative market strength, particularly in the context of new tenders.

In addition to this general situation and in light of the major activities in the oil and gas segment, Bilfinger is dependent on the development in the price of oil and its effect on the spending behavior of customers in this market segment.

In reporting year 2020, Bilfinger was confronted with significant disruptions and restrictions in its operating business due to the global Corona virus pandemic and its impact on the world economy. This situation was worsened by the demand-related downturn in the oil price in the first half of this year in the wake of the Corona virus pandemic. This affected the maintenance business of offshore oil and gas plants in the North Sea in particular, as well as activities in countries with corona virus related lockdown, both in Europe and North America.

Bilfinger has prepared itself for a scenario in which the oil price only returns to a historical level of between US $55 and US $75 per barrel in the medium term. Development of the price of oil, its volatility in particular or even its longer-term decline, remain a potential risk for our activities.

With the efforts made in the past year to make the organization more efficient and agile, Bilfinger is now in a better position to meet the current challenges. In addition, government support measures such as short-time working allowances are helping to partially compensate for underutilization in the affected areas resulting from the decline in business activity. In areas where the outlook is subdued in the longer term, measures are being implemented to achieve a sustainable reduction in the cost base.

We continue to counter these risks by gradually strengthening our product range, by regularly expanding the customer portfolio and by actively managing productivity and capacity to minimize potential sunk costs, in addition to intensive cooperation with customers. In general, Bilfinger's strategy targets a wider distribution of the business between the six core industries and eight regions.

A delay in planned projects in the area of nuclear energy represents additional risks in the development of our markets. Increases in material costs for our customers in the chemical sector, a long-term increase in the price of oil for example, could also have negative effects on their spending behavior regarding investments and maintenance. And, not least, a further acceleration of the energy transformation and a departure from conventional energy, particularly in Germany, could lead to additional overcapacities.

Bilfinger's assessment of the risk from future adverse market developments is unchanged compared with the previous reporting period and therefore remains within the range of possibility with a relevant impact.

Dependence on individual customers in some business sectors

In recent years, an increasing dependence of the Group's business success on individual customers has been observed in certain activities. This mainly relates to a small number of activities with manageable revenue volumes in the Middle East and North America. A deterioration or loss of customer relationships could have a negative impact on regional business or assets.

Due to our broad positioning, however, this does not result in substantial risks for the net assets, financial position and results of operations of the Group as a whole. Overall, Bilfinger assesses the risk of dependence on individual customers in some business segments as low in terms of both likelihood and effect.

B.3.2.2 Operational risks

Risks from project and framework agreements

When planning and executing projects, significant calculation and execution risks exist that are often larger than in the service business due to the project volumes and higher degree of technical complexity. Risks from the project business therefore relate primarily to the Technologies segment but are becoming increasingly relevant for the maintenance and repair units.

Project orders involve the construction of new industrial production facilities or major overhauls, for example. Requirements that have not been fully anticipated, and resulting modifications, delays, financial difficulties of our customers or suppliers, lack of skilled personnel, technical difficulties, cost overruns, construction site conditions or changes to the project sites, weather influences or natural catastrophes, changes to the legal or political environment or logistical difficulties can have a significant negative impact on the results of operations, net assets and financial position of Bilfinger.

Bilfinger assumes significant technical guarantees for some orders in the project area. Plant construction projects carried out in this way are often complex and require a large purchasing volume and qualified project management. Such project contracts are typically concluded with the obligation to provide turnkey construction of the plant. A key risk lies in the fact that the calculated prices are inadequate for the contractual performance for diverse reasons (e.g. construction site conditions, delays due to weather conditions, mistakes by subcontractors) and that further claims cannot be obtained from the customer. This can result in a decreased profit margin and in some cases can lead to significant losses from the contract.

The limitation of risks is a key task of the unit responsible for the individual project at Bilfinger. There are thus minimum requirements which a project must fulfill in order to be accepted by the responsible unit. Depending on the bid volume and specific risk categories, the independent corporate departments of Project Compliance, Corporate Project Audit and Corporate Legal & Insurance must be involved as additional supervisory authorities – until the Executive and Supervisory Boards have given their approval.

Risk management begins in total with the targeted selection of the projects. In addition to the actual task of the project, the experience with the client, conditions in the region in which the project is to be carried out, the competence and capacity of the Group unit that will potentially do the work, the schedule, project risks, the draft contract as well as the payment plan and payment security are analyzed. In the following bid phase, positive or negative deviations from the generally expected conditions are systematically listed. In the determination of costs, the calculation initially assumes planned conditions. Positive or negative particularities are subsequently analyzed, evaluated and transferred into significant projects in a quantitative risk analysis. The risk structure is decisively taken into account in the final decision on the bid and its formulation. Furthermore, it is consistently monitored by a central unit in accordance with defined regulations from the bid phase through to the implementation, completion and processing of any warranty claims.

Risks from framework agreements in the services business relate primarily to business in the engineering & maintenance sector. Here, we generally conclude contracts over a longer term, which are primarily awarded in a highly competitive environment. The earnings margins attainable in long-term contracts could deviate from the initial calculations as a result of changes from diverse influences. In maintaining industrial plants, there is the risk that material and personnel costs or legal requirements are not fully covered by the contractual revenue and thus have an impact on the results of operations.

The basis for the management of risks in the service sector is a profound understanding of the customer, the services being provided and of the contract conditions that have been agreed. For the execution of the work, our operative companies have competent, reliable and experienced staff. Wage increases, which are partly influenced by external factors, primarily wage settlements, are partially absorbed by the indexing of contractual remuneration.

In view of the high degree of involvement in the business processes of our customers, we pay particular attention to the appropriate level of qualification of the persons assigned. Precise knowledge of the specific conditions in the plants we manage is a decisive factor for our business success. Service contracts above a certain volume must be subject to a regular review by Corporate Project Audit over the contract period.

Bilfinger evaluates the risk from project and framework agreement risks in their effect overall as relevant. On the basis of internal analyses, the likelihood of occurrence is currently assessed as increased, which corresponds to an unchanged estimate compared with the previous year. This is mainly due to project risks that occur and that cannot be completely avoided despite globally established project governance and standardized project management processes.

Corona virus pandemic

The global Corona virus pandemic has significantly impacted overall economic development following its outbreak at the beginning of the year. As a result, from March 2020 onwards, there were severe drops in economic activity, in almost all countries worldwide, due to official or voluntary closures of production and sales facilities and multiple other restrictions. The economic downturn caused by the Corona virus pandemic combined with a sharp drop in the price of oil had a particularly negative impact this year on our business in the oil and gas segment in the North Sea and the United States. But the productivity of other units was also limited.

Bilfinger has responded to the situation with further measures to adjust capacity and by making use of government support offers, thus reducing the negative impact of the crisis on the Group's net assets, financial position and results of operations.

In view of the global dimension and the limited predictability of the Corona virus pandemic, the company will continue to monitor the situation very closely and will make every effort to mitigate any additional negative effects on the Group's net assets, financial position and results of operations.

Currently, Bilfinger believes that the industry has found effective ways to continue operations despite the COVID 19 hazard mitigation requirements. With this in mind, it is assumed that a gradual normalization will take hold in the course of 2021 without severe negative economic effects in the target markets. However, this may be a misconception considering the newly observed mutations and possible further limitations. 2020 has shown that the pandemic can have quite a serious impact. Bilfinger considers the likelihood to be within the realm of possibility.

Insufficient agility

The achievement of our medium-term margin goals requires a significant increase in productivity in both direct and indirect functions. By contrast, market and margin pressure remain high as customers demand that any cost reductions achieved be passed on. Steady increases in inflation also cannot be readily carried over to the customer in full. Last but not least, newly accepted framework agreements in the Engineering & Maintenance business area are less profitable due to set-up costs and the necessary familiarization with the specific plant in the start-up phase.

In view of the necessary productivity increases, Bilfinger continues to assess the risk as relevant in terms of its impact, with the likelihood being within the possible range.

The situation requires constant and careful management of the cost base and regular review of the status quo. Productivity management is initially the responsibility of all those with operational responsibility. To this end, our productivity management system BTOP was introduced already in 2017 and has been in use in the operating units since then. It aims to derive the annual productivity improvements required to achieve the financial targets and to continuously support these with relevant measures. This is followed by the consistent monitoring of the measures taken on the basis of monthly degrees of fulfilment and their specific impact on the income statement. In order to further support the achievement of these goals, Bilfinger appointed a Chief Operating Officer to the Executive Board last year and established a Global Excellence Team, which works together with local managers to drive the success of the company.

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To ensure an ongoing improvement in operating performance, Bilfinger continues to identify so-called transformation units within the Group that are initially subject to increased monitoring and undergo a comprehensive reorganization program.

Bilfinger's assessment of this risk is unchanged from the prior-year assessment.

Lack of adequate personnel

The market for skilled workers remains tight – this applies to both our activities in Europe and in the United States. There is therefore still a risk that qualified personnel will leave the company, especially if the medium and longer-term prospects for employment are uncertain. Because the company relies on technically qualified and motivated employees in many areas in order to be able to meet the requirements of its customers, this could have a negative impact on customer satisfaction. If this affects the regular business and order acquisition, negative effects on net assets, financial position and results of operations are possible.

As part of our human resources controlling, we closely follow structural changes within the workforce and can thus counteract any negative developments at an early stage.

We counter attempts by competitors to recruit our employees with attractive wage and salary structures and a targeted identification of personal development prospects. Overall, we counter human resources risks that could arise from a lack of young talent, fluctuation, a lack of qualifications, limited motivation or an aging of the workforce with a broad range of measures that are described, inter alia, in Chapter *E.3.2 Employee development and diversity**

* information external to the management report / not audited

The general situation on the labor market for skilled workers remains tense and the probability of a relevant impact remains unchanged compared with the previous year.

Serious HSEQ incident (Health, Safety, Environment and Quality)

As a service provider, we are almost exclusively active at the locations of our customers. In the execution of our work, we place the highest possible demands on health, safety, and environmental protection as well as on the quality of the services provided. The goal of 'zero accidents' is a fundamental part of our safety culture. At the same time, we strictly maintain the safety requirements of our customers, though it is still not possible to prevent all incidents.

Failures in environmental protection or in occupational health and safety that result in a serious incident could lead to adverse effects on our customer relationships through to loss of orders as well as contractual penalties and damage claims, and could thus have a negative impact on the net assets, financial position and results of operations of the Group.

We counteract risks from quality defects by using far-reaching quality and process management. It starts with the operating units, which are responsible for the process as well as the quality of their services. Through system requirements and targets and internal audits, they work toward the continued development of quality standards. Our processes and units are also externally audited and certified.

In terms of occupational safety, we have achieved results that have never been seen before. We were again able to significantly reduce the number of lost-day incidents and, with an accident rate of 0.16 per 1,000,000 working hours, are at an internationally leading level. Our 2020 global safety campaign “Always Time for Safety” also contributed to this performance, raising awareness among our employees and managers on a personal level. In the coming year as well, the global safety campaign “Line of Fire” will again set a new focus and help us to become even more successful.

Bilfinger’s assessment of the HSEQ risk is unchanged with a relevant effect on the earnings situation and a simultaneously low likelihood of occurrence.

Details on HSEQ management at Bilfinger are described in the non-financial report in Chapters *E.3.2 Employee development and diversity*, E.5.1 Customer focus** and *E.5.2 Quality management**.

* information external to the management report / not audited

IT-related risks

Information is a key component of our business processes and thus represents an important corporate asset that must be protected in an appropriate manner against unauthorized access. The ever-increasing global networking of computer systems, however, makes it increasingly difficult to protect our information from abuse, manipulation, espionage or theft. This is a general trend in the business world and Bilfinger is by no means immune to it. The most serious risk in this regard is posed by hostile attacks on Bilfinger IT systems (so-called cyber-attacks), which are becoming increasingly prevalent as a result of increasing digitalization. These cyber-attacks can have malicious intent including disrupting processes, attempting to gain access to internal and confidential information or even blackmailing to release data. The result can be significant system failures and disruptions to operational processes.

In addition to these direct attacks on our systems, continued attempts are being made to use IT-supported communication to entice employees to surrender company information or even to pay out funds (known as phishing or spoofing).

We counter these risks by monitoring incoming and outgoing e-mail traffic and working closely with the relevant authorities. Bilfinger has also established a dedicated competence center to deal with issues related to IT security. We have shifted our data centers in Germany to the cloud and a new ISO 27001 certification is being prepared. In addition, measures to make network access more rugged are checked by means of regular vulnerability analyses, e.g. through so-called “friendly hacking”. At the same time, Bilfinger has established an intrusion detection system (IDS) designed to promptly detect any successful unauthorized access. Similarly, all employees with IT access were made aware of the increasing danger through various measures.

The risk was partially mitigated with cybersecurity insurance and is thus classified as a low impact risk. Bilfinger considers the likelihood of this risk to be within the realm of possibility.

B.3.2.3 Financial risks

Inadequate progress in working capital / cash management

Bilfinger lists significant working capital positions on the balance sheet, particularly in the area of current and future customer receivables (services that have been provided but not yet invoiced). Furthermore, Bilfinger’s business model involves substantial liabilities due to warranty and follow-up costs as well as significant advance payments, particularly from the project business. The involvement of suppliers and external staff that is typical of the business leads to substantial trade liabilities. This results in Bilfinger normally being in a net creditor position because the payment due dates for suppliers are often shorter than those of customers, particularly for temporary staff. This results in an imbalance which typically widens during the year.

With a view to Bilfinger’s growth plans, there is a risk that this imbalance continues to increase in the future and that there will arise both an increased need of financing and additional costs to finance this position. Moreover, an active management of working capital can also be identified on the customer side, for example, in the even more restrictive interpretation of requirements for milestones when billing. This can also lead to a further imbalance in relation to receivables and liabilities, with corresponding additional costs for financing.

The mitigation measures focus on a consistent local management of receivables and liabilities, which is formalized in the Group policy on minimum standards in working capital management, to which all employees are bound. This extends comprehensively to the order-to-cash (OtC) and purchase-to-pay (PtP) processes. The Executive Board had already included cash orientation in the bonus agreements of the most important managers down to the local units in 2018; since the beginning of 2020, targets have been further intensified and target achievement has been measured quarterly. In addition, the objective of the ongoing comprehensive process and system harmonization within the Group is to contribute to greater transparency with regard to improvement potential and an increased Group-wide exchange of best practices in working capital management. In addition, there has been a Group-wide program at Bilfinger since 2019 to optimize working capital management, including training and awareness measures as well as the definition of specific measures in individual units. The recent significant improvements in order-to-cash demonstrate the effectiveness of the program, which is why it will be continued in the future.

In addition to working capital, Bilfinger monitors all financial risks with proven control mechanisms that allow for timely and transparent reporting. The Group's reporting system guarantees the regular identification, analysis, assessment and management of financial risks by Corporate Treasury. All relevant equity interests and joint ventures are included in this monitoring.

As a result of an unexpected negative business development, increased financing needs can occur in the operating units. At the same time, a negative business development can entail a change in Bilfinger's creditworthiness, particularly from rating agencies and banks, which can lead to more difficult and expensive financing or a more difficult and expensive provision of securities and guarantees. External financing can also result in a worsening of the dynamic gearing ratio that was pledged to be maintained through the financial covenant. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all recourse financing and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using an ongoing cash-flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. Notwithstanding economically less relevant regions, the Group's internal equalization of liquidity in Europe and in the United States is supported by cross-border cash pooling.

Investment financing is carried out with consideration of matching maturities. To finance working capital, we have a €250 million pre-approved syndicated credit line at attractive conditions that is in place until December 2023. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio adjusted net debt / adjusted EBITDA. The value as of

December 31, 2020 is below the contractually agreed cap. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all recourse financing.

The sureties available for the execution of our project and service business with a volume of €949 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of US $750 million for the execution of our business in North America. All credit commitments can be called due prematurely in the case of a change of control.

In addition, Bilfinger has issued a €250 million bond maturing in June 2024 and several promissory note loans totaling €123 million maturing in April 2022 and April 2024.

Bilfinger’s assessment of the risk from insufficient progress in working capital management / cash management is unchanged with regard to a possible occurrence, while the impact against the background of our positive development in this area is now categorized as low and therefore one level lower than in the previous year.

For a presentation of the risks we refer to Chapter *C.6.30 Risks related to financial instruments, financial risk management and hedging transactions*. You will also find further information in Chapter *C.6.29 Additional information on financial instruments.*

B.3.2.4 Compliance risks (including legal risks)

Legal disputes and completed legacy projects

In addition to the costs and expenses that arise as a result of legal disputes, there is also the risk of financial loss arising from correct, incorrect or lengthy decisions on the part of courts or public authorities.

Legal disputes predominantly arise from our provision of services. Controversies with customers mainly relate to claimed defects in our services, delays to completion or to the scope of services provided. In such cases, there is often also a similar dispute with the subcontractors that were used. We strive to avoid legal disputes wherever possible or to settle them at an early stage. This goal cannot always be achieved, however, with the result that German and international companies are sometimes involved in litigation or arbitration. The outcome of such can of course not be predicted with any degree of certainty, but is often dependent on inquiry or assessments on the part of the courts. We therefore cannot exclude the possibility that the outcomes of litigation and proceedings may deviate from our assessments and forecasts and that damages may occur to our net assets, financial position and results of operations.

One of the most significant damage claims was the *collapse of the Cologne Municipal Archives* in 2009, which was concluded in June 2020 with an out-of-court settlement among the parties involved. The payments attributable to Bilfinger in the amount of €200 million were covered in full by the insurers. The settlement payments therefore had no effect on the net assets, financial position and results of operations of the Group, as expected by the company.

Bilfinger SE also reached a settlement in the dispute over breaches of duty with 12 former members of the Executive Board and the D&O insurers. The Annual General Meeting of Bilfinger SE on June 24, 2020 approved the settlement by a large majority.

In connection with an explosion incident at a gas station in Austria, the public prosecutor is investigating a Bilfinger company and other involved parties and has now filed charges. The reason for the accident has not yet been determined. In the summer of 2019, an expert commissioned by the public prosecutor's office determined that the gas accident was due to technical defects in the plant for which the relevant Bilfinger company was responsible. Bilfinger has disputed these findings. The main public hearing is currently scheduled to begin in May/June 2021. From today's perspective, we expect that in case of a conviction or civil law availment by injured parties, we would, if necessary, have sufficient insurance coverage.

In individual *projects in Germany, Poland, northern Macedonia and other countries*, clients, subcontractors or consortium partners are asserting claims in the mid triple-digit million-euro range against Bilfinger for various reasons. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays, disruptions to the construction process, defects and disagreements related to the technical features of the plants.

Overall, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all ongoing disputes and partially with counter-claims. However, it is still possible that the available provisions are insufficient as a result of the difficulty in making projections or because capitalized receivables cannot be fully collected.

Bilfinger continues to assess the risk from legal disputes and legacy projects in their effect as substantial with a simultaneous limited likelihood of occurrence.

B.3.3 General assessment of the risk situation

The evaluation of overall risk is the result of a consolidated consideration of all significant individual risks. Bilfinger assumes that the general risk situation of the Bilfinger Group did not change significantly, even in times of the Corona virus pandemic, as compared with the previous year. In this context, particular mention should be made of the successful out-of-court settlement reached with the City of Cologne and the Cologne Transport Authority (KVB) to end the damages case relating to the *collapse of the Cologne Municipal Archives* in 2009. At the same time, it is becoming apparent in some units that risks in project execution can still have an impact.

Overall, however, Bilfinger is convinced that the existing risks are sustainable for the Group as a result of the instruments put in place to manage them.

In the past financial year, we did not identify any individual risks whose occurrence, either alone or in combination, would have jeopardized the continuing existence of the Group or one of its significant Group companies. If unpredictable, exceptional risks should occur, the possibility that they would have an impact on the development of our sales or earnings cannot be ruled out. From today's perspective, however, no risks can be identified that could threaten the existence of the Group or one of its significant Group companies.

B.3.4 Opportunity management

B.3.4.1 Principles, identification, evaluation and control

Opportunities are defined as potential future developments or events which may lead to a positive deviation from plans, forecasts and targets. Their occurrence may have additional positive impacts on our net assets, financial position and results of operations.

In its dynamic competitive environment, Bilfinger is presented with opportunities, both externally through new customer requirements, market structures or legal framework conditions, and internally through new services, innovations, quality improvements and competitive differentiation.

Opportunities are identified by Bilfinger's employees and management in the course of their daily processes and market observations. In addition, a strategic planning process at regular intervals supports a fundamental annual analysis of the opportunities presented to us.

In the overall context of the company, opportunities that are considered advantageous to Bilfinger's development and, with it, to the interests of shareholders, should be – where it makes financial sense – encouraged and realized using targeted measures. These are managed by established planning and forecasting processes as well as by projects.

B.3.5 Significant opportunities

Significant opportunities for Bilfinger that are established on the basis of the described method are present in the following areas:

1. Value development in Apleona shares
2. Opportunities from tax matters
3. Effective project and contract execution
4. Advantageous market developments
5. Digitalization and business development
6. Optimization of personnel availability and costs
7. Compliance and safety culture as a positive differentiation feature
8. Value contribution through the sale of companies and shares in companies
9. Accelerated implementation of productivity measures
10. Positive outcomes for pending legal cases and disputes

Like risks, the opportunities described below fall under the four core areas of the COSO framework and generally relate to the entire Group. Segment-specific opportunities are declared as such.

B.3.5.1 Strategic opportunities

Advantageous market developments

Our strategic planning is based on certain assumptions with regard to the economic framework conditions in our markets in Europe, the United States and the Middle East. If the actual development deviates positively from this planning basis, it can lead to additional impetus on demand.

A substantial and sustainable increase in global market prices for fossil fuels beyond the level that we assume in our strategic planning would likely have additional positive effects on our business operations. An oil price that, over a longer term, is above the profitability threshold of the respective extraction technologies used would revive the investing activities of our customers. This would primarily impact the maintenance and investment budgets in the Norwegian, British and US oil and gas sectors.

An additional revival of demand in the area of nuclear energy as a result of targets on the reduction of CO_2 emissions could also open further earnings potentials in selected national markets.

Against this backdrop, Bilfinger continues to assess the opportunity as substantial, but with a low likelihood due to the current economic situation as a result of the Corona virus pandemic.

Value contribution through the sale of companies and shares in companies

Operating units that are active outside the defined business segments, regions or industries are allocated the Other Operations segment. These units are not part of the strategic positioning of the Group. Units with a positive earnings contribution are initially managed independently for value until a suitable owner has been found.

In the case of the selling of these companies or for other strategic considerations, cash inflows can have an additional positive effect on the liquidity of the Group and can be put to use for the expansion of growth areas (portfolio rotation). With only three units remaining in this group as of December 31, 2020, the impact of the opportunity is considered low, with a low likelihood. Should it come to a sale with proceeds below the current carrying amount, this would even be associated with a corresponding disposal loss.

B.3.5.2 Operational opportunities

Effective project and contract execution

Supplementary earnings opportunities are present in the effective management of project execution and the identification of additional potential contracts resulting from this. The realization of these potentials relies on the excellent application of project management processes and instruments, which are also used in the mitigation of project risks. This also requires a profound understanding of the underlying contracts in each case. Bilfinger therefore utilizes professional project managers with comprehensive experience and training. Bilfinger therefore continues to assess the opportunity as relevant, while the likelihood is one level lower than in the previous reporting period and therefore within the realm of possibility.

Digitalization and business development

The digitalization of processes in our customer industries is being driven forward with a high degree of commitment under the keyword 'Industry 4.0'. We consider ourselves to be a comprehensive service provider for the process industry in the development of new digital solutions, and view ourselves as a link between industrial companies and pure IT providers. We want to actively shape the transformation and, among other things, to contribute to enabling digitally networked production, even for medium-sized companies. To this end, in 2017 we installed a competence center and in future will undertake targeted investments in this area (see Chapter *B.2.7 Innovation (research and development report)*. Furthermore, the Global Development Organization was established as part of an organizational adjustment at the beginning of the 2020 financial year. This organization reports directly to Bilfinger's Chief Operating Officer and coordinates Group-wide business development programs related to both new products and the greater integration of services across organizational boundaries. In the course of these efforts, the digital competence center was placed under the control of the Global Development Organization. The objective is to more aggressively (i.e. more actively) market Bilfinger's existing innovative products.

An acceleration of customer success beyond our underlying planning can, along with an additional boost in growth, also lead to a business that can more easily scale and thus to the use of economies of scale. Both can have a significant positive impact on Bilfinger's financial position. The perspective of opportunities in this regard remains unchanged and includes substantial effects with limited likelihood.

Optimization of personnel availability and costs

A positive deviation from the underlying planning on the availability of cost-efficient personnel resources presents an opportunity for Bilfinger. In particular, the possibilities here are in a more effective integration of qualified suppliers and subcontractors as well as in a moderate development of labor and incidental wage costs in our focus regions. There are also additional modern methods for personnel deployment as part of a better process and system landscape, among other things, with regard to an even more effective administration of necessary training. Bilfinger is currently working on a strategy to leverage additional opportunities by developing new source markets. Generally speaking, however, the potential positive effects are considered low and thus one level lower than in the previous year. The likelihood remains within the realm of possibility.

Accelerated implementation of productivity measures

The achievement of our medium-term margin goals requires a substantial increase in productivity in all areas of the Group. To this end, Bilfinger implemented significant further measures in 2020, also as a result of the Corona situation, to make personnel resources in particular more flexible. We expect the improvement measures that have been initiated to take effect and to contain relevant potential opportunities, but these have already been incorporated to a significant extent in our medium-term planning.

Bilfinger continues to assess the probability of realizing relevant opportunities beyond this as very low. If the measures can be implemented more quickly or effectively, this would generate additional financial and earnings potentials for Bilfinger.

B.3.5.3 Financial opportunities

Value development in Apleona shares

The selling price for the Bilfinger Building, Facility Services and Real Estate divisions sold in 2016 included non-cash components that are to be paid when the new owner EQT resells the company, at the latest. Bilfinger will therefore be entitled to 49 percent of the resale proceeds from EQT for Apleona in its current state, and will thus continue to participate in a proportionate amount in the development of the business.

In early December 2020, it was announced that EQT had sold Apleona to French private equity firm PAI Partners. Based on the agreement reached with EQT in 2016, Bilfinger will receive an expected share of the proceeds from the sale in the amount of €450 million to €470 million. This value development is above our original expectations. As of December 31, 2020, the value of the investment was therefore adjusted from €240 million as of September 30, 2020 to €450 million. The cash inflow is expected in the second quarter of 2021, which would result in a further improvement in Bilfinger’s financial position. We consider the realization of the opportunity to be highly probable.

Opportunities from tax matters

In the Bilfinger Group there are substantial tax-loss carryforwards for which no deferred taxes have been capitalized because the conditions pursuant to IFRS are not currently given. A rapid increase in profitability in the corresponding companies could enable the Group to harness non-capitalized tax-loss carryforwards and thus improve its financial and earnings situation beyond current forecasts.

The additional expected effects are still estimated to be substantial. From Bilfinger's perspective, the likelihood is assessed as possible, which represents an increase of one level compared with the previous year. In addition to the realization of loss carryforwards, Bilfinger has filed appeals against the assessed taxation in the course of tax audits in various cases. If these objections can be upheld, it would have a positive impact on the financial position, net assets and results of operations.

B.3.5.4 Compliance opportunities

Compliance and safety culture as a positive differentiation feature

Our customers place a greater focus on compliance and HSEQ performance when choosing their partners. In light of the optimization of integrity and HSEQ culture described in Chapter *E.2.2. Counteracting corruption and bribery** Bilfinger rigorously meets these requirements and can gain an important positive differentiation feature in the competitive environment. This is proven by the contracts awarded to Bilfinger, for which the compliance system was an important factor in the customer's decision. This trend opens up additional growth and earnings potential, particularly following the successful certification of the compliance system by the independent Compliance Monitor in December 2018. The opportunity from this is still considered small in terms of its effect. This also applies to the likelihood.

* information external to the management report / not audited

Positive outcomes for pending legal cases and disputes

Bilfinger's business activities occasionally lead to disputes with customers concerning the appropriateness of certain claims. Bilfinger has reflected the current expectations through relevant balance-sheet provisions or receivables. Should the processes end more favorably than currently expected, this would, in some instances, provide significant potentials for our net assets, financial position and results of operations. Here we see opportunities primarily in our European units.

At its meeting on February 20, 2018 and on the basis of an investigation that had been conducted, the Supervisory Board of Bilfinger SE resolved to assert damage claims against 12 former members of the company's Executive Board and, and, following a more detailed legal assessment of the matter and preparation of the claims, confirmed their enforcement at its meeting on February 12, 2019. This related to all former members of the Executive Board in office from 2006 to

2015 but who joined the Executive Board prior to 2015. The former members of the Executive Board are accused of breach of duty in the establishment, structuring and maintenance of an orderly compliance management system. In the view of the Supervisory Board, some former members of the Executive Board also breached their duties in connection with an M&A project in the past, triggering liability for damages. In May 2019, specific letters of claim were sent to the relevant former members of the Executive Board. The Supervisory Board consistently pursued the proceedings and entered into discussions with the D&O insurers, which ultimately led to settlement negotiations on an out-of-court solution to the proceedings with the former members of the Executive Board and D&O insurers. In February2020, the Supervisory Board reached an out-of-court settlement with the 12 former members of the Executive Board and the D&O insurers and, as was the case with the Executive Board, insofar as they are responsible in accordance with stock company law, approved this settlement by resolution end of February 2020. The settlement provided in particular for the payment of a settlement amount of €16.75 million to the company and, in principle, the discharge of potential claims of the parties in connection with the matters covered by the settlement. The settlement was approved at the Annual General Meeting of Bilfinger SE on June 24, 2020. As a result of the approval from the Annual General Meeting, the settlement ended the assertion of claims for damages by Bilfinger SE against the former Executive Board members and other insured persons against payment of the settlement amount. The settlement thus had a positive impact on the Bilfinger's net assets, financial position and results of operations.

Furthermore, in 2020, it was possible to conclude a number of pending legal cases in Bilfinger's favor, including, in particular, the claim relating to the collapse of the Cologne Municipal Archives in 2009, which was concluded in June 2020 with an out-of-court settlement between the parties involved. As a result, the number as well as the likelihood of further opportunities have been reduced. If claims can be asserted, this would also have a positive effect on the net assets, financial position and results of operations.

Overall, the opportunity from pending legal cases and disputes is considered to be a low likelihood, while the impacts remain low.

B.3.6 General assessment of the opportunities situation

Our current forecast already calls for a substantial improvement in our financial and earnings position, with the result that further opportunities are rather limited.

Compared with the previous year, Bilfinger's opportunities situation has weakened as relevant parts of the opportunities have already been realized. Irrespective of this, Bilfinger continues to work on the ongoing development of its opportunities portfolio, including through the established BTOP platform.

B.3.7 Internal control and risk management system as relates to the accounting process*

* information external to the management report / not audited

The primary objective of our internal control and risk-management system as relates to the accounting and consolidation process is to ensure orderly financial reporting in terms of conformity of the consolidated financial statements and the combined management report of the Bilfinger Group as well as the consolidated financial statements of Bilfinger SE as a parent company with all relevant regulations.

Accounting process

Our consolidated financial statements are produced based on a centrally predetermined conceptual framework. This primarily comprises uniform requirements in the form of accounting guidelines and an account framework. Continual analysis is carried out to determine whether adaptation of the conceptual framework is necessary as a result of changes in the regulatory environment. The departments involved in accounting are informed of current topics and deadlines to be met which affect accounting and the preparation of financial statements on a quarterly basis or, when necessary, also ad hoc.

The financial statements provided by Bilfinger SE and its subsidiaries form the data basis for the preparation of our consolidated financial statements. Accounting at the Bilfinger Group is generally organized in a decentralized manner. Accounting tasks are mainly undertaken by the consolidated companies on their own responsibility, or are transferred to one of the Group's shared service centers. In some cases, such as the evaluation of pension obligations, we call upon support from external qualified service providers. The consolidated financial statements are prepared in the consolidation system on the basis of the reported financial statements.

The accuracy of the accounting process is supported by appropriate staffing and material equipment, the use of adequate software, implemented process controls as well as a clear definition of areas of responsibility. The accounting process is also supported by quality assurance control and monitoring mechanisms (especially plausibility controls, the dual control principle, audit treatments from Corporate Internal Audit & Controls), which aim to expose and prevent risks and errors.

Internal control and risk management system

The internal control system (ICS) consists of principles, procedures and measures to secure the effectiveness, efficiency and accuracy of the company's accounting as well as the observance of applicable legal requirements. This also includes the internal auditing system insofar as it relates to accounting. On this basis, the observance of fundamental controlling principles such as separation of functions, four-eyes principle or lawful access regulations in the IT systems is ensured for the accounting and consolidation process. The ICS at Bilfinger for both the units included and for the consolidation is based on the COSO standard 2013.

Under consideration of legal requirements and standards that are usual for the industry, Bilfinger has established a Group-wide internal control and risk management system in order to recognize potential risks and minimize them. This system is being systematically developed based on the determined need for improvement.

The basic structure of the internal control system includes the five core business processes Purchase to Pay, Order to Cash, Hire to Retire, Investment to Disposal and Financial Reporting. The controls embedded in the financial reporting process relate to both the accounting process in the included units as well as the consolidation. The key risks have been identified for these business processes and necessary correlating controls are defined annually within the framework of a risk control matrix. This structure represents the Group-wide binding ICS standard.

The internal control and risk management system established at Bilfinger with regard to the Group accounting process consists of the following significant features:

- The IT systems used in accounting are protected from unauthorized access through appropriate security measures.
- Uniform accounting is defined in Group-wide guidelines, which are regularly updated.

- Accounting data is randomly reviewed on a regular basis for completeness and accuracy. Programmed plausibility audits are carried out by software that is designed for that purpose.

- Appropriate controls have been implemented for all accounting relevant processes (including the dual-control principle, functional separation and analytical audits). They are also reviewed regularly by Corporate Internal Audit & Controls.

- On the basis of the reports received from the external auditors and from Corporate Internal Audit & Controls, the Supervisory Board, through its Audit Committee, reviews the functionality of the internal control and risk-management system as relates to the accounting process.

The methodical support of the ICS is organized in accordance with the structure of the Group. Responsible persons for the ICS are determined at a Group, regional or division and company level. Their tasks include reporting on the status of the ICS to the respective management, which has overall responsibility for the ICS, and supporting the implementation of further development of the system.

The effectiveness of the internal control system is ensured through annual effectiveness checks (tests). The tests are carried out by Corporate Internal Audit & Controls and by the units themselves (control self-assessments). By means of regular training measures, it is ensured that all those involved in the internal control system have current and valid information available. This forms the basis for the evaluation of the appropriateness and effectiveness of the Group-wide control system by the Executive Board at the end of the financial year. Recommendations for improvement become part of the ongoing development of the internal control system.

Within the scope of the internal control and risk management system with regard to the accounting and consolidation process, Bilfinger has taken the measures described above for the identification and evaluation of risks such as the inappropriate exercise of assessment latitude as well as violations against standards and regulations. The requirement of a conceptual framework and the establishment of quality-assuring control and monitoring mechanisms in particular serve to limit risks that exist with regard to the Group accounting processes.

B.4 Outlook

B.4.1 Economy as a whole

As part of its baseline forecast, the International Monetary Fund assumes that it will take until 2022 before the pandemic can be overcome globally (WEO, p. XV). For the EU, the European Commission forecasts strong growth of 4.2 percent in 2021 (DG ECFIN, p. 1). According to the Commission's forecast, however, it is likely to take until 2023 before Europe can return to the level of economic activity seen in the most recent pre-crisis year. The US economy is likely to fully recover more quickly than the European economy. The U.S. economy is expected to grow by 3.7 percent in 2021 and will already have returned to its 2019 level in 2022 (DG ECFIN, p. 1). In the EU, the volume of company investment in equipment will recover by 7.6 percent in 2021, making up a good 40 percent of the ground lost in the recession year 2020 (DG ECFIN, p. 177).

Engineering & Maintenance Europe

Disruptions to the global industrial services market arising from the COVID 19 pandemic will progressively diminish in 2021 under the scenario of gradually increasing vaccine coverage combined with continued precautionary measures, improved testing and treatment options. Long-term trends will then take on increasing importance once again.

The necessary transformational shift of industry towards CO_2-neutral production will give the industrial services market in Europe a major boost in the coming years. Demand for decarbonization-related services is expected to rise sharply. This relates to both efficiency improvements to reduce energy consumption and conversions to less CO_2-intensive production processes. The importance of regenerative power generation will also open up new service potential (Lün, p. 42). A growing source of potential will come from the use of hydrogen produced in a climate-friendly manner in European industry. The use of hydrogen will play a key role, particularly in the energy-intensive process industries where it will replace fossil energy sources. The associated investments and process adaptations will trigger considerable demand for additional external services.

The willingness of industry to invest in these new green processes and technologies will continue to increase as the price of CO_2 emissions rises. For the chemical industry, the levy on nonrecyclable plastic waste planned in the EU from 2021 will provide additional incentives to adapt and innovate processes.

Under its Green Deal and Corona Recovery Plan, the EU will provide substantial investment funds with its €750 billion financial package. This will benefit Eastern European countries in particular, because they have to manage a particularly comprehensive transformation process in their energy systems due to a high CO_2 intensity.

One obstacle to growth for companies in the sector as a whole is the structural shortage of skilled workers, which is likely to worsen as a result of demographic developments.

United Kingdom

A concise clarification of the trade relationship between the UK and the European single market will be important for UK industry and its continued integration into European supply chains.

In British oil and gas production, a lower volume of new reserves will come on stream in 2021 and 2022 as a result of reduced exploration activity in 2020 (UK Oil&Gas Autumn, p. 8). A thorough recovery of demand for services will depend on the future development of Brent prices. Structurally, the continued increase in the availability of globally traded liquefied natural gas and the bridge it creates to the global gas market will continue to put pressure on the UK market (UK Oil&Gas Outook, p. 9).

The offshore wind power sector is expected to expand strongly in importance as a customer for maintenance services. One-third of the world’s installed generation capacity is already in operation here (GTAI VK Wind Sector). The British government plans to increase installed capacity four-fold to 40 gigawatts by 2030 (HM Government, p. 8). The increased capacity will lead to a corresponding increase the need for inspection and maintenance, for which existing competences for services at heights can be used by service providers in particular (Lün, p. 42/43).

Scandinavia

On the Norwegian Shelf, oil and gas production is expected to remain relatively stable in the coming years. An extensive decline in production is inevitable from 2030 if exploration activity remains at the current low level (Reuters). Industry intends to contribute to climate neutrality through large projects for the permanent storage of CO_2 in underground reservoirs (Equinor), so a new service field will emerge here.

Belgium / the Netherlands

In Belgium, the chemical industry will continue to expand due to high capacity expansions currently underway in the Antwerp cluster and as a result of high spending on research and development. Growth in the years ahead will depend to a large extent on the development of the overall economy, due to the dominance of basic chemicals (GTAI Belgium Chemicals). Biopharmaceutical companies also have good growth opportunities in the Netherlands and Belgium. Manufacturers in these two countries are also likely to invest heavily in energy and environmental sustainability. (GTAI Belgium Chemicals; GTAI Industry Check Netherlands).

Germany

In the German chemical industry, every second company expects to return to pre-crisis levels by the end of 2021. About one-third of companies do not expect a full recovery to occur until later (VCI half-year review).

In the German market for industrial services, the lack of young talent is now rated as the most important obstacle to business success (Lün, p. 18). The problem could be worsened if policymakers expand the regulation of temporary employment and work contracts. Temporary workers play an important role, particularly in peak workload periods. The 2017 amendment to the Temporary Employment Act already made it more difficult to use these flexibility instruments because of its limitation on the maximum duration of temporary employment and additional documentation requirements (Lün, p. 33).

Austria / Switzerland

The chemical and petrochemical industries in Austria and Switzerland will recover quickly following the moderate setback in 2020. Switzerland continues to benefit from its strong economic and political stability. The competitiveness of the country’s pharmaceutical and chemical industries remains unimpaired due to high innovative capacity and productivity despite the handicap of a highly valued currency (BAK).

Poland

The pace of investment in Poland’s chemical industry remains high and will continue to push production capacity. By 2023, the industry plans to invest €1.9 billion in petrochemicals and €1.5 billion in the construction of a polypropylene plant, among other projects (GTAI Poland Chemicals).

The Polish chemical and petrochemical industry is pursuing ambitious emission reduction targets. Poland's leading oil company PKN Orlen intends to achieve climate neutrality by 2050 and will have already reduced CO_2 emissions from its refinery and petrochemical plants by 20 percent by 2030. To this end, investments of €5.6 billion are planned in the next decade for this group alone (GTAI Poland Chemicals).

In the years ahead, the Polish market will benefit to a significant extent from substantial EU transfers to cope with the energy transformation.

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North America

According to current forecasts (DG ECFIN), full economic recovery from the severe recession of 2020 will be faster in the U.S. than in Europe. This will also accelerate the pace of growth in the chemical and pharmaceutical industries. The energy-intensive process industries in the U.S. continue to benefit from the abundance of energy at low prices compared with European locations. With the newly elected Democratic administration, the U.S. is now reorienting its climate policy toward multinational commitments. With this expected shift in climate policy, industry incentives to invest more in more energy-efficient processes and reduce CO_2 emissions will increase.

Crude oil production in 2021 will remain affected by the collapse in drilling activity in the previous year and will decline slightly compared with 2020 (EIA Short-term Energy Outlook). The fracking industry remains heavily dependent on the price of oil. The break-even price for new production wells ranges from US $46 to US $52 per ton of WTI oil (Federal Reserve), depending on the oil field. Only when prices exceed this threshold is a significant increase in project activity to be expected.

Middle East

On the heels of the downturn in the global economy in 2020 and the temporary sharp drop in oil prices, the economy in the Gulf states is expected to slowly regain its footing from 2021 as the global economy and oil prices continue to recover. The industrial services market in the Gulf States will benefit from stable long-term trends in the coming years. These trends arise from the ongoing transformation of Gulf State economies toward reduced dependence on oil and gas production and increased domestic value creation through the expansion of downstream industries. Stable oil prices, however, are still a must for steady development because without them there will be a lack of liquidity needed to implement ambitious plans such as Saudi Arabia's Vision 2030. The high potential is evident from the scope of projects already underway. Chemical projects worth more than US $3 billion are currently under construction in Saudi Arabia, for example, and the volume of planned projects amounts to almost US $20 billion (GTAI Saudi Arabia oil market slump).

In the energy sector in the Gulf States, a large number of new power plant construction projects and modernizations are ensuring stable demand. In addition to conventional coal and gas-fired power plants, there is ongoing strong investment in wind and solar energy.

Technologies

The EU's Green Deal will accelerate the transformation process of Europe's energy supply. In Germany, the Coal Phase-Out Act (*Kohleausstiegsgesetz*) has established the specifications and framework conditions for the end of coal-fired power generation by 2038. As early as 2022, 18 percent of capacity from coal-fired power plants still on the electricity market in 2020 will be decommissioned (Energy BrainBlog). As a result, services for the maintenance of fossil power plants will continue to decline in terms of importance (Lün, p. 7).

The UK has announced further investment in new small and medium-scale nuclear facilities beyond the construction of Hinkley Point C (HM Government). In France, the Grand Carénage program to upgrade and extend the service lives of existing reactors is ensuring stable demand for services in the nuclear power sector. In Poland, decarbonization of the energy sector with the current dominance of coal-fired power generation will require extensive investment. The country stands to benefit from very substantial allocations from the regular EU budget and the European Corona reconstruction plan in the next EU financial framework for the years 2021 to 2027. At the same time, the country is also focusing on the expansion of nuclear energy as a cornerstone of its national climate policy strategy. The government plans to invest heavily in nuclear power by building six power plants by 2043, with the first Polish reactor scheduled to go online in 2033 (Euractiv).

In Germany, the market for nuclear power plant decommissioning is well forecast due to the specified final shutdowns of the remaining German power plants by the end of 2022. Expenditures for dismantling in Germany will grow rapidly until 2025 and then remain stable at a high level for another decade after that. Because the duration of a complete decommissioning of a nuclear power plant is up to 20 years (EC Decommissioning, p. 10), the market will remain stable for decades after the last German plants are shut down. In France, too, the market will grow in the coming years due to foreseeable decommissioning. Across Europe, market volume for nuclear decommissioning will grow from the current €1.6 billion to €2.2 billion in annual revenue by 2035 (EC Decommissioning, p. 7).

The market for exhaust gas cleaning systems for ships ('scrubbers') will not play a significant role in the future. This is due not only to the favorable price trend for low-sulfur fuels but also to increasingly restrictive regulatory requirements for the use of purification technologies (Lloyd's List).

The pharmaceutical industry can expect an annual growth rate of 7.4 percent in global prescription drug sales through 2026 (Evaluate, p. 16). Medications for rare diseases remain growth drivers, with sales expected to double by 2026 (Evaluate: p. 17) The significance of biotechnology in the pharmaceutical industry will continue to grow, with biotechnologically produced vaccines for COVID 19 providing additional impetus to the market. According to industry estimates, 55 percent of the top-selling drugs in 2026 will be biotechnology products (Evaluate, p. 20).

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VCI half-year balance sheet: Mid-year review of the chemical-pharmaceutical industry, Overcoming Corona consequences takes time, press release, September 8, 2020.

B.4.2 Assumptions

COVID 19 pandemic The pandemic continues to generate an increased level of uncertainty throughout the world. Our outlook is based on the assumption that it will not have a material impact on our business activities in the course of financial year 2021. More detailed information can be found in Chapter *B.3 Risks and opportunities report* as well as in Chapter *C.6.15.1 Goodwill*.

Oil price We expect the oil price to fluctuate between US $45 and US $65 per barrel in 2021.

Competitive situation We continue to expect intense competition in our business segments. In addition to the direct impact of the COVID 19 pandemic on the macroeconomic environment, this also entails increasing price sensitivity on the part of our customers. This is already reflected in our planning, since we are countering it with the cost-cutting and efficiency enhancement measures described above. In consultation with our customers, we identify potential savings to relieve the pressure on their overall budgets.

Currency effects We are subject to currency translation effects, primarily with regard to the US dollar, British pound, Norwegian krone and South African rand. Our planning is based on the assumption that the exchange rates will be within the range of the average level from 2020.

Brexit In addition to possible impacts on currency developments and overall economic demand, Brexit does not have any significant specific risks for our business because value creation in the United Kingdom takes place nearly entirely within the country itself. No significant impact is expected on the major Hinkley Point C project, either.

B.4.3 Expected business development in 2021

Based on the assumptions above, we expect business to develop as follows in financial year 2021:

OUTLOOK 2021	Initial situation financial year 2020	Outlook financial year 2021
Revenue	€3,461.0 million	significant growth
Adjusted EBITA	€19.8.million	substantial improvement
Adjusted EBITA margin	0.6%	at the level of financial year 2019 (2.4%)
Reported EBITA	-€57.0 million	substantial improvement
Free cash flow	€93.2 million	positive but below previous year

Following the decline in revenue and earnings due to the effects of the COVID 19 pandemic and the volatile development in the price of oil in 2020, Bilfinger expects a far-reaching recovery in financial year 2021. This development will be buoyed by growth in all three segments.

Revenue For 2021, the Bilfinger Group expects significant revenue growth (2020: €3,461.0 million).

At Engineering & Maintenance Europe, revenue (2020: €2,220.6 million) will grow significantly against the backdrop of the normalization of our business environment and associated catch-up effects. Here, revenue in the upstream oil and gas business in the North Sea will not reach the level of 2019 despite an increasing recovery.

Significant sales growth is also expected at Engineering & Maintenance International (2020: €521.2 million) for the reasons mentioned above. In North America in particular, following the presidential election and a stabilization of the COVID 19 situation, we expect an increasing number of projects that will lead to growing revenue again in the second half of the year.

At Technologies, a significant increase in revenue (2020: €498.0 million) is also expected due to the high order backlog and strong development of the nuclear power and biopharma market segments.

In Other Operations (2020: €262.5 million), revenue is expected to be significantly below the level of the previous year due to deconsolidation effects.

Order backlog as of December 31, 2020 amounted to €2,584.7 million for the Group. We expect that most of this amount will translate into revenue in 2021.

EBITA / adjusted EBITA Bilfinger expects a substantial improvement in adjusted EBITA (2020: €19.8 million). The adjusted EBITA margin will return to the pre-crisis level of financial year 2019 (2.4 percent) despite significantly lower revenue in comparison. The structural cost-cutting measures that were implemented with great agility in the second half of 2020 have been showing increasingly positive effects in recent months.

For Engineering & Maintenance Europe (2020: €68.8 million), we therefore expect a significant improvement in adjusted EBITA. The same applies to Engineering & Maintenance International (2020: -€20.8 million) with an anticipated positive result and to Technologies (2020: -€10.5 million) which is also expected to improve significantly to a clearly positive result.

For the items summarized in the reconciliation Group (2020: -€17.7 million), we expect adjusted EBITA to be below the previous year's level due to deconsolidation effects in Other Operations.

A substantial improvement is expected for the Group's reported EBITA (2020: -€57.0 million) also due to significantly lower expenses recognized as special items. Expenses for restructuring measures implemented as a result of the COVID 19 pandemic and volatile development in the price of oil primarily impacted fiscal year 2020.

Significant special items From today's perspective, we expect considerably lower special items on EBITA totaling around -€20 million in 2021 (2020: -€76.8 million). They still relate to investments in IT systems to harmonize the system landscape as well as lagging effects from restructuring.

Not included in the special items mentioned here for 2021 are potential disposal gains and losses from portfolio adjustments.

Net profit / adjusted net profit Net profit in the reporting year (2020: €99.4 million) saw a significant positive impact from the revaluation in connection with the Apleona sale in the financial result (+€209.7 million). Therefore, despite lower negative special items, net profit in 2021 will be below the figure from the previous year, but will nevertheless be positive. We also expect a significant improvement in adjusted net profit (2020: -€8.0 million) as a result of the significant increase in adjusted EBITA.

Return on capital employed In 2021, we expect a lower return on capital employed after taxes despite significantly improved EBITA, because the figure in the reporting year (2020: 6.9 percent) was positively impacted by the revaluation in connection with the sale of Apleona.

Free cash flow We expect free cash flow to be positive, but below the level of the previous year (2020: €93.2 million) despite a substantial improvement in EBITA. The reasons behind this development include increased working capital requirements as a result of the planned revenue growth, the cash-out effects from restructuring measures implemented in 2020, and a normalized level of capital expenditure.

Investments in property, plant and equipment We expect investments in property, plant and equipment to be slightly above the sustainable level of 1.5 percent of sales in 2021 due to catch-up effects and investments undertaken to support growth.

Financing We have a syndicated cash credit line of €250 million available which is due in December 2023. We expect that the limit defined in the loan agreement for the financial covenant (dynamic gearing ratio = adjusted net debt / adjusted EBITDA) will be maintained at all times.

General statement from the Executive Board of Bilfinger SE on the anticipated development of the Group

In financial year 2021, we expect a positive development of the Bilfinger Group despite the ongoing COVID 19 pandemic and continuing economic uncertainty. We remain confident that the competitive situation will be intense, but Bilfinger has proven, in particular in financial year 2020, that the company can deal with short-term challenges with a high degree of flexibility and agility.

At the same time, during the COVID 19 pandemic and the fluctuations in the price of oil in 2020, it was also possible to successfully pursue or complete measures that had already been planned for the longer term. Not least among these were the nearly-finalized harmonization of Group-wide ERP systems, a further reduction in the number of legal entities and the disposal of additional units in the Other Operations segment. In financial year 2020, we also introduced a leaner and more decentralized regional structure and established a Global Excellence Team to continuously improve operating efficiency and strengthen our go-to-market approach.

This puts us in a strong position to achieve our targets for financial year 2021 – to significantly grow revenue in the financial year while simultaneously improving the adjusted EBITA margin to pre-crisis levels.

In addition to higher profitability, we will also focus our attention on sustainably increasing our free cash flow. We are working hard to further optimize our working capital management. The measures initiated to further reduce costs and improve cash flow generation will be important factors when it comes to achieving our medium-term targets.

B.5 Takeover-relevant information pursuant to Section 289a and Section 315a of the German Commercial Code (HGB)

Structure of subscribed capital

The subscribed capital of €132,627,126 is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share. Each share entitles its holder to one vote at the Annual General Meeting.

Limitations relating to voting rights or the transfer of shares

We are not aware of any limitations to voting rights beyond the legal limitations – such as in accordance with Sections 136 and 71b of the German Stock Corporation Act (AktG).

Shareholdings in Bilfinger exceeding 10 percent of voting rights

Investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, notified us on March 4, 2019 that its shareholding in Bilfinger was 26.81 percent of the voting rights. These voting rights were assigned to Cevian Capital II GP Limited through Cevian Capital II Master Fund LP and Cevian Capital Partners Limited with 23.19 percent of the voting rights and Cevian Capital II Co-Investment Fund LP with 3.63 percent of the voting rights.

Investment company ENA Investment Capital LLP, London, United Kingdom, notified us on November 7, 2020 that its shareholding amounted to 12.00 percent of the voting rights in our capital as of November 6, 2020. In accordance with section 34 of the German Securities Trading Act (WpHG), these voting rights are attributable to Mr. George Kounelakis, born November 13, 1973.

Shares with special rights

There are no Bilfinger shares with special rights conferring powers of control.

Control of voting rights of employee shares with indirect exercise of controlling rights

Within the scope of the employee share program, there are employee shareholdings from current and former employees who do not exercise their control rights directly, but have transferred these to a shareholder association that represents their interests. The proxies can be revoked at any time. On the balance-sheet date, a total of 8,829 voting rights had been transferred to the association.

Statutory requirements and provisions of the Articles of Incorporation on the appointment and dismissal of members of the Executive Board and changes to the Articles of Incorporation

The appointment and dismissal of members of the Executive Board are subject to the statutory provisions of Section 39 of the SE Regulation, Section 16 of the SE Implementation Act and Sections 84 and 85 of the German Stock Corporation Act (AktG), as well as the provisions of Article 8 of the Bilfinger SE Articles of Incorporation. Accordingly, members of the Executive Board are appointed by the Supervisory Board for a maximum period of five years. Re-appointments are permitted. The Supervisory Board can dismiss a member of the Executive Board when there is good cause for the dismissal. The Supervisory Board decides on the appointment or dismissal of a member of the Executive Board by simple majority. In the event of a tied vote, also in a second voting, the Chairman has a casting vote.

Any amendments to the Articles of Incorporation of Bilfinger SE are subject to the statutory provisions of Section 59 Subsection 1 of the SE Regulations (SE-VO) and Sections 133 and 179 of the AktG, as well as the provisions of Article 21 Section 2 of the Articles of Incorporation of Bilfinger SE. Accordingly, a majority of two-thirds of the valid votes cast or, provided that at least half of the share capital is represented, a simple majority of the valid votes cast is sufficient to amend the Articles of Incorporation. This does not apply to a change in the object of the company, for which a resolution in accordance with Section 8 Subsection 6 SE-VO is required as well as for cases in which a greater voting or capital majority is stipulated by law. Pursuant to Article 25 of the Articles of Incorporation, the Supervisory Board is authorized to make resolutions concerning amendments and supplements that affect only the wording of the Articles of Incorporation.

Authorization of the Executive Board with regard to the buy-back and issue of shares

The Annual General Meeting of May 24, 2017 lifted the authorization for the purchase of the company's own shares granted to the Annual General Meeting of May 7, 2015. The authorizations in the Annual General Meeting resolution of May 7, 2015 on the use of the company's own shares remain unaffected. The Annual General Meeting held on May 24, 2017 authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until May 23, 2022 in the total amount of up to 10 percent of the share capital of the company under the condition that the shares to be acquired on the basis of this authorization, together with other shares held by the company which the company has already acquired and which are still in its possession or attributable to the company in accordance with Sections 71d and 71e AktG, at no time exceed 10 percent of the share capital of the company. Furthermore, the requirements of Section 71 Subsection 2 Sentences 2 and 3 AktG are also to be observed. The authorization can be exercised for any legally permissible purpose; the acquisition may not be used for the purpose of trading in treasury shares. Acquisition is to take place in accordance with the principle of equal treatment (Section 53a AktG) through the stock exchange or by means of a public offer to buy addressed to all shareholders.

In the case of acquisition through the stock exchange, the price paid (excluding incidental costs) may not be more than 10 percent higher or 20 percent lower than the stock exchange price of Bilfinger shares with the same rights resulting from the opening auction in the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system). In the case of a public purchase offer, the company can either publish a formal offer or publicly request the issue of offers from the shareholders. In both cases, the company defines a purchase price or a purchase price range per share, whereby in the latter case the final purchase price is calculated on the basis of the current declarations of acceptance and / or sales offers. The purchase price per share of the company (excluding incidental costs) in the case of the issue of a formal offer by the company may not be more than 10 percent higher or 20 percent lower than the average stock exchange price of Bilfinger shares on the last three days of stock exchange trading before the day the offer is made public, calculated on the basis of the arithmetical average of the price of Bilfinger shares in the closing auction of the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system). In the case of an adjustment to the offer, the day of the publication of the offer to buy shall be replaced by the day of publication of the adjustment to the offer. If the company publicly requests the submission of offers to sell, the day of the publication of the offer to buy or the adjustment to such offer shall be replaced by the day of the accepting of offers to sell by the company.

The Annual General Meeting of May 24, 2017 authorized the Executive Board to offer the own shares acquired by means of this authorization for sale to all shareholders under consideration of the principle of equal treatment or to sell them through the stock exchange. It also authorized the Executive Board to sell the own shares acquired as a result of this authorization with the approval of the Supervisory Board in a way other than over the stock exchange or through an offer to sell to all shareholders if the shares are sold in return for a cash payment at a price that is not significantly lower than the average stock market price of the share of the company on the previous three trading days prior to the final determination of the selling price by the Executive Board, calculated on the basis of the arithmetical average of the closing auction price of the Bilfinger share in the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system); this authorization is limited to a total of 10 percent of the current share capital of the company at the time of the resolution of the Annual General Meeting on May 24, 2017 or – if this figure is lower – 10 percent of the share capital of the company. The authorized volume is reduced by the proportionate part of the share capital which is attributable to shares or to which conversion and / or option rights or conversion and / or option obligations apply under bonds which were issued or sold, subject to an exclusion of subscription rights, on or after May 24, 2017 pursuant to Section 186 Subsection 3 Sentence 4 AktG either directly, analogously or mutatis mutandis. The shares may also be used within the scope of corporate mergers or acquisitions or the purchase of assets associated with such mergers or acquisitions, recalled without any further resolution by the Annual General Meeting, or used for the fulfillment of conversion and / or option rights or obligations under bonds. In addition, they can be used for the execution of a so-called scrip dividend for which the shareholder receives an offer to transfer to the company their dividend entitlement either wholly or partially as payment in kind in return for the granting of shares in the company. The shares can also, with the approval of the Supervisory Board, be offered for sale, pledged or transferred within the scope of a contractual remuneration agreement to employees of Bilfinger SE and of those subordinated subsidiary companies in the sense of Sections 15 ff. of the German Stock Corporation Act as well as to the management of subordinated subsidiary companies in the sense of Sections 15 ff. of the German Stock Corporation Act.

The Annual General Meeting of May 24, 2017 also authorized the Supervisory Board to use treasury shares that are acquired as a result of this authorization to meet the rights of members of the Executive Board to the granting of shares of Bilfinger SE which the Supervisory Board had granted as part of Executive Board remuneration.

The purchase of shares may be fully or partially carried out through (i) the sale of options to third parties which obligate the company to acquire shares in the company upon the exercise of the option ("put option"), (ii) the purchase of options which give the company the right to acquire shares of the company upon exercise of the option ("call option"), (iii) forward purchases with which the company acquires own shares at a certain point of time in the future, and (iv) use of a combination of put and call options and forward purchases (together "derivatives"). Derivative transactions may only be concluded with one or more credit institutes or other companies that meet the conditions of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act. Through the conditions of the derivative transaction it must be ensured that the company is only supplied with shares which are acquired under consideration of the principle of equal treatment (Section 53a AktG). All share acquisitions under the use of derivatives are to be limited to shares in a maximum volume of 5 percent of the current share capital at the time of the resolution of the Annual General Meeting on this authorization or – if it is lower – the share capital of the company at the time of the utilization of this authorization. The terms of the derivatives must end at the latest on May 23, 2022, whereby the term of the individual derivatives may each not exceed 18 months and it must be ensured that an acquisition of shares of the company in the exercise or fulfillment of the derivative is carried out no later than May 23, 2022. The option fees paid by the company for call options and collected for put options may not be significantly above or below the theoretical market value of the respective option, calculated in accordance with of a recognized financial mathematic method, for which the calculation, among other things, of the agreed exercise price is to be take into account. The purchase price to be paid for the exercise of the options or upon maturity of forward purchase agreements per share of the company (not including supplementary purchase costs but under consideration of the paid or received option fees), may not be 10 percent higher or 20 percent lower than the average price of the share of the company with the same rights in the closing auction of the XETRA trading system of the Frankfurt Securities Exchange (or a comparable successor system) during the previous three stock exchange trading days prior to the conclusion of the relevant option or futures transaction. If own shares under the use of derivatives under consideration of the aforementioned requirements are acquired, a right of the shareholders to conclude such derivative transactions with the company, in appropriate application of Section186 Paragraph 3 Sentence 4 AktG is ruled out. Shareholders have the right to tender their shares to the company only insofar as the company is obligated on the basis of the derivative transaction to accept their shares.

On September 6, 2017, the company started a program to buy back its own shares, which was completed on October 31, 2018. The share buy-back took place under the authorization granted by the Annual General Meeting on May 24, 2017. The program called for the buy back of a maximum of 10 percent of the share capital at a purchase price of up to €150.0 million. Within the scope of the program, a total of 3,942,211 own shares (8.92 percent of the capital stock of Bilfinger SE) at a total value of €149,999,972.62 (not including supplementary costs of acquisition) were acquired. This corresponds to an average price of €38.05 (not including supplementary costs of acquisition) per re-acquired share. The authorization from the Annual General Meeting of May 24, 2017 also regulates all options for a possible use of the shares acquired.

Approved capital

The Annual General Meeting of May 15, 2018 lifted the authorization for the creation of approved capital resolved by the Annual General Meeting of May 8, 2014 and included in Section 4 Paragraph 3 of the Articles of Incorporation (approved capital 2014). By resolution of the Annual General Meeting of May 15, 2018, the Executive Board was authorized for a period ending on May 14, 2023 to increase the company's capital stock, subject to the consent of the Supervisory Board, by up to €66,313,563 by issuing new no-par value bearer shares on one or more occasions (approved capital 2018). Such issue of new shares may be effected against cash or non-cash contributions. The new shares are to be offered to the shareholders for subscription. An indirect subscription right within the meaning of Section 186 Subsection 5 of the AktG shall suffice in this context.

Limited to new shares representing a total proportionate amount of share capital of up to 20 percent and subject to the consent of the Supervisory Board, the Executive Board is authorized to exclude shareholders' statutory subscription rights under the conditions specified in the authorization resolution with the issue of new shares in cases of fractional amounts, to grant subscription rights to holders of conversion and / or option rights issued by the company or by a company of the Group, or to carry out capital increases against cash and / or non-cash contributions as well as for the execution of a so-called scrip dividend.

Conditional capital

The Annual General Meeting of May 24, 2017 lifted the conditional capital increase resolved by the Annual General Meeting of April 18, 2013 and included in the company's Articles of Incorporation (conditional capital 2013). By resolution of the Annual General Meeting of May 24, 2017, the share capital was conditionally increased by up to €13,262,712 through the issue of up to 4,420,904 new bearer shares representing a proportionate amount of the share capital of €3.00 per share (conditional capital 2017). The conditional capital increase serves the granting of shares under the exercise of conversion and / or option rights or under conversion and / or option obligations under promissory notes that are issued by the company or a Group company by May 23, 2022. The issue of the new shares is carried out according to the aforementioned authorization resolution each at certain conversion and/or option prices.

The conditional capital increase will only be carried out to the extent that holders of bonds make use of their conversion or option rights or fulfill their obligations to exercise conversions or options, and the conditional capital is required in accordance with the conditions of the promissory notes. Each new share issued as a result of the exercise of the conversion or option right or the fulfillment of the conversion or option right participates in the profit from the beginning of the financial year in which it is created.

Agreements related to a change of control

In the case of a change of control resulting from an offer to take over Bilfinger SE, as is common business practice, termination possibilities exist for the providers of credit for our syndicated cash credit lines of €250 million and bank guarantees covering the sum of about €950 million, as well as for the investors in our promissory note loan of €123 million and our corporate bond of €250 million.

Compensation agreements in the case of an offer to take over the company

In the case of a change of control and if certain other conditions are fulfilled, the members of the Executive Board have a special right to terminate their contracts of service. This regulation would give the members of the Executive Board the required independence in the case of a takeover bid so that they could direct their actions solely to the benefit of the company and its shareholders.

More details can be found in Chapter *A.4.2 Remuneration report.*

B.6 Executive Board remuneration

The remuneration of the members of the Executive Board is generally comprised of a fixed annual salary, variable remuneration components as well as fringe benefits and retirement benefits. Further information including individualized details of payments can be found in Chapter *A.4.2 Remuneration report*. The remuneration report is part of the combined management report.

C Consolidated financial statements

C.1 Consolidated income statement

in € million

	Notes	2020	2019
Revenue	(6)	3,461.0	4,326.9
Cost of sales		-3,164.9	-3,915.1
Gross profit		**296.1**	411.8
Selling and administrative expense		-309.7	-379.5
Impairment losses and reversals of impairment losses in accordance with IFRS 9	(7)	-6.5	1.2
Other operating income	(8)	47.8	36.0
Other operating expense	(9)	-105.7	-61.3
Income from investments accounted for using the equity method	(18)	12.5	19.9
Earnings before interest and taxes (EBIT)		**-65.5**	28.1
Interest income	(12)	**1.4**	6.8
Interest expense	(12)	**-28.6**	-38.8
Other financial result	(12)	208.3	10.1
Earnings before taxes		**115.6**	6.2
Income taxes	(13)	-7.5	-3.9
Earnings after taxes from continuing operations		**108.0**	2.3
Earnings after taxes from discontinued operations	(5.1)	**-7.0**	23.6
Earnings after taxes		101.0	25.9
thereof non-controlling interests		1.6	1.7
Net profit		**99.4**	24.2
Basic earnings per share (in €)	(14)	2.47	0.60
thereof from continuing operations		2.64	0.01
thereof from discontinued operations		-0.17	0.59
Diluted earnings per share (in €)	(14)	2.44	0.60
thereof from continuing operations		2.61	0.01
thereof from discontinued operations		-0.17	0.59

C.2 Consolidated statement of comprehensive income

in € million

	2020	2019
Earnings after taxes	**101.0**	25.9
Items that will not be reclassified to the income statement		
Gains / losses from remeasurement of net defined-benefit liability (asset)		
Unrealized gains / losses	-10.0	-57.0
Income taxes on unrealized gains / losses	-0.1	3.8
	-10.1	-53.2
Gains / losses from fair-value measurement of equity instruments in accordance with IFRS 9.5.7.5		
Unrealized gains / losses	0.0	3.6
Income taxes on unrealized gains / losses	0.0	-0.1
	0.0	3.5
	-10.1	-49.7

Consolidated statement of comprehensive income, continued >

< Consolidated statement of comprehensive income, begin

in € million	2020	2019
Items that may subsequently be reclassified to the income statement		
Currency translation differences		
Unrealized gains / losses	-38.3	13.9
Reclassifications to the income statement	-7.6	0.3
Income taxes on unrealized gains / losses	0.0	-1.6
	-45.9	12.6
	-45.9	12.6
Other comprehensive income after taxes	**-56.0**	-37.1
Total comprehensive income after taxes	**45.0**	-11.2
attributable to shareholders of Bilfinger SE	41.6	-12.3
Minority interest	3.4	1.1

See also further explanations on the components of other comprehensive income in Note 23 of the notes to the consolidated financial statements.

C.3 Consolidated balance sheet

in € million

		Notes	Dec. 31, 2020	Dec. 31, 2019
Assets	Non-current assets			
	Intangible assets	(15)	765.2	802.5
	Property, plant and equipment	(16)	269.7	311.9
	Rights of use from leases	(17)	189.3	227.4
	Investments accounted for using the equity method	(18)	19.4	18.5
	Other assets	(19)	14.0	255.5
	Deferred taxes	(13)	55.8	60.6
			1,313.4	1,676.4
	Current assets			
	Inventories	(20)	59.8	57.1
	Receivables and other financial assets	(21)	865.6	1,057.3
	Current tax assets		10.9	20.4
	Other assets	(22)	46.0	43.8
	Marketable securities		450.0	0.0
	Cash and cash equivalents		510.6	499.8
	Assets classified as held for sale	(05)	0.0	–
			1,942.9	1,678.4
			3,256.3	3,354.8

Consolidated balance sheet, continued >

< Consolidated balance sheet, begin

in € million

		Notes	Dec. 31, 2020	Dec. 31, 2019
Equity & liabilities	Equity	(23)		
	Share capital		132.6	132.6
	Capital reserve		770.6	768.7
	Retained and distributable earnings		468.3	379.4
	Other reserves		-12.7	34.5
	Treasury shares		-149.5	-149.9
	Equity attributable to shareholders of Bilfinger SE		**1,209.3**	1,165.3
	Minority interest		-10.7	-12.4
			1,198.6	1,152.9
	Non-current liabilities			
	Provisions for pensions and similar obligations	(24)	340.0	338.0
	Other provisions	(25)	22.2	23.6
	Financial debt	(26)	521.3	551.3
	Other liabilities		0.0	0.0
	Deferred taxes	(13)	2.9	4.3
			886.4	917.2
	Current liabilities			
	Current tax liabilities		23.9	25.4
	Other provisions	(25)	300.3	301.9
	Financial debt	(26)	46.9	49.7
	Trade and other payables	(27)	579.2	679.7
	Other liabilities	(28)	221.0	228.0
	Liabilities classified as held for sale	(05)	0.0	–
			1,171.3	1,284.8
			3,256.3	3,354.8

C.4 Consolidated statement of changes in equity

in € million

	Equity attributable to shareholders of Bilfinger SE									Attributable to minority interest	Equity
				Other reserves							
	Share capital	Other reserves	Retained and distributable earnings	Reserve from the fair-value measurement of debt instruments	Reserve from the fair-value measurement of equity instruments	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2018	**132.6**	**767.0**	**465.3**	**0.0**	**-3.5**	**0.0**	**6.6**	**-150.4**	**1,217.6**	**-12.9**	**1,204.7**
Adjustments due to transition effects from the initial application of IFRS 16	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.9
Adjusted balance at January 1, 2019	**132.6**	**767.0**	**466.2**	**0.0**	**-3.5**	**0.0**	**6.6**	**-150.4**	**1,218.5**	**-12.9**	**1,205.6**
Earnings after taxes	0.0	0.0	24.2	0.0	0.0	0.0	0.0	0.0	24.2	1.7	25.9
Other comprehensive income after taxes	0.0	0.0	-53.2	0.0	3.5	0.0	13.2	0.0	-36.5	-0.6	-37.1
Total comprehensive income	**0.0**	**0.0**	**-29.0**	**0.0**	**3.5**	**0.0**	**13.2**	**0.0**	**-12.3**	**1.1**	**-11.2**
Dividends paid out	0.0	0.0	-40.3	0.0	0.0	0.0	0.0	0.0	-40.3	-0.6	-40.9
Share-based payments	0.0	1.7	2.2	0.0	0.0	0.0	0.0	0.5	4.4	0.0	4.4
Changes in ownership interest without change in control	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	-19.8	0.0	0.0	0.0	14.7	0.0	-5.1	0.0	-5.1
Balance at December 31, 2019	**132.6**	**768.7**	**379.4**	**0.0**	**0.0**	**0.0**	**34.5**	**-149.9**	**1,165.3**	**-12.4**	**1,152.9**

Consolidated statement of changes in equity, continued >

< Consolidated statement of changes in equity, begin

in € million

	Equity attributable to shareholders of Bilfinger SE									Attributable to minority interest	Equity
				Other reserves							
	Share capital	Other reserves	Retained and distributable earnings	Reserve from the fair-value measurement of debt instruments	Reserve from the fair-value measurement of equity instruments	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2020	132.6	768.7	379.4	0.0	0.0	0.0	34.5	-149.9	1,165.3	-12.4	**1,152.9**
Earnings after taxes	0.0	0.0	99.4	0.0	0.0	0.0	0.0	0.0	99.4	1.6	101.0
Other comprehensive income after taxes	0.0	0.0	-10.1	0.0	0.0	0.0	-47.7	0.0	-57.8	1.8	**-56.0**
Total comprehensive income	0.0	0.0	89.3	0.0	0.0	0.0	-47.7	0.0	41.6	3.4	45.0
Dividends paid out	0.0	0.0	-4.8	0.0	0.0	0.0	0.0	0.0	-4.8	-0.8	-5.6
Share-based payments	0.0	1.9	5.0	0.0	0.0	0.0	0.0	0.4	7.3	0.0	**7.3**
Changes in ownership interest without change in control	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	-0.3	0.0	-0.3
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	-0.3	0.0	0.0	0.0	0.5	0.0	0.2	-0.9	-0.7
Balance at December 31, 2020	132.6	770.6	468.3	0.0	0.0	0.0	-12.7	-149.5	1,209.3	-10.7	**1,198.6**

For explanations of the development of Group equity see Note 23 of the notes to the consolidated financial statements.

C.5 Consolidated statement of cash flows

in € million

	2020	2019
Earnings before taxes from continuing operations	115.6	6.2
Interest income and expense and other financial result	-181.1	21.9
Amortization of intangible assets from acquisitions and goodwill impairments	8.5	3.9
EBITA	**-57.0**	**32.0**
Depreciation of property, plant and equipment and amortization of intangible assets (excluding acquisitions)	115.0	107.6
Gains / losses on disposals of non-current assets	0.9	-6.1
Income from investments accounted for using the equity method	-12.7	-20.5
Dividends received	18.7	30.0
Interest received	1.4	31.8
Income tax payments	4.5	-16.4
Change in advance payments received	3.0	0.5
Change in trade receivables	129.4	28.0
Change in trade payables and advance payments made	-77.0	-50.0
Change in net trade assets	**55.4**	**-21.5**
Change in current provisions	5.6	-29.9
Change in other current assets (including other inventories) and liabilities	-1.6	9.2
Change in working capital	**59.4**	**-42.2**
Change in non-current assets and liabilities	-9.8	-5.9

Consolidated statement of cash flows, continued >

< Consolidated statement of cash flows, begin

in € million

	2020	2019
Cash flow from operating activities of continuing operations	**120.4**	110.3
Cash flow from operating activities of discontinued operations	-6.4	-32.1
Cash flow from operating activities, total	**114.0**	78.2
Investments in property, plant and equipment and intangible assets	-36.6	-63.6
Payments received from the disposal of property, plant and equipment and intangible assets	9.4	10.2
Payments from the disposal of subsidiaries net of cash and cash equivalents disposed of	8.2	129.9
Payments received / investments in other financial assets	0.1	11.3
Divestment / Investments in securities	0.0	119.9
Cash flow from investing activities of continuing operations	**-18.9**	207.7
Cash flow from investing activities of discontinued operations	0.0	-0.1
Cash flow from investing activities, total	**-18.9**	207.6
Dividends paid to the shareholders of Bilfinger SE	-4.8	-40.3
Dividends paid to minority interest	-2.5	-2.6
Investments in changes in company shares (control maintained)	-0.3	0.0
Borrowing	0.0	375.5
Repayment of financial debt	-51.8	-549.6
Interest paid	-22.8	-26.8
Cash flow from financing activities of continuing operations	**-82.2**	-243.8
Cash flow from financing activities of discontinued operations	-0.1	-0.1
Cash flow from financing activities, total	**-82.3**	-243.9
Change in cash and cash equivalents	**12.8**	41.9
Change in value of cash and cash equivalents due to changes in foreign exchange rates	-2.0	0.8
Cash and cash equivalents at January 1	499.8	453.8
Cash and cash equivalents classified as assets held for sale at January 1 (+)	0.0	3.3
Cash and cash equivalents classified as assets held for sale at December 31 (-)	0.0	0.0
Cash and cash equivalents at December 31	**510.6**	499.8

C.6 Notes to the consolidated financial statements *

1 Segment reporting

As in the previous year, segment reporting has been prepared in accordance with IFRS 8. The reportable segments of the Bilfinger Group reflect the internal reporting structure. Segment reporting depicts the Group's continuing operations. The definition of the segments is based on products and services.

At the beginning of financial year 2020, the business segments of the reportable segment Engineering & Maintenance Europe were adjusted (see explanations in Annual Report 2019, *Chapter B.4.1 Operational Engineering & Maintenance business in Europe from January 1, 2020)*. The adjustment relates exclusively to the internal structuring of the ongoing reportable segment *Engineering & Maintenance Europe* with the two former divisions *E&M Central Europe* and *E&M Northwest Europe*. In Europe, in place of the two previous divisions, there will be six country groups (regions) in future, which will replace the previous divisions and represent business segments accordingly. In addition, also at the beginning of the 2020 financial year, five individual companies were reclassified from the *Engineering & Maintenance Europe* reporting segment to the *Other Operations* segment presented under *Reconciliation Group*, which now comprises a total of four sub-units. Segment reporting including the prior-year figures has been adapted accordingly.

Segment reporting continues to consist of the following three reportable segments:

- *Engineering & Maintenance Europe*
- *Engineering & Maintenance International*
- *Technologies*

The reportable segment *Technologies* is both a division and a business segment. The reportable segment *Engineering & Maintenance Europe* comprises the six regions *E&M United Kingdom, E&M Nordics, E&M Belgium / Netherlands, E&M Germany, E&M Austria / Switzerland* and *E&M Poland*,

* Values in € million unless stated otherwise

which constitute business segments. The reportable segment *Engineering & Maintenance International* includes the regions E&M North America and E&M Middle East, which constitute business segments.

The segment *Technologies* is positioned globally and focuses on products and technologies that it offers throughout the world. Examples include components for biopharma plants (skids) as well as components for the nuclear industry. The division concentrates on growth areas in which Bilfinger demonstrates technological expertise, enabling us to benefit from sustainable global trends. *Technologies* coordinates Group-wide market development in these growth areas.

The service line *Engineering & Maintenance* is positioned regionally and services for engineering, maintenance, expansion and operation are therefore offered on a local basis. Due to the similarity of the markets, the economic environment as well as the financial parameters – particularly growth expectations and the extent of the margins – we combine the reporting of the regions *E&M United Kingdom*, *E&M Nordics*, *E&M Belgium / Netherlands*, *E&M Germany*, *E&M Austria / Switzerland* and *E&M Poland* in the *Engineering & Maintenance Europe* reporting segment. The *Engineering & Maintenance* activities of the regions *E&M North America* and *E&M Middle East* in our strategic growth regions outside of Europe make up the reportable segment *Engineering & Maintenance International*. Here, we expect similar growth rates and margins in the planning period.

The companies in *Other Operations* as well as headquarters, consolidation effects and other items are presented under *Reconciliation Group*. *Other Operations* includes operating units that are active outside of the business segments, regions or customer groups defined above. These units are not a focus of the strategic positioning of the Group, but rather are up for sale in the short term or independently managed for value with the goal of a later sale. Accordingly, the reporting classification of the units in *Other Operations* is not primarily based on the similarity of products, customers, regions, etc., but on this strategic classification. The division therefore does not constitute a business segment.

Adjusted earnings before interest, taxes and amortization of intangible assets from acquisitions (EBITA adjusted) is the key performance indicator for the business units and the Group, and thus the metric for earnings in our segment reporting. EBITA and EBIT are also presented. The reconciliation of EBIT to earnings before taxes from continuing operations is derived from the consolidated income statement. Internal revenue reflects the supply of goods and services between the segments. These are invoiced at the usual market prices. In the reconciliation to the consolidated financial statements, the Group's internal expenses and income as well as intra-Group profits are eliminated. Consolidation includes the consolidation of business transactions between the business segments. The reconciliation also includes income and expenses from headquarters as well as other items that cannot be allocated to the individual segments according to our internal accounting policies. The allocation of external revenue to the regions is carried out according to the location of the service provision.

The reconciliation of segment assets in particular includes cash and cash equivalents as well as the non-current and current assets that are not allocated to the business segments. The segment liabilities shown in the reconciliation include the liabilities of Group headquarters and interest-bearing liabilities such as debt and provisions for pensions and similar obligations.

RECONCILIATION GROUP	EBIT		Segment assets		Segment liabilities	
	2020	2019	**2020**	2019	**2020**	2019
Other Operations	-3.7	-1.2	75.2	140.2	48.5	69.4
Headquarters	-20.3	-29.9	1,060.2	887.6	1,065.7	1,129.1
Consolidation	-5.3	-24.5	0.0	0.0	0.0	0.0
Reconciliation Group	**-29.3**	-55.6	**1,135.4**	1,027.8	**1,114.2**	1,198.5

SEGMENT REPORTING BY BUSINESS SEGMENT

	Technologies		Engineering & Maintenance Europe		Engineering & Maintenance International		Total of segments		Reconciliation Group		Total continuing operations	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
External revenue	489.3	536.0	2,174.6	2,553.5	521.1	911.4	3,185.0	4,000.9	276.0	326.0	3,461.0	4,326.9
Internal revenue	8.7	2.4	46.0	24.7	0.1	0.2	54.8	27.3	-54.8	-27.3	0.0	0.0
Total revenue	**498.0**	538.4	**2,220.6**	2,578.2	**521.2**	911.6	**3,239.8**	4,028.2	**221.2**	298.7	**3,461.0**	4,326.9
EBITA adjusted (segment earnings)	**-10.5**	-28.0	**68.8**	106.4	**-20.8**	42.4	**37.5**	120.8	**-17.7**	-16.8	**19.8**	104.0
Special items	-25.5	-7.2	-32.8	-20.2	-13.7	-5.7	-72.0	-33.1	-4.8	-38.8	-76.8	-71.9
EBITA (segment earnings)	**-36.0**	-35.2	**36.0**	86.2	**-34.5**	36.7	**-34.5**	87.7	**-22.5**	-55.6	**-57.0**	32.1
Amortization of intangible assets from acquisitions and impairment of goodwill	-0.1	-0.6	-0.3	-0.6	-1.3	-2.7	-1.7	-3.9	-6.8	0.0	-8.5	-3.9
EBIT (segment earnings)	**-36.1**	-35.8	**35.7**	85.6	**-35.8**	34.0	**-36.2**	83.8	**-29.3**	-55.6	**-65.5**	28.2
therein depreciation of property, plant and other intangible assets	-3.0	-3.3	-36.0	-35.5	-6.3	-6.4	-45.3	-45.2	-14.0	-10.1	-59.3	-55.3
therein depreciation of rights of use from leases	-4.7	-4.4	-29.5	-27.6	-5.7	-5.2	-39.9	-37.2	-16.5	-14.2	-56.4	-51.4
therein income from investments accounted for using the equity method	0.0	0.0	0.2	1.0	11.3	17.9	11.5	18.9	1.0	1.0	12.5	19.9
Segment assets December 31	**364.5**	417.8	**1,305.4**	1,407.9	**451.0**	501.3	**2,120.9**	2,327.0	**1,135.4**	1,027.8	**3,256.3**	3,354.8
thereof investments in associates and joint ventures accounted for using the equity method	0.0	0.0	1.0	1.9	9.8	7.8	10.8	9.7	8.6	8.8	19.4	18.5
Segment liabilities December 31	**234.9**	252.3	**545.0**	572.8	**163.6**	178.3	**943.5**	1,003.4	**1,114.2**	1,198.5	**2,057.7**	2,201.9
Investments in property, plant and equipment and intangible assets	**2.5**	2.8	**26.2**	46.5	**2.8**	6.9	**31.5**	56.2	**5.1**	7.4	**36.6**	63.6
Capitalization of rights of use from leases	**1.3**	1.6	**25.5**	19.4	**4.6**	5.8	**31.4**	26.8	**5.8**	13.5	**37.2**	40.3
Employees December 31	**2,274**	2,415	**19,914**	21,871	**4,800**	6,667	**26,988**	30,953	**1,905**	3,167	**28,893**	34,120

SEGMENT REPORTING BY REGION	Germany		Rest of Europe		America		Africa		Asia		Australia		Total continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External revenue	932.6	963.3	1,877.7	2,305.4	409.0	798.3	105.1	123.9	136.4	136.0	0.3	0.0	3,461.0	4,326.9
Non-current assets at December 31	595.4	682.9	412.5	413.5	198.9	225.9	4.9	6.4	12.5	13.2	0.0	0.0	1,224.2	1,341.9

2 General information

Bilfinger SE is a stock company in accordance with European law (Societas Europaea – SE) and, in addition to German stock corporation law, is also subject to specific SE regulations and the German law on implementing a European company as well as the German SE Employee Involvement Act. The company is registered with the Commercial Register of the Mannheim District Court under HRB 710296 and has its headquarters at Oskar-Meixner-Strasse 1, 68163 Mannheim, Germany. Bilfinger is an internationally oriented industrial services company, which offers engineering and other industrial services to customers in the process industry. The consolidated financial statements of Bilfinger SE for financial year 2020 were released for publication by the Executive Board on March 2, 2021. The consolidated financial statements of Bilfinger SE have been prepared in accordance with International Financial Reporting Standards (IFRSs), as they are to be applied in the European Union, and the complementary guidelines that are applicable pursuant to Section 315e Subsection 1 of the German Commercial Code (HGB), and are published in the electronic version of the German Federal Gazette ('Bundesanzeiger'). All amounts are shown in millions of euros (€ million) unless stated otherwise.

3 Accounting policies

3.1 Judgments and estimates based on the COVID 19 pandemic

Judgments and estimates made by management can affect the measurement and disclosure of assets and liabilities and the reported amounts of revenue and expenses for the reporting period. Due to the global consequences arising from the COVID 19 pandemic, which to a large extent are still not entirely foreseeable, these management judgments and estimates are subject to increased uncertainty. Actual amounts may differ from management judgments and estimates. Changes to these may have a material impact on the consolidated financial statements.

Within the framework of updating management judgments and estimates, all available information on expected economic developments and country-specific government countermeasures was included. This information was also included in the analysis of the recoverability and collectability of assets and receivables. As the pandemic continues to evolve, it is difficult to predict its duration and the extent of its impact on assets, liabilities, results of operations and cash flows. We do not, however, expect the COVID 19 pandemic to have a material impact on our business activities over the course of financial year 2021.

Further details on the impact of the COVID 19 pandemic on our business activities can be found in sections *B.2 Economic report*, *B.3.2 Significant risks* and *B.4 Outlook* in the combined management report and in Notes 3.2, 15.1 and 23.1.

3.2 Government grants and other measures in connection with the COVID 19 pandemic

Bilfinger has reviewed existing or newly established government support measures in various countries aimed at mitigating the effects of the COVID 19 pandemic and subsequently applied for and made use of appropriate measures.

These primarily relate to support measures for personnel costs such as compensation payments to employees or benefits for Bilfinger Group companies, which partially compensate for the underutilization of capacities in the affected areas as a result of the significant decline in business activities. These government support measures were used primarily in the United Kingdom, Austria and the Netherlands. In accordance with the net method applied by Bilfinger, government support measures that are classified as performance-related government grants in accordance with IAS 20 were recognized as a reduction of the corresponding personnel expenses, as of December 31, 2020 in the amount of €36 million. The utilization of these measures will partially continue in 2021.

Furthermore, options for deferring social security contributions and tax payments were utilized, which essentially have no effect on earnings but have contributed and continue to contribute to an improvement in the liquidity situation. The deferred amounts total €13 million as of December 31, 2020.

3.3 New and amended IFRSs

The significant accounting policies applied generally correspond to those applied in the prior year, with the following exceptions:

Amended IFRSs relevant to Bilfinger and applied as of January 1, 2020 are:

- Amendment to IFRS 3 *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*
- Amendment to IFRS 16 *COVID 19 Related Rent Concessions*
- Amendments to IAS 1 and IAS 8 with regard to the definition of materiality

The effects of these changes are as follows:

IFRS 3 *Business Combinations*

The amendment to IFRS 3 *Definition of a Business* relates to the definition of a business operation. Accordingly, in the future, for the existence of a business operation, it must be shown that, in addition to economic resources (input), there is at least one substantial process which, together with the resources, creates the possibility to generate output. Pure cost savings are no longer viewed as output. For a simplified review to determine whether a business operation or group of assets has been acquired, an optional “concentration test” (concentration of the fair values on an asset or a group of similar assets) was introduced. The changes have not led to any effects on the consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform (phase 1)*

The amendments to IFRS 9, IAS 39 and IFRS 7 are intended to mitigate the effects of the so-called "IBOR reform" on IFRS financial statements. Their objective is to ensure that designated hedge accounting relationships continue to exist or can be designated despite the replacement of various reference interest rates. The changeover to new reference interest rates will have a very minor effect on Bilfinger’s consolidated financial statements: Existing external financing agreements already contained fallback clauses for the most part.

IFRS 16 *Leases*

The amendment to IFRS 16 *COVID 19 Related Rent Concessions* grants lessees optional relief in assessing whether a rental concession (e.g. rent deferral or forgiveness) is a modification in the context of COVID 19. Bilfinger does not apply this option, which is applicable from June 1, 2020 at the latest.

Amendments to IAS 1 and IAS 8 with regard to the definition of materiality

The amendments to IAS 1 and IAS 8 with regard to the definition of materiality take into account for the first time the obscuring of information as a measure of materiality in the area of disclosures. The obscuring of significant information with insignificant information can have effects that are similar to leaving out significant information. The definition is also aimed at the primary addressees of financial statements as defined in the framework concept since 2010. In addition, it must be possible for information to reasonably influence decisions in order for it to be material. The changes have not led to any effects on the consolidated financial statements.

IFRSs already published but not yet applied:

IFRS 17 *Insurance Contracts*

IFRS 17 was published in May 2017 and will replace IFRS 4 in the future for accounting for insurance contracts. IFRS 17 aims at unifying and standardizing recognition and measurement principles for insurance contracts. The standard stipulates three approaches to accounting for insurance contracts: Building Block Approach, Premium Allocation Approach and Variable Fee Approach. In June 2020, the initial application date was postponed to January 1, 2023.

IFRS 3 *Business Combinations*

The amendment to IFRS 3 *Reference to the Conceptual Framework* updates references to the conceptual framework as revised in March 2018 (initial application on January 1, 2022).

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform (phase 2)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 provide relief for the presentation of changes to contractual cash flows and hedging relationships required under the "IBOR Reform" (initial application on January 1, 2021).

IAS 1 *Presentation of Financial Statements*

The amendment to IAS 1 *Classification of liabilities as current or non-current* only affects the presentation of liabilities rather than the amount or timing of the recognition of assets, liabilities, income or expenses or the disclosures that companies make about those items. In July 2020, the initial application date was postponed to January 1, 2023.

IAS 16 *Property, Plant and Equipment*

The amendment to IAS 16 *Proceeds Before Intended Use* prohibits deducting from the cost of an item of property, plant and equipment the proceeds arising from the disposal of items that are produced while being brought to the location and condition necessary for them to be used in the manner intended by management. Instead, proceeds from such disposals and the cost of producing these items are to be recognized in operating profit (initial application on January 1, 2022).

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

With the amendment to IAS 37 *Onerous Contracts - Cost of Fulfilling a Contract* specifies that the "cost of fulfilling a contract" comprises "costs that relate directly to the contract". Costs that relate directly to a contract may be either incremental costs to fulfill that contract (such as direct labor, materials) or an allocation of other costs that relate directly to contract fulfillment (such as an allocation of depreciation expense for an item of property, plant, and equipment used in fulfilling the contract). Initial application is on January 1, 2022.

Annual Improvements to IFRSs, cycle 2018-2020

The improvements in the collective standards published in the context of the Annual Improvements Process include improvements to several IFRSs (IFRS 1, IFRS 9, IFRS 16 and IAS 41), mainly to remove inconsistencies and to clarify wording.

As of the balance sheet date, IFRS 17, amendments to IFRS 3, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *(Interest Rate Benchmark Reform),* the amendments to IAS 1, IAS 16 and IAS 37 as well as annual improvements to IFRSs, 2018-2020 cycle, had not yet been endorsed by the EU Commission as part of the endorsement process. Unless otherwise stated, the future application of the standards is unlikely to have any material effect on the financial position, cash flows or profitability of the Bilfinger Group. Bilfinger intends to apply those IFRSs as of the mandatory date of application insofar as they have been endorsed.

3.4 Significant accounting policies

Intangible assets with a finite life are capitalized at cost of acquisition and amortized over their expected useful lives on a straight-line basis. The expected useful life is generally regarded as being between three and eight years. Goodwill and intangible assets with an indefinite or unlimited useful life are subjected to regular annual impairment tests, which are also carried out during the year if there are indications of a lasting reduction in value.

Property, plant and equipment are valued at the cost of acquisition or production. Their loss in value is accounted for by systematic, straight-line depreciation, except in some exceptional cases where a different method of depreciation reflects the use of the asset more adequately. Production costs include all costs that are directly or indirectly attributable to the production process. Repair costs are always expensed as incurred.

Buildings are depreciated over a useful life of 20 to 50 years using the straight-line method. The useful life of technical equipment and machinery is generally between three and 20 years; other equipment including office and factory equipment is usually depreciated over three to 12 years.

For intangible assets and property, plant and equipment, an impairment charge is recognized wherever the recoverable amount of an asset has fallen below its carrying value. The recoverable amount is the higher of an asset's fair value less cost of disposal (net selling price) and the present value of estimated future cash flows (value in use). If the reason for an impairment loss recognized in prior years no longer applies, the carrying value is increased again accordingly, at the most up to the amount of the amortized cost of acquisition. Impairment tests are carried out at the level of the smallest cash-generating unit.

A **lease** is a contract that transfers the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee generally has to recognize a right-of-use asset and a lease liability for all leases. Upon initial recognition, the lease liability is recognized in the amount of the present value of the lease payments that are not paid at the commencement date and that are due over the lease term. The lease term is determined considering extension or termination options, provided that the requirements of IFRS 16 for reasonable certainty of exercise or non-exercise are met. Lease payments to be taken into account during the lease term include fixed payments, less lease incentives payable by the lessor, index-linked variable payments, expected amounts from residual value guarantees, exercise prices of purchase options if the exercise of the option was deemed reasonably certain, and penalties for termination of a lease if the exercise of the termination option was taken into account to determine the lease term. Discounting is carried out using the incremental borrowing rate at the commencement date. In the subsequent measurement, the carrying amount of the lease liability is increased by the interest expense and reduced by the lease payments made. The right-of-use asset is measured at cost at initial recognition. This corresponds to the amount of the lease liability less the lease incentives received from the lessor plus the lease payments to be made on or before the commencement date, the initial direct costs as well as the estimated costs for any restoration obligations. In the subsequent measurement, the right-of-use asset is recognized less accumulated depreciation and, if relevant, under consideration of impairment losses. The right-of-use asset is generally depreciated over the lease term using the straight-line method. If ownership of the underlying asset is transferred to the lessee at the end of the lease term or if the cost of the right-of-use asset includes payments for a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. Bilfinger makes use of the recognition exemption for leases of underlying assets of low value, i.e., for assets with a value when new that does not exceed the magnitude of €5 thousand, and for short-term leases. Lease payments from these leases are recognized as an expense using the straight-line method over the lease term.

Investments accounted for using the equity method – associates and jointly controlled entities – are valued with consideration of the prorated net asset change of the company as well as any impairments which may have been recognized.

Joint arrangements are contractual agreements in which two or more parties carry out a business activity under joint control. These include not only joint ventures, which also comprise construction consortiums, but also joint operations. The share of assets, liabilities, income and expenses of joint operations allocable to Bilfinger under the arrangement is recognized in the consolidated financial statements.

Deferred taxes are recognized for any deviations between the valuation of assets and liabilities according to IFRS and the tax valuation in the amount of the expected future tax charge or relief. In addition, deferred tax assets are recognized for the carryforwards of unused tax losses if their future realization is probable. Deferred tax assets and liabilities from temporary differences are offset provided that offsetting is legally possible.

Inventories of merchandise and real estate held for sale, finished and unfinished goods, raw materials and supplies are measured at cost of purchase or production or at net realizable value on the balance-sheet date if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their carrying values are increased accordingly. Production costs include all costs that are directly or indirectly attributable to the production process. Overheads are calculated on the basis of normal employment. Financing costs are not taken into consideration.

Other assets comprise non-financial assets that are not allocated to any other balance-sheet item. They are measured at the lower of cost of acquisition or fair value.

The purchase, sale or withdrawal of treasury shares are recognized directly in equity. At the time of acquisition, treasury shares are entered in equity in the amount of the acquisition costs.

Provisions for pensions and similar obligations are measured for defined-benefit pension plans using the projected-unit-credit method, with consideration of future salary and pension increases. As far as possible, pension-plan assets are set off. Net interest expense or income resulting from the net pension obligations is presented within financial income / expense. Actuarial gains or losses from pension obligations and gains or losses on the remeasurement of plan assets are recognized in other comprehensive income.

Other provisions are recognized if there is a present obligation resulting from a past event, its occurrence is more likely than not, and the amount of the obligation can be reliably estimated. Provisions are only recognized for legal or constructive obligations toward third parties. Provisions are measured at their settlement amounts, i.e., with due consideration of any price and / or cost increases, and are not set off against profit contributions. In the case of a single obligation, the amount of the most likely outcome is recognized as a liability. If the effect of the time value of money is material, provisions are discounted using the market interest rate for risk-free investments.

The amounts of provisions are estimated with consideration of experiences with similar situations in the past and of all knowledge of events up to the preparation of the consolidated financial statements. The general conditions can be very complex, in particular with provisions for risks relating to contracts and litigation as well as warranty risks. For this reason, uncertainty exists with regard to the timing and exact amounts of obligations.

Other liabilities comprise non-financial liabilities that are not allocated to any other balance-sheet item. They are measured at cost of acquisition or settlement value.

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and an equity instrument or financial liability of another entity. A financial instrument is to be recognized in the balance sheet as soon as an entity becomes a party to the contractual provisions of the instrument. Initial recognition – with the exception of trade receivables – shall be made at fair value and, in the case of financial assets and financial liabilities not measured at fair value through profit or loss, under consideration of transaction costs. At initial recognition, trade receivables are measured at the transaction price. Subsequent measurement of financial instruments is either at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income (with and without reclassification to profit or loss), depending on the classification of the instrument according to IFRS 9.

IFRS 9 divides financial assets on the basis of the intention to hold (“business model”) and the contractual cash-flow characteristics (“SPPI test”) into the following categories:

Category	Business model	Contractual cash-flow characteristics
Measurement at amortized cost (FA-AC)	Hold the financial assets to collect the contractual cash flows (hold)	Solely payments of principal and interest on specified dates (basic lending arrangement or receivable, SPPI)
At fair value through other comprehensive income – with reclassification to profit or loss (FA-FVtOCI-DI)	Hold the financial assets both to collect the contractual cash flows and to sell them (hold & sell)	Solely payments of principal and interest on specified dates (basic lending arrangement or receivable, SPPI)
Measurement at fair value through profit or loss (FA-FVtPL)	Held for trading or neither “hold” nor “hold & sell” (or application of the “fair value option”)	(not relevant)
	(not relevant)	Not solely payments of principal and interest on specified dates (derivative, equity instrument, convertible bond, etc.)
Measurement at fair value through other comprehensive income – without reclassification to profit or loss (FA-FVtOCI-EI)	Not held for trading (financial investments in equity instruments of other entities) and exercise of the option in accordance with IFRS 9.5.7.5	Equity instrument of another entity

For financial assets that are measured “at amortized cost” (FA-AC) or “at fair value through other comprehensive income with reclassification to profit or loss” (FA-FVtOCI-DI), impairments for expected credit losses (ECL) or write-downs as well as interest income are to be recognized according to the effective-interest method.

The option in accordance with IFRS 9.4.1.4 and IFRS 9.5.7.5 for the classification of financial investments in the equity instruments of other entities as “measured at fair value through other comprehensive income without reclassification to profit or loss” (FA-FVtOCI-EI) can generally be irrevocably exercised separately for each individual equity instrument at the time of initial recognition. Bilfinger generally exercises the option for all shares held. In one material individual case (equity-like participation rights in Triangle Holding II S.A.), the option was not exercised, so that these participation rights are classified as “measured at fair value through profit or loss”.

No use has been made of the option to designate financial instruments upon initial recognition to be measured at fair value through profit or loss (fair-value option).

Financial liabilities are divided into the following categories:

- Measurement at amortized cost (FL-AC)
- Measurement at fair value through profit or loss (FL-FVtPL)

Financial liabilities are to be generally classified as “measured at amortized cost” (FL-AC). Derivatives with negative market values and liabilities from contingent considerations recognized in a business combination in accordance with IFRS 3 are, however, to be classified as “measured at fair value through profit or loss” (FL-FVtPL).

Initial recognition of non-derivative financial assets is at the settlement date. Initial recognition of derivative financial instruments is at the trading date.

The amortized cost of a financial asset or a financial liability is a result of the carrying amount at initial recognition minus principal repayments, plus or minus the accumulated amortization of any differences between the original amount and the amount repayable at maturity under application of the effective-interest method as well as, for financial assets, adjusted for any loss allowance. With current receivables and liabilities, amortized cost is equal to the nominal value or the redemption amount.

Expected credit losses are the credit losses weighted with their respective probabilities (difference between all contractual payments and the expected incoming payments, discounted using the original effective interest rate). The calculation of the default probabilities as a significant input variable for the determination of expected credit loss is carried out on the basis of external, debtor-specific ratings. For trade receivables (including receivables from partial payment invoices and work in progress) as well as receivables from leases, the expected credit losses are measured over the entire term. With all other financial assets for which impairments for expected credit risks are to be recognized, the time horizon to be considered for the determination of impairment depends on the risk of default or its change since initial recognition. If the default risk since initial recognition has not increased significantly, the time horizon is 12 months. Otherwise, the time horizon to be considered corresponds to the entire residual period (lifetime). Financial assets with a low default risk are those with a rating in the “investment grade” range. Bilfinger assumes that there is a significant increase in the default risk since initial recognition if the external rating worsens by at least one bandwidth (that means, for example, from “investment grade / lower medium grade“ to “non-investment grade“ or from “non-investment grade“ to “highly speculative“) as compared to the rating score at initial recognition and if it is below “investment grade”. Default events include, for example, the insolvency of the issuer of the financial asset (in contrast to a foreseeable insolvency). Default events are generally defined on the basis of the external rating (“in default with little prospect for recovery” and worse). In addition, on the basis of experience to date (in particular payment behavior in certain countries and regions as well as the nature of our business and our customers), it is assumed there is a default event after an overdue period of 365 days or more. A financial asset is credit-impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Indicators for credit impairment include, among other things, information on the following observable events: significant financial difficulties of the issuer or borrower, breach of contract, such as, for example, default or past due event, concessions such as deferral or reduction of payments, and foreseeable insolvency or other financial reorganization.

Fair value is the (market) price that could be obtained on the hypothetical transfer of a certain asset or a certain liability in an orderly (market) transaction in the respective accessible primary market or in the most advantageous market between market participants at the measurement date. For the measurement of fair value, the valuation technique is to be applied which is the most appropriate to the given circumstances and which makes use of as much objective and / or observable information as possible. Depending on the type of asset or liability to be measured, this is the market-price method (e.g., for traded financial instruments), the replacement method (e.g., for property, plant and equipment) or the discounted-cash-flow method (e.g., for OTC derivatives and shares in non-listed companies).

Equity interests shown under other non-current financial assets are classified as “measured at fair value through profit or loss” (FA-FVtPL) or “at fair value through other comprehensive income – without reclassification to profit or loss” (FA-FVtOCI-EI). For financial assets classified as FA-FVtOCI-EI, unrealized gains and losses from changes in fair value are recognized, with due consideration of deferred taxes, in retained earnings (reserve from the market valuation of equity instruments).

Receivables and other financial assets are measured at amortized cost, with the exception of derivative financial instruments. A loss allowance is recognized for expected credit losses. Irrecoverable receivables are written off.

Trade receivables (including receivables from partial payment invoices and services not yet invoiced) are valued at initial recognition with the transaction price of the (partially) met performance obligations. Unconditional rights to consideration from customers are presented as receivables, even if the corresponding performance obligation was not (yet) fully met. The amount of the recognized receivables, which exceeds the amount of the recognized revenue of the corresponding performance obligation, is recognized as a customer contractual liability. Payments received that exceed the amount of the realized revenue of the corresponding performance obligation are also recognized as a customer contractual liability.

Present obligations from onerous contracts with customers are, in accordance with IAS 37, recognized at the time they become known in their full amount and are presented as provisions.

Listed securities are measured at fair value. Non-listed securities are measured at fair value using a suitable valuation technique. Changes in the market prices of securities held for trading (FA-FVtPL) are recognized in profit or loss. Market-value changes in securities that are measured at fair value through profit or loss with reclassification to profit or loss (FA-FVtOCI-DI) are, with due consideration of deferred taxes, presented in other reserves (reserve from the market valuation of securities).

Cash and cash equivalents, primarily comprising cash at banks and cash in hand, are measured at amortized cost (FA-AC).

Financial liabilities primarily comprise financial debt as well as trade and other payables. With the exception of derivative financial instruments, they are measured at amortized cost (FL-AC).

Derivative financial instruments are used solely to hedge against interest-rate and currency exchange-rate risks. Purely speculative transactions without any underlying basic transaction are not undertaken. The most important derivative financial instruments are currency futures and currency options. In accordance with IFRS 9, derivative financial instruments are recognized at their fair values as assets (positive fair value) or liabilities (negative fair value). The fair values of the derivatives used are calculated on the basis of recognized financial-mathematical methods (discounted cash-flow method and option-pricing model). Derivative financial instruments that are not related to a hedging instrument as defined by IFRS 9 are deemed to be financial assets or financial liabilities held for trading (FA-FVtPL or FL-FVtPL). For these financial instruments, changes in fair value are recognized through profit or loss.

Share-based payments as defined by IFRS 2 are measured on the basis of the share price on the balance-sheet date with consideration of a discount due to the lack of dividend entitlement. Here, the Monte Carlo Simulation method is also used. Expenses from share-based payments are recognized on a pro-rata basis in the relevant vesting period. In the case of cash-settled share-based payment transactions, the expense is shown by recognizing a provision; in the case of equity-settled share-based payment transactions, the expense is entered directly in equity.

Non-current assets held for sale and **disposal groups** as well as **related liabilities** are classified as such and presented separately in the balance sheet. Assets are classified as held for sale if the carrying amounts are primarily to be realized through a sale transaction rather than through continuing use. The sale must be highly probable and the assets or disposal groups must be immediately sellable in their present condition. These assets and disposal groups are measured at the lower of carrying amount or fair value less cost to sell, and are no longer systematically depreciated or amortized. Impairment losses are recognized if the fair value less cost to sell is lower than the carrying amount. Any reversals of impairment losses due to an increase in fair value less cost to sell are limited to the previously recognized impairment losses. Impairment charges allocated to the carrying amount of goodwill are not reversed.

Assets and liabilities of discontinued operations are treated as disposal groups. A discontinued operation is a separate major line of business or geographical area of operations which is held for sale. In addition, earnings after taxes from discontinued operations are presented separately in the income statement.

Revenue from contracts with customers is recognized when the performance obligations have been satisfied, i.e., with the transfer of the contractually agreed goods or services to the customer (transfer of control to the customer). Performance obligations can be satisfied over a certain period (revenue recognition over time) or at a certain point in time (revenue recognition at a point in time). Bilfinger satisfies its performance obligations in the project and services businesses almost exclusively over a certain period of time in the course of the service provision. Depending on reliability, the measurement of progress for this type of performance obligations is carried out on the basis of the ratio of the revenue already delivered at the end of the reporting period to the total revenue to be delivered or on the basis of the ratio of costs already incurred to the estimated total contract costs (cost-to-cost method). If the outcome of a performance obligation satisfied over time cannot be reasonably measured, revenue is calculated using the zero-profit method in the amount of the contract costs incurred and probably recoverable. Revenue from the sale of goods is recognized at the time of delivery to the customer (transfer of significant risks and rewards of ownership). As a lessor, Bilfinger recognizes lease income from operating leases in accordance with IFRS 16 on a straight-line basis over the lease term.

In the services business, in accordance with the contractual arrangements, there is typically a monthly invoice with the usual payment targets of 30 to 60 days, with some longer payment targets also agreed. In the project business, we generally seek advance payments so that the project, over the course of its execution, does not show a negative cash position; this, however, depends on the specific compensation structure and is not always achievable. Invoicing in the project business is also often tied to the achievement of certain milestones or project progress. Performance-related compensation components play only a minor role.

A description of the type of contractually agreed goods or services can be found in the disclosures on segment reporting.

There are no significant redemption, reimbursement or similar obligations.

The warranties granted by Bilfinger to customers generally comply with the legal requirements on liability for defects and thus do not represent expanded guarantees (independent performance obligations). Provisions are established for corresponding identifiable obligations.

In general, the transaction price corresponds to the contractually agreed consideration. Variable consideration components are such parts of the consideration that are not fixed in terms of the amount at the contract signing. Examples of variable consideration components are discounts, rebates, reimbursements, credits, bonuses, penalties (i.e., price reduction), escalation clauses and indexing processes. Variable consideration components are measured either as the probability-weighted expected value or the most likely amount, depending on which method provides the better estimated value. The measurement of the variable consideration component is limited to the amount which is highly probable to be achieved. An adjustment to the consideration for effects of the time value of money is carried out when the contractually agreed price deviates significantly from the cash selling price because the service provision by Bilfinger and the payment by the customer deviate significantly in terms of time (time lag of more than one year) and the market interest rate shows a relevant magnitude (greater than 3 percent).

If a customer contract comprises several separate performance obligations, the transaction price is allocated to the individual separate performance obligations in relation to the relative stand-alone selling prices of the relevant separate performance obligations. The stand-alone selling price of a separate performance obligation corresponds to the price at which the separate performance obligation alone would have been sold to the customer. If there is no directly observable selling price, this is to be estimated as best as possible using the available information, e.g., on the basis of common market prices or production costs plus an appropriate margin.

Research and development expenses, incurred in particular for development of digital solutions for the process industry, are generally recognized in profit or loss. In the reporting period, research and development expenses of €8.1 million (previous year: €14.2 million) were recognized.

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset which requires a considerable period of time to be put into its intended condition for use or for sale are capitalized as part of that asset's cost of acquisition or production. All other borrowing costs are expensed in the period in which they are incurred. In the year under review, no borrowing costs were capitalized, as in the prior year.

Summary of selected measurement methods:

Balance-sheet items	Measurement method
Goodwill and intangible assets with an indefinite or unlimited useful life	Cost of acquisition (no amortization, regular and indication-induced impairment tests)
Intangible assets with a specific useful life	Amortized cost (straight-line amortization, indication-induced impairment tests)
Property, plant and equipment	Depreciated cost of acquisition or production (systematic depreciation, normally straight-line, indication-induced impairment tests)
Right-of-use assets from leases	Amortized cost (present value of the lease payments, depreciation, generally straight-line, indication-induced impairment tests)
Investments accounted for using the equity method	Cost of acquisition increased and reduced by the proportionate change in net assets (indication-induced impairment tests)
Equity interests	Cost of acquisition (indication-induced impairment tests)
Securities (FA-FVtPL, FA-FVtOCI-DI, FA-FVtOCI-EI)	Fair value
Inventories	Lower of cost of acquisition or production or net realizable value
Trade receivables (work in progress) and services not yet invoiced	Percentage-of-completion method, amortized cost
Loans granted and receivables	Amortized cost (effective-interest method, impairment for expected credit losses)
Other assets	Lower of cost or fair value
Treasury shares	Cost of acquisition
Provisions for pensions and similar obligations	Projected-unit-credit method less plan assets
Other provisions	Settlement amount
Financial debt and other financial liabilities	Amortized cost (effective-interest method)
Other liabilities	Cost or settlement amount
Derivative financial instruments (FA-FVtPL, FL-FVtPL)	Fair value
Deferred taxes	Undiscounted assessment on the basis of the tax rates expected to be applicable for the period in which an asset is realized or a liability is settled
Assets held for sale / liabilities in disposal groups	Lower of carrying amount upon classification or fair value less cost to sell (no systematic amortization / depreciation, indication-induced impairment tests)

3.5 Assessments and estimates

With the preparation of the consolidated financial statements, to a certain extent it is necessary to make assumptions and estimates that have an effect on the amounts and valuations shown in the Group’s balance sheet and income statement as well as on the contingent liabilities for the reporting period.

The assumptions and estimates are the result of premises that are based on currently available knowledge. If future developments differ from these assumptions, the actual amounts may differ from the originally anticipated estimates. This is valid in particular given the continued high level of uncertainty surrounding the COVID 19 pandemic.

The assumptions and estimates primarily relate to evaluations of the following items:

- Revenue from performance obligations satisfied over a certain period of time (percentage-of-completion method): With the use of the percentage-of-completion-method, estimates have to be made with regard to the percentage of completion, the contract costs to complete the contract and the total contract revenue. Changes in those estimates can lead to an increase or decrease in revenue for the period. The revenue realized in accordance with IFRS 15 was almost exclusively realized over a specific time period. Disclosures on the sensitivities of the extent of possible effects of changes in estimates cannot reasonably be made due to the large number of individual projects and influencing factors.

- Impairments for expected credit losses on financial assets measured at amortized cost: The recognition of expected credit losses is based primarily on the assessment of the default probability of the individual receivables and / or loans. The default probabilities are calculated to as great an extent as possible on the basis of external ratings. An increase in the default probability would have a direct impact on the amount of the impairments that have to be recognized. The development of impairments for expected credit losses is presented in Notes 19 and 21.

- Provisions for pensions and similar obligations: Provisions for pensions and similar obligations are measured actuarially with consideration of future developments. These measurements are primarily based on assumptions regarding discount rates, expected salary trends, pension trends and life expectancies. See Note 24 for details of the assumptions made and possible risks.

- Other provisions: The recognition of provisions for risks relating to contracts and litigation as well as warranty risks, personnel-related obligations, restructuring measures and other uncertain liabilities to a great extent involves estimates by Bilfinger. These estimates can change as a result of new information, for example with ongoing project progress or with the status of proceedings. The actual cash outflows or expenses can deviate from the original and updated estimates and can affect profit or loss accordingly. The carrying amount of other provisions as of December 31, 2020 amounted to €322.5 million (previous year: €325.5 million). Disclosures on the sensitivities of the extent of possible effects of changes in estimates cannot reasonably be made due to the large number of facts and relevant factors.

- Income tax: Bilfinger is active in numerous tax jurisdictions. The tax items presented in the consolidated financial statements are calculated with consideration of the respective tax laws and of the relevant administrative judgments, and, due to their complexity, may be subject to deviating interpretations by taxable entities on the one hand and by local fiscal authorities on the other. Deferred tax assets are recognized if sufficient taxable income is available in the future. Among other things, the factors considered include the planned earnings from operating activities, the impact on earnings of the reversal of taxable temporary differences, and possible tax strategies. On the basis of the planned future taxable income, Bilfinger's management assesses the measurement of deferred tax assets at the end of each reporting period. As future business developments are uncertain, assumptions are required on estimates of future taxable income and on the time when deferred tax assets can be utilized. Estimated amounts are adjusted during the period if there are sufficient indications that an adjustment is necessary. If the management assumes that deferred tax assets cannot be realized, either partially or in full, they are impaired by the appropriate amount. The carrying amount of deferred tax assets as of December 31, 2020 amounted to €55.8 million (previous year €60.6 million).

- Goodwill impairment: Bilfinger tests goodwill for impairment at least annually. Determining the recoverable amount of a cash-generating unit to which goodwill is allocated involves estimates by the management. It is equivalent to the value in use resulting from the discounted cash flows calculated on the basis of financial planning approved by the management. To prepare these estimates, management always uses the currently available and, according to management's perspective, relevant information. In financial year 2020, the expected impact of the global COVID 19 pandemic on business development was explicitly taken into consideration. See Note 15.1 of the notes to the consolidated financial statements for further details.

- Leases: In determining the lease term, all facts and circumstances that could constitute an economic incentive to exercise extension options or not to exercise termination options are assessed. Adjustments to these evaluations have an impact on the lease liability and the right-of-use asset. For further explanations on potential payments from leases after extension or termination options, we refer to Note 17 of the notes to the consolidated financial statements.

3.6 Principles of consolidation

Capital consolidation takes place by offsetting the price of acquisition against the Group's interest in the newly valued equity of the consolidated subsidiaries at the date of acquisition or first-time consolidation. The assets, liabilities and contingent liabilities of the subsidiaries are entered at their full current fair values irrespective of the size of the minority interest. With each acquisition, there is a special option of electing to recognize minority interest at fair value or at the relevant proportion of net assets. Acquisition-related costs are expensed. In the case of an acquisition achieved in stages (step acquisition), equity interests previously held are remeasured through profit or loss. Contingent consideration is recognized at the time of acquisition at fair value and in following periods is measured at fair value through profit or loss. Any goodwill ensuing from first-time consolidation is capitalized and subjected to an annual impairment test in accordance with IFRS 3 / IAS 36. Any negative goodwill is recognized in profit or loss immediately after acquisition. At deconsolidation, the residual carrying amounts of goodwill are taken into consideration in the calculation of the gain or loss on disposal.

Changes in an equity interest that do not lead to a loss of control are treated as transactions between equity holders and reported within equity. Such transactions lead to the recognition neither of goodwill nor of any disposal gains. In the case of a sale of equity interest that leads to a loss of control, the remaining equity interest is remeasured at fair value through profit or loss and the accumulated other comprehensive income previously recognized in connection with the investment is reclassified to profit or loss or, if it is an actuarial gain or loss, to retained earnings.

Losses attributable to the non-controlling interest are fully attributed to the non-controlling interest, even if this results in a negative carrying amount.

Investments accounted for using the equity method are measured at cost of acquisition plus the prorated change in net assets, whereby any goodwill is included in the carrying amount of the investment. Upon losing a significant influence or losing joint control, the remaining equity interest is remeasured at fair value through profit or loss.

Receivables, liabilities, income and expenses between consolidated companies have been offset. Non-current assets and inventories resulting from Group revenue have been adjusted to exclude any inter-company profits. Deferred taxes from consolidation processes affecting profit have been accrued / deferred.

3.7 Currency translation

In the consolidated financial statements, the assets and liabilities of the accounts prepared in foreign currencies are translated using the average exchange rate at the end of the reporting period; expenses and income are translated using the average exchange rate for the year. The aggregate differences compared with translation at the end of the reporting period are entered separately under other comprehensive income.

Currency translation took place using the following significant exchange rates:

€ 1 =		Annual average		At December 31	
		2020	2019	2020	2019
Australia	AUD	1.6551	1.6108	1.5902	1.5997
United Kingdom	GBP	0.8896	0.8777	0.9007	0.8505
India	INR	84.6355	78.8461	89.7197	80.1252
Canada	CAD	1.5302	1.4855	1.5643	1.4601
Qatar	QAR	4.1808	4.0960	4.5245	4.1074
Nigeria	NGN	436.0071	404.8584	487.7918	409.4303
Norway	NOK	10.7244	9.8518	10.4737	9.8614
Oman	OMR	0.4395	0.4310	0.4721	0.4322
Poland	PLN	4.4446	4.2987	4.6148	4.2585
Saudi Arabia	SAR	4.2843	4.1993	4.6002	4.2116
Sweden	SEK	10.4861	10.5899	10.0350	10.4520
Switzerland	CHF	1.0705	1.1125	1.0803	1.0847
South Africa	ZAR	18.7701	16.1738	18.0380	15.7757
Czech Republic	CZK	26.4547	25.6705	26.2450	25.4100
United Arab Emirates	AED	4.1933	4.1121	4.5040	4.1234
United States	USD	1.1422	1.1195	1.2279	1.1231

4 Consolidated group

4.1 Changes in the consolidated group and inclusion

25 (previous year: 32) companies in Germany and 73 (previous year: 78) companies based outside of Germany have been included in the consolidated financial statements. Of these, 2 (previous year: 1) based outside of Germany have been consolidated for the first time in the reporting period. In addition, 7 (previous year: 7) companies in Germany and 7 (previous year: 9) companies based outside of Germany were no longer included in the consolidated group due to a sale or merger. A further 14 (previous year: 16) companies have been accounted for using the equity method.

In general, all subsidiaries are fully consolidated with the exception of, in particular, inactive companies such as shelf companies and companies in liquidation. Subsidiaries are all entities that are controlled directly or indirectly by Bilfinger SE. Bilfinger controls an investee where Bilfinger has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. This is generally the case where Bilfinger has more than half of the voting rights of a company or where, as an exception, Bilfinger is able in another way to exercise power over an investee on the basis of contractual arrangements or the like for purposes of influencing the returns to which Bilfinger is entitled.

Associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence by participating in its financial and business policy, but which is not controlled by the Group. Significant influence is generally presumed when Bilfinger has voting rights of 20 percent or more. Joint ventures are also accounted for using the equity method. A joint venture exists where the owners contractually agree to control the arrangement jointly and the shareholders have rights to the arrangement's net assets.

Information disclosed pursuant to Section 313 Subsection 2 of the German Commercial Code (HGB) is summarized in the list of subsidiaries and equity interests. That list also includes a definitive list of all subsidiaries that make use of the disclosure exemption pursuant to Section 264 Subsection 3 HGB.

As of the balance-sheet date, there were no significant minority interests in the Group with respect to its equity. The list of subsidiaries and equity interests shows the subsidiaries in which minority interests were held.

Furthermore, the Group was not subject to any significant restrictions regarding access to or the use of subsidiaries' assets.

4.2 Acquisitions

As was the case in the prior year, no acquisitions were made during financial year 2020.

4.3 Disposals

In financial year 2020, the subsidiaries Bilfinger GreyLogix sepa GmbH and Bilfinger GreyLogix aqua GmbH from *Technologies*, Tebodin India Private Ltd. from the *E&M Middle East* region and Bilfinger Industrial Services Czech s.r.o., Bilfinger Euromont a.s. and Bilfinger Slovensko s.r.o. from *Other Operations* were sold.

In the prior-year period, the disposal groups Bilfinger Industrial Services Spain S.A. from the division *E&M Continental Europe* in the business segment *Engineering & Maintenance Europe* as well as the device technology and overhead power line activities from the division *Other Operations* were sold. Furthermore, the subsidiaries Bilfinger Babcock (Thailand) Co. Ltd. from *Technologies* and Bilfinger Personalmanagement GmbH from *E&M Continental Europe* were sold.

The overall effects of the sales were as follows:

EFFECTS AT THE TIME OF SALE

	2020	2019
Disposal of assets classified as held for sale	0.0	-80.0
Disposal of other assets	-63.2	-13.2
Disposal of assets	**-63.2**	**-93.2**
Disposal of liabilities classified as held for sale	0.0	56.1
Disposal of other liabilities	31.4	7.4
Disposal of liabilities	**31.4**	**63.5**
Disposal of net assets	**-31.8**	**-29.7**
Derecognition of minority interest	1.1	0.0
Disposal of intercompany receivables / revival of liabilities	0.0	-0.2
Reclassification of other comprehensive income to the income statement	7.4	0.2
Other changes	**8.5**	**0.0**
Selling price less selling-transaction expenses	20.4	33.0
Capital gain / loss after selling-transaction expenses	-2.9	3.3

The capital gain / loss is presented in other operating income and expense. Disposal of other assets includes cash and cash equivalents in the amount of €2.8 million (previous year: €1.0 million).

4.4 Changes in ownership interest without change in control

Due to changes in equity interests in consolidated subsidiaries that did not lead to the gain or loss of control, retained earnings decreased by €0.3 million (previous year: increase of €0.1 million).

5 Discontinued operations and disposal groups

5.1 Earnings from discontinued operations

Discontinued operations comprise:

- the disposed divisions Building, Facility Services and Real Estate from the former Building and Facility Services business segment,

- the disposed and abandoned construction activities, including the disposed significant portion of the former Offshore Systems and Grids division.

In accordance with the provisions of IFRS 5, the investments put up for sale have been recognized as discontinued operations as of the time of reclassification:

- In the consolidated balance sheet, the affected assets and liabilities (disposal group) are presented separately under assets classified as held for sale and liabilities classified as held for sale.
- In the consolidated income statement, the income and expenses of discontinued operations are presented separately from the income and expenses of continuing operations, and are summarized separately in one item as earnings after taxes from discontinued operations.
- In the consolidated statement of cash flows, cash flows from discontinued operations are also presented separately from the cash flows from continuing operations.

Since the dates of their reclassification, non-current assets classified as held for sale have no longer been subject to depreciation or amortization and subsequent measurement according to the equity method was ceased for the investments accounted for using the equity method. The amounts in the consolidated income statement and the consolidated statement of cash flows for the prior-year period have been adjusted accordingly. Earnings from discontinued operations were fully attributable, as was the case in the prior-year period, to the shareholders of Bilfinger SE and are comprised as follow:

	2020	2019
Revenue	2.1	2.3
Expenses / income	-9.3	20.8
Capital gain / loss including impairment	0.0	0.0
EBIT	**-7.2**	**23.1**
Interest result	0.1	0.1
Earnings before taxes	**-7.1**	**23.2**
Income tax	0.1	0.4
Earnings after taxes	**-7.0**	**23.6**

In the previous year, earnings from discontinued operations are determined primarily through the following effects:

- Agreement with the buyer of the divisions Building, Facility Services and Real Estate as relates to post-completion obligations from the purchase agreement. As a result of this agreement, there was a revaluation of the risk provision which led to the reversal of provisions in the amount of €12.1 million.
- Agreement with regard to disputed claims from a legacy project: This agreement resulted in income in the amount of €16.0 million.

5.2 Assets classified as held for sale and liabilities classified as held for sale

There were no disposal groups as of the balance-sheet date, as was also the case as of December 31, 2019.

Notes to the income statement

6 Revenue

The segment reporting depicts a classification of revenue by reporting segment and geographic region. The table below shows the distribution of revenue by customer industry and order type for each reporting segment.

SHARE OF REVENUE REGARDING INDUSTRIES AND CONTRACT TYPES

	Engineering & Maintenance Europe		Engineering & Maintenance International		Technologies	
	2020	2019	**2020**	2019	**2020**	2019
in %						
Share Industries						
Chemical & Other Petrochem	40	40	20	30	5	5
Energy & Utility	10	10	10	5	40	45
Oil & Gas	20	30	25	45	15	10
Pharma & Biopharma	5	5	0	0	35	35
Metallurgy	5	5	0	0	0	0
Cement	0	10	0	0	0	5
Other	20	0	45	20	5	0
Share Contract Type						
Framework and Service	75	80	50	25	5	0
Projects including Products	25	20	50	75	95	100

Of this revenue, €44.2 million (previous year: €51.1 million) was realized in accordance with IFRS 16. The revenue realized in accordance with IFRS 15 was almost exclusively realized over a specific time period.

Of the revenue recognized in the financial year in accordance with IFRS 15, €102.4 million (previous year: €119.8 million) was included in the opening balance of liabilities under customer contracts (see Note 27). Furthermore, revenue recognized in the reporting year in the amount of €6.0 million (previous year: €14.3 million) includes proceeds from performance obligations that were fully or partially met in the previous years (e.g., from approved claims, termination of the application of the zero-profit method, etc.).

As of the balance-sheet date, the expected future revenue from performance obligations not yet completely fulfilled (order backlog excluding expected future call-offs from framework agreements) amounts to €1,890.6 million (previous year: €1,649.0 million), of which, as anticipated €1,500.3 million (previous year: €1,448.4 million) is expected to be recognized in the coming financial year and the remaining amount in subsequent financial years.

7 Impairments and reversals in accordance with IFRS 9

The impairments and reversals shown represent the expected credit losses in accordance with IFRS 9 and relate primarily to trade receivables, including receivables from partial payment invoices and work in progress. See Note 21.

Compared to December 31, 2019, the weighted average rating and, accordingly, the weighted average probability of default, have increased.

Furthermore, a reversal of previously recognized expected credit losses from the interest-bearing vendor claim in the amount of €8.0 million is shown in the financial result (see Notes 12 and 19).

8 Other operating income

	2020	2019
Income from the reversal of other provisions	7.3	9.2
Income from operating investments	1.3	8.1
Income from currency translation and hedging	7.2	4.6
Income from the disposal of tangible assets	4.3	3.7
Other income	27.7	10.4
Total	47.8	36.0

In addition to income of €16.7 million from a settlement with former members of the Executive Board of Bilfinger SE, other income relates to a number of items which, individually, are of minor importance.

9 Other operating expense

	2020	2019
Restructuring expenses	66.9	36.6
Expenses from additions to other provisions	8.5	6.4
Expenses from operating investments	5.9	5.1
Expenses from currency translation and hedging	5.6	4.0
Losses on the disposal of property, plant and equipment	0.8	0.6
Other expenses	18.0	8.6
Total	**105.7**	61.3

Restructuring expenses mainly include costs for workforce reductions.

Expenses from operating investments primarily include losses from the disposal of and impairments to investments (see Notes 4.3 and 5.2).

In addition to the expense of €6.8 million recognized as of June 30, 2020 for the impairment of goodwill from *Other Operations* (see Note 15.1), other expenses includes a large number of other items which, individually, are of minor importance.

10 Personnel expenses and average number of employees

The following table shows personnel expenses as well as the average number of employees.

	2020	2019
Personnel expenses (€ million)	1,766.6	2,178.3
Wages and salaries	1,458.3	1,819.9
Social security costs	268.8	315.0
Pension obligation expenses	39.5	43.4
Average number of employees		
Salaried	10,584	12,414
Germany	3,170	3,285
International	7,414	9,129
Industrial employees	19,592	22,753
Germany	3,655	3,666
International	15,937	19,087
Total employees	30,176	35,167

The total number of employees relates to continuing operations.

11 Depreciation, amortization and impairments

Scheduled amortization of €1.7 million was carried out on intangible assets from acquisitions (previous year: €3.9 million). These are included in cost of sales. Depreciation of property, plant and equipment and the amortization of other intangible assets amount to €59.3 million (previous year: €55.3 million). This includes impairment losses in the amount of €6.9 million (previous year: €0.0 million). Depreciation and amortization on rights of use from leases are €56.4 million (previous year: €51.3 million). This includes impairment losses of €3.3 million (previous year: €0.0 million). Within other operating expense, goodwill impairments for Other Operations are presented in the amount of €6.8 million (previous year: €0.0 million) (see Note 15.1).

12 Interest income and expense and other financial result

Interest income and expense and other financial result comprise the following items of the income statement:

		2020		2019
Interest income		**1.4**		**6.8**
Current interest expense		-20.5		-28.3
Interest expense from lease liabilities (IFRS 16)		-4.5		-4.9
Interest expense from defined-benefit obligation (DBO)	-5.0		-8.4	
Interest income on plan assets	1.5	-3.6	2.8	-5.6
Interest expense		**-28.6**		**-38.8**
Income on securities		209.7		12.1
Interest expense for minority interest		-1.4		-2.0
Other financial result		**208.3**		**10.1**
Total		**181.1**		**-21.9**

Interest income results from the investment of cash and cash equivalents with a variable interest rate (FA-AC) and, in the previous year, mainly from deferred interest from the fixed-interest purchase price deferral from the sale of the former Building, Facility Services and Real Estate divisions (see Note 19). Current interest expense is mainly incurred on financial debt with fixed and variable interest rates (see Note 26). In the previous year, refinancing carried out in the first half of 2019 and the repayment of the old bond made only in December 2019 led to an increase in the current interest expense (see Note 26).

The result from marketable securities mainly includes the change in the fair value of the unlisted, equity-like participation rights in Triangle Holding II S.A. (FA-FVtPL) in the amount of €209.7 million (previous year: €3.5 million) (see note 29.1) and, in the previous year, the reversal of impairment losses previously recognized for expected credit losses from the fixed-interest purchase price deferral in the amount of €8.0 million.

The interest expense for minority interest reflects the share in profits of the minority interest, which is classified as borrowing due to contractual regulations, in particular preemption rights pursuant to IAS 32.

13 Income tax

Income taxes are the taxes on income and earnings paid, owed or deferred in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. Those expected tax rates are derived from the statutory regulations that are in force or enacted at the end of the reporting period.

	2020	2019
Actual taxes	6.3	21.0
Deferred taxes	1.3	-17.1
Total	**7.5**	**3.9**

The tax expense calculated with the tax rate of Bilfinger SE can be reconciled with the reported tax expense as follows:

	2020	2019
Earnings before taxes	115.6	6.2
Theoretical tax expense at 30.95%	35.8	1.9
Tax-rate differences	7.8	-1.5
Tax-rate effects of non-deductible expenses and tax-free income	-49.2	-11.1
Losses for which no deferred tax assets are capitalized and changes in value adjustments	18.0	16.6
Taxes from other accounting periods and other income taxes	-4.9	-2.0
Income tax expense	**7.5**	**3.9**

The combined income tax rate for Bilfinger SE was 30.95 percent, as in the prior year, consisting of corporate income tax at a rate of 15 percent and the solidarity surcharge, which is levied at a rate of 5.5 percent of the applicable corporate income tax, as well as trade tax at an average municipal multiplier of 432 percent.

Deferred tax assets and deferred tax liabilities are distributed among the items of the balance sheet as follows:

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Non-current assets	25.7	25.5	87.8	98.8
Current assets	51.5	52.5	62.4	65.5
Provisions	83.4	87.1	2.9	1.5
Liabilities	45.0	46.2	48.9	31.0
Tax-loss carryforwards	49.3	41.9	–	–
Corporate income tax (or comparable taxes outside Germany)	49.3	41.9	–	–
Trade taxes	–	–	–	–
Offsetting	-199.1	-192.6	-199.1	-192.6
Carried in the balance sheet	**55.8**	60.6	**2.9**	4.3

In the reporting period, deferred taxes in the amount of -€-0.1 million (previous year: €2.1 million) mainly from the measurement of retirement-benefit obligations in accordance with IAS 19 were recognized in other comprehensive income.

The total amount of deferred tax assets of €55.8 million (previous year: €60.6 million) includes future reductions in tax payments of €49.3 million (previous year: €41.9 million) that arise from the expected utilization in future years of existing tax-loss carryforwards and other tax advantages. Deferred tax assets in connection with unused tax losses are accounted for to the extent that it is reasonably certain, based on current planning figures, that sufficient future taxable profits will be available against which the losses can be offset within the next five years. This is not the case, in particular, for losses incurred by the Bilfinger SE tax group and by French, Dutch and U.S. subsidiaries.

The amount of the temporary differences for which no deferred tax assets were capitalized is €175.3 million (previous year: €148.1 million).

Non-capitalized tax-loss carryforwards for corporate income tax (or comparable taxes outside Germany) amount to €1,110.3 million (previous year: €1,083.9 million) and for trade tax to €1,518.3 million (previous year: €1,521.9 million). The increase in non-capitalized tax-loss carryforwards is primarily attributable to losses in the German tax group and to the situation described above. Of the tax-loss carryforwards not recognized as deferred tax assets, €25.4 million (previous year: €16.1 million) will expire within the next five years, €7.1 million (previous year: €0.2 million) within the ensuing five years and €11.9 million (previous year: €0.3 million) within the ensuing 10 years. Deferred tax assets of €17.8 million (prior year: €23.5 million) were recognized at foreign Group companies despite losses in the current financial year or in the prior year, as the companies concerned expect to generate future taxable profits. There is sufficient reliability that the deferred tax assets can be realized.

Retained profit at international subsidiaries will, from today's perspective, remain invested for the most part. No deferred tax liabilities were calculated for retained profit at international subsidiaries not intended for distribution of €474.0 million (previous year: €451.0 million). Deferred tax liabilities of €1.6 million (previous year: €1.3 million) were calculated for the dividend distributions from subsidiaries expected to be received by the German tax group in 2021. These were offset against deferred tax assets, so that no tax expense resulted. No deferred tax liabilities were recognized for dividend distributions expected to be received by foreign intermediate holding companies in 2021. The intermediate holding companies are located in jurisdictions that provide for full tax exemption on dividend distributions. In addition, no deferred tax liabilities for foreign withholding taxes were recognized for dividend distributions expected to be received in 2021, because they will be received from outside the EU and are therefore tax-exempt under the Parent-Subsidiary Directive or no tax is payable in the source country. For uncertain tax treatments, sufficient income tax liabilities have been capitalized in accordance with IFRIC 23.

14 Earnings per share

Undiluted earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted for the rights to shares to which the Executive Board, managers and other employees are entitled under share-based payment arrangements (see Note 34 for information on share-based payment).

	2020	2019
Net profit	99.4	24.2
Weighted average number of shares issued	40,296,714	40,284,410
Effect of dilutive share-based payment	516,798	155,979
Weighted average number of shares for diluted earnings	40,813,512	40,440,389
Basic earnings per share (in €)	**2.47**	**0.60**
thereof from continuing operations	2.64	0.01
thereof from discontinued operations	-0.17	0.59
Diluted earnings per share (in €)	**2.44**	**0.60**
thereof from continuing operations	2.61	0.01
thereof from discontinued operations	-0.17	0.59

15 Intangible assets

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2020	52.9	1,159.5	35.4	0.1	1,247.9
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	-2.4	-14.0	0.0	0.0	-16.4
Additions	1.1	0.0	0.0	0.4	1.5
Disposals	-3.6	0.0	-34.7	0.0	-38.3
Reclassifications	0.5	0.0	0.0	-0.2	0.3
Currency adjustments	-0.5	-22.6	-0.7	0.0	-23.8
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2020	48.0	1,122.9	0.0	0.3	1,171.2

ACCUMULATED DEPRECIATION AND AMORTIZATION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2020	48.6	363.3	33.5	0.0	445.4
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	-2.3	-8.7	0.0	0.0	-11.0
Additions	2.3	6.9	1.7	0.0	10.9
Disposals	-3.6	0.0	-34.6	0.0	-38.2
Reclassifications	0.1	0.0	0.0	0.0	0.1
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	-0.5	-0.1	-0.6	0.0	-1.2
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2020	44.6	361.4	0.0	0.0	406.0
Carrying amount Dec. 31, 2020	3.4	761.5	0.0	0.3	765.2

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2019	59.8	1,156.5	39.7	0.1	1,256.1
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	2.6	0.0	0.0	2.6
Additions	1.4	0.0	0.0	0.1	1.5
Disposals	8.8	0.4	5.0	0.0	14.2
Reclassifications	0.1	0.0	0.0	-0.1	0.0
Currency adjustments	0.4	6.0	0.7	0.0	7.1
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2019	52.9	1,159.5	35.4	0.1	1,247.9

ACCUMULATED DEPRECIATION AND AMORTIZATION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2019	54.7	363.3	34.2	0.0	452.2
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.0	0.0	0.0
Additions	1.9	0.0	3.8	0.0	5.7
Disposals	-8.5	0.0	-5.0	0.0	-13.5
Reclassifications	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.5	0.0	0.5	0.0	1.0
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2019	48.6	363.3	33.5	0.0	445.4
Carrying amount Dec. 31, 2019	4.3	796.2	1.9	0.1	802.5

Under 'disposals from the consolidated group', those items are presented that are allocated to deconsolidated business units which, as of January 1 of the respective financial year, were not presented as a disposal group. Under 'reclassification to disposal group', those items are presented that in the respective financial year were reclassified to 'assets classified as held for sale' regardless of whether these disposal groups were deconsolidated in the respective financial year or not (see also Notes 4.3 and 5.2).

15.1 Goodwill

Within the context of carrying out annual impairment tests in accordance with IFRS 3 and IAS 36, goodwill was allocated to the relevant divisions as cash-generating units. The business segments were adjusted in the reporting year (see Note 1). Goodwill is distributed among the business segments as shown in the following table:

	2020	2019
Operating and reportable segments		
Technologies	**149.0**	**154.3**
E&M United Kingdom	72.5	–
E&M Nordics	65.7	–
E&M Belgium / Netherlands	65.6	–
E&M Germany	101.5	–
E&M Austria / Switzerland	64.7	–
E&M Poland	36.0	–
E&M Continental Europe	0	262.5
E&M Northwest Europe	0	158.6
Engineering & Maintenance Europe	**406.0**	**421.1**
E&M North America	171.7	186.0
E&M Middle East	34.8	34.8
Engineering & Maintenance International	**206.5**	**220.8**
Other Operations	0	–
Total	**761.5**	**796.2**

The annual impairment test pursuant to IAS 36 takes place at the business segment level. In addition to the annual impairment test, an impairment test is also to be carried out when there are indications for the impairment of a cash-generating unit. For example, due to the impact of the COVID 19 pandemic on the global economy and on our business operations, an event-driven goodwill impairment test was performed as of the reporting date of June 30, 2020. This resulted in an impairment loss of €6.8 million for the cash-generating units of *Other Operations*, which is reported under other operating expenses (see Note 9).

The recoverable amounts of the cash-generating units at the balance-sheet date correspond to their values in use, which are derived from their discounted future cash flows. The calculation is based on the most recent planning figures over a five-year period, as approved by the Group's management. In the steady state for the period thereafter, cash flows are assumed for which future growth only in the form of expected inflation-related price increases is considered and organic growth is not taken into account. The long-term growth rates for the main cash-generating units are 0.67 percent for *Technologies*, 1.03 percent for *E&M North America* and 0.57 percent for *E&M Germany*.

The planning is based on existing contracts and external benchmarks, past experience and best possible assessment by the Group's management of future economic developments. Market assumptions, for example development of interest rates, exchange rates and raw-material prices, are taken into consideration with the use of external macroeconomic and industry-specific sources in the relevant markets.

In the preparation of the budget planning, special consideration was given to the current COVID 19 pandemic and its impact on the business development of Bilfinger as a whole as well as all individual Group units. Development of the crisis is dynamic. Even though a global crisis is apparent, the effects on economic activity vary slightly from country to country. Generally, Bilfinger assumes that the crisis will bottom out in the middle of the 2020 financial year and that the macroeconomic situation will gradually improve. Overall, budget planning of the Bilfinger units is based on the assumption that a possible second or third wave will no longer have a significant negative impact on the business activities of our customers and thus on their demand behavior. We also no longer anticipate any significant negative effects on the productivity of our operating units as a result of the hygiene/occupational safety regulations for financial year 2021.

In addition to these statements, it is generally still true that the development of the business segments *Engineering & Maintenance* as well as *Technologies* is influenced by long-term developments in the oil price and the resulting demand of customers in the oil and gas industry for maintenance and operation services as well as for modifications, conversions and extensions. With regard to the price of oil, Bilfinger does not expect a return to historical levels until the end of the strategic planning period.

It should therefore be noted that due to the global COVID 19 pandemic in combination with a volatile development in the price of oil, the 2020 financial year is only representative of the sustainable development of Bilfinger's business to a limited extent.

Against the backdrop of the global crisis, a number of measures were also implemented in financial year 2020 to make Bilfinger and its companies more flexible and resilient. Against the background of the global crisis, a number of measures were implemented in financial year 2020 to make Bilfinger and its companies more flexible and resilient. Examples include the adjustment of capacities in our oil and gas-oriented businesses in the North Sea and North America, as well as the greater flexibility of capacities in other markets such as Germany and Austria. In addition, Bilfinger has discontinued businesses which will not be able to make a significant positive contribution in the long term, such as the marine flue gas desulfurization business.

In addition to the previous statements, Bilfinger anticipates a gradual, further recovery in our relevant markets and moderate development in costs (salary increases, cost of materials), which can also be passed on to the customer, at least partially.

In *Technologies*, planning is based on involvement in the upcoming new construction projects in the nuclear power market as well as a positive development in the life sciences / (bio) pharma industry segments. Business related to products and services for reducing emissions was discontinued in 2020 due to the oil price-induced drop in demand. The subsidiary in France, which had already been loss-making for some time, was also restructured and focused on a new core business. Bilfinger also continues to work on improving project and risk management in order to further increase efficiency in order execution. These efforts, combined with the implementation of the restructuring measures introduced, will lead to a sustained improvement in margins.

In the *Engineering & Maintenance* segment, we are planning an improvement of our position in the Middle East and North America in the medium term following a significant decline in financial year 2020. For our operations in Europe, we expect a rapid return to historical revenue levels following COVID 19 induced declines, with the exception of the North Sea businesses, which are more dependent on oil price developments. In addition to the return to a certain normality after the pandemic phase, so-called "cross-regional" projects, i.e. projects involving more than one region, will increasingly contribute to growth. We expect an additional improvement in the margin from the continued focus on higher-value services. The realignment of management structures to smaller management units with a stronger regional focus, already implemented at the beginning of the financial year, has led to significant cost savings, while at the same time streamlining processes and speeding up decision-making. In response to the COVID 19 pandemic, this was systematically supplemented in the financial year by further measures to make our cost structure more flexible, with the result that Bilfinger plans to increase margins in all businesses in the medium term.

The discount rates before taxes calculated using the capital-asset-pricing model for the cash-generating units are shown in the table below:

PRE-TAX WACC PER REGION / DIVISON

in %	Dec. 31, 2020	Dec. 31, 2019
Technologies	15.3	13.6
E&M United Kingdom	11.0	–
E&M Nordics	10.8	–
E&M Belgium / Netherlands	11.5	–
E&M Germany	10.6	–
E&M Austria / Switzerland	10.2	–
E&M Poland	10.9	–
E&M Continental Europe	–	9.3
E&M Northwest Europe	–	9.4
E&M North America	10.1	8.8
E&M Middle East	11.6	9.5
Other Operations	–	–

A comparison of the recoverable amounts of the units with their carrying amounts including goodwill did not result in any need for impairments as of December 31, 2020.

The revenue figures over the five-year planning period for the main cash-generating units are based on average annual growth rates of between 5.17 percent and 17.4 percent, with financial year 2020 only being suitable for calculating an average growth rate to a limited extent because of the global COVID 19 pandemic. For all cash-generating units, even a significant increase in the discount rate (around 1 percentage point) or a significantly negative deviation from the cash flows (around 10 percent) assumed in the planning figures would not have resulted in a need to impair goodwill. For the key cash-generating units with high planned growth rates such as in particular the divisions *E&M North America* and *Technologies* even an increase in the discount rate of about 4 percentage points or a negative deviation of the cash flows used as a basis for the planning figures in the amount of about 50 percent would not have resulted in a need to impair goodwill.

15.2 Intangible assets from acquisitions

Intangible assets from acquisitions reflect the portions of purchase prices attributed to acquired customer relations, for example order backlogs, framework agreements and client bases. They are amortized over their useful lives using the straight-line method. These were fully written off as of December 31, 2020.

16 Property, plant and equipment

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Balance Jan. 1, 2020	**259.8**	**302.3**	**485.0**	**1.7**	**1,048.8**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	-5.0	-9.8	-10.9	0.0	-25.7
Additions	2.8	7.2	21.7	3.6	35.3
Disposals	-10.9	-12.1	-16.1	0.0	-39.1
Reclassifications	0.7	-28.6	29.9	-2.3	-0.3
Currency adjustments	-4.1	-8.3	-11.7	0.0	-24.1
Dec. 31, 2020	**243.3**	**250.7**	**497.9**	**3.0**	**994.9**

ACCUMULATED DEPRECIATION AND AMORTIZATION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Balance Jan. 1, 2020	**140.5**	**246.2**	**350.2**	**0.0**	**736.9**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	-3.1	-7.2	-6.9	0.0	-17.2
Additions	10.5	11.9	34.4	0.0	56.8
Disposals	-8.7	-9.0	-15.5	0.0	-33.2
Reclassifications	0.0	-18.9	18.8	0.0	-0.1
Write-ups	0.0	0.0	-0.2	0.0	-0.2
Currency adjustments	-2.3	-7.2	-8.3	0.0	-17.8
Dec. 31, 2020	**136.9**	**215.8**	**372.5**	**0.0**	**725.2**
Carrying amount Dec. 31, 2020	**106.4**	**34.9**	**125.4**	**3.0**	**269.7**

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Balance Jan. 1, 2019	**286.8**	**303.4**	**460.5**	**2.3**	**1,053.0**
Adjustments due to reclassification effects from initial application of IFRS 16	-19.7	0.0	-6.2	0.0	-25.9
Adjusted balance Jan. 1, 2019	267.1	303.4	454.3	2.3	1,027.1
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	1.4	3.1	0.3	0.0	4.8
Additions	2.2	10.1	47.8	1.9	62.0
Disposals	10.1	11.8	19.8	0.8	42.5
Reclassifications	0.6	0.8	0.1	-1.7	-0.2
Currency adjustments	1.4	2.9	2.9	0.0	7.2
Dec. 31, 2019	**259.8**	**302.3**	**485.0**	**1.7**	**1,048.8**

ACCUMULATED DEPRECIATION AND AMORTIZATION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Balance Jan. 1, 2019	**146.0**	**244.6**	**338.4**	**0.0**	**729.0**
Adjustments due to reclassification effects from initial application of IFRS 16	-7.0	0.0	-4.2	0.0	-11.2
Adjusted balance Jan. 1, 2019	139.0	244.6	334.2	0.0	717.8
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	1.1	3.1	0.3	0.0	4.5
Additions	6.9	12.0	34.6	0.0	53.5
Disposals	5.0	10.7	19.0	0.0	34.7
Reclassifications	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	1.0	-1.0	0.0	0.0
Currency adjustments	0.7	2.4	1.7	0.0	4.8
Dec. 31, 2019	**140.5**	**246.2**	**350.2**	**0.0**	**736.9**
Carrying amount Dec. 31, 2019	**119.3**	**56.1**	**134.8**	**1.7**	**311.9**

See Note 15 on explanations relating to the lines 'disposals from the consolidated group' and 'reclassification to disposal group'.

17 Leases

Depreciation on right-of-use assets and the carrying amounts of the right-of-use assets are distributed as follows to the classes of underlying assets:

	Right-of-use assets for land and buildings	Right-of-use assets for technical equipment and machinery	Right-of-use assets for other equipment, operating and office equipment	**Total**
Depreciation in the financial year 2020	39.1	2.9	14.5	56.4
Carrying amount as of Dec. 31 2020	**150.2**	**5.1**	**34.1**	**189.3**

	Right-of-use assets for land and buildings	Right-of-use assets for technical equipment and machinery	Right-of-use assets for other equipment, operating and office equipment	Total
Depreciation in financial year 2019	35.7	2.1	13.5	51.3
Carrying amount as of Dec. 31 2019	**185.7**	**5.3**	**36.4**	**227.4**

Additions to right-of-use assets during the financial year amounted to €42.3 million (previous year: €45.4 million).

Leases for land and buildings sometimes include extension and termination options as well as index-based lease price adjustment clauses – in Germany, for example, based on the consumer price index. The right-of-use assets for other equipment, operating and office equipment relate in particular to company cars and scaffolding.

In the financial year, expenses of €54.6 million (previous year: €95.4 million) were recognized for short-term leases and €9.9 million (previous year: €10.1 million) for leases of low-value assets. The expenses are allocated to the respective functional area. Short-term leases are concluded in particular within the scope of projects for assets such as machines, tools, scaffolding, containers and construction site vehicles. Leases for low-value assets relate in particular to office equipment such as furniture, printers, computers, laptops and telephones.

Cash outflows from leases amounting to €120.3 million (previous year: €160.2 million) were recognized in the cash flow statement in the financial year. In addition to interest and principal payments for lease liabilities that are presented under cash flow from financing activities, this amount also includes payments allocated to cash flow from operating activities for short-term leases and for leases of low-value assets.

Potential future payments from leases in the amount of €96.2 million (previous year: €104.1 million) were not taken into account in the measurement of the lease liability because it is not reasonably certain that the extension options will be exercised or that the termination options will not be exercised. In connection with residual value guarantees that are not considered in the lease liability, future payments in the amount of €3.8 million (previous year: €3.8 million) could be incurred. As a result of leases entered into but not yet commenced as of the balance-sheet date, future cash outflows amount to €7.4 million (previous year: €0.8 million).

18 Investments accounted for using the equity method

For an overview of the investments accounted for using the equity method, please see the list of subsidiaries and equity interests (see Note 39).

The carrying amounts of or income from investments accounted for using the equity method are distributed to associates and joint ventures as follows:

	Associates	Joint ventures	Total
2020			
Carrying amount of investments accounted for using the equity method	10.8	8.6	19.4
Income from investments accounted for using the equity method	5.5	7.0	12.5
2019			
Carrying amount of investments accounted for using the equity method	11.2	7.3	18.5
Income from investments accounted for using the equity method	6.7	13.2	19.9

If the proportionate losses – including other comprehensive income – exceed the carrying amount of the investment, neither losses nor gains are recognized.

18.1 Associates

Aggregated disclosure concerning insignificant associates:

	2020	2019
Carrying amount of the investee accounted for using the equity method	10.8	11.2
Group's share of profit / loss from continuing operations	5.5	6.7
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	5.5	6.7

18.2 Joint ventures

Significant joint ventures:

Name		Muscat Engineering Consultancy LLC (previous year: Tebodin & Partner LLC)
Principal place of business		Muscat, Oman
Activity		Engineering
Bilfinger share	50.0%	50.0%
	2020	**2019**
Dividends received from the investee	**12.8**	**22.4**
Non-current assets	4.0	2.6
Current assets not including cash and cash equivalents	13.5	19.1
Cash and cash equivalents	38.7	34.0
Non-current liabilities not including financial debt	-3.4	-4.2
Current liabilities not including financial debt	-37.7	-40.5
Net assets / equity	**15.1**	**11.0**
Group’s share of net assets	7.6	5.5
Carrying amount of the investee accounted for using the equity method	**7.6**	**5.5**
Revenue	61.8	78.3
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.2	-0.2
Interest income	0.9	1.7
Interest expense	-0.1	-0.2
Income tax	-2.1	-4.3
Remaining income (loss) from continuing operations	15.8	28.9
Profit from continuing operations	14.3	25.9
Total comprehensive income for the period	**14.3**	**25.9**

Aggregated disclosure concerning insignificant joint ventures:

	2020	2019
Carrying amount of the investee accounted for using the equity method	**1.0**	1.8
Group’s share of profit / loss from continuing operations	-0.1	0.3
Group’s share of other comprehensive income for the period	0.0	0.0
Group’s share of total comprehensive income for the period	**-0.1**	0.3

As of the balance-sheet date, there were no obligations to contribute capital or resources to joint ventures or obligations to purchase ownership interests in joint ventures from another party in the event certain future conditions are met.

19 Other assets

In the previous year, “securities – equity-like participation rights (FA-FVtPL)” related to the unlisted, equity-like participation rights in Triangle Holding II S.A. (“PPN”). Due to the disposal expected in the second quarter of 2021, this item is reported in current assets under current securities in the reporting year.

Equity interests (FA-FVtOCI-EI) include shares in non-listed companies.

	2020	2019
Loans (FA-AC)	3.3	3.4
Securities – other (FA-FVtPL)	1.0	1.2
Securities – equity-like participation rights (FA-FVtPL)	0.0	240.3
Securities (FA-FVtOCI-DI)	0.2	0.2
Securities (FA-FVtOCI-EI)	0.2	0.3
Securities (FA-AC)	0.0	0.0
Derivatives, not in hedging relationships (FA-FVtPL)	0.1	0.0
Net assets in accordance with IAS 19	0.0	0.1
Other financial assets (FA-AC)	9.1	10.0
Total	**14.0**	255.5

The **impairments** recognized on loans in accordance with IFRS 9 for expected credit risks developed as follows:

	2020	2019
Opening balance	**-2.2**	-9.8
Changes in the consolidated group, currency differences	–	–
Allocations (impairment losses)	–	-1.0
Utilization	0.4	–
Withdrawals (gains on impairment reversals)	–	8.6
Closing balance	**-1.8**	-2.2

The impairment for the loans was measured exclusively in the amount of the expected 12-month credit loss.

20 Inventories

Inventories are comprised as follows:

	2020	2019
Raw materials and supplies	45.1	44.1
Advance payments made	14.2	11.9
Real estate properties held for sale	0.5	0.7
Finished goods and work in progress	0.0	0.4
Total	59.8	57.1

Cost of sales includes cost of inventories, recognized in expenses, in the amount of €1,135.8 million (previous year: €1,429.1 million).

21 Receivables and other financial assets

	2020	2019
Receivables and customer contract assets (FA-AC)		
from trade receivables (including receivables from percentage of completion)	566.8	638.3
from work in progress	262.4	375.1
from consortiums and joint ventures	1.4	0.7
from companies in which equity is held	4.1	4.5
	834.7	1,018.6
Derivatives		
not in hedging relationships (FA-FVtPL)	2.2	1.5
	2.2	1.5
Other financial, non-derivative assets (FA-AC)	28.8	37.2
Total	**865.6**	1,057.3

The impairments recognized on trade receivables (including receivables from percentage of completion and work in progress) in accordance with IFRS 9 for expected credit risks developed as follows:

	2020	2019
Opening balance	**-26.7**	-28.2
Changes in the consolidated group, currency differences	2.7	-0.7
Allocations (impairment losses)	-8.6	-3.2
Utilization	0.5	1.2
Withdrawals (gains on impairment reversals)	3.3	4.2
Closing balance	**-28.7**	-26.7

Distribution of the gross carrying amounts of the receivables to rating categories:

Rating category	Creditworthiness	Gross carrying amount at December 31, 2020	Gross carrying amount at December 31, 2019
1	very high creditworthiness	108.5	121.3
2	high creditworthiness	146.5	203.0
3	good creditworthiness	194.9	277.5
4	relatively good creditworthiness	161.6	229.3
5	moderate creditworthiness	120.1	103.0
6	heightened risk	74.6	68.3
7	high risk	15.8	19.7
8	very high risk	31.0	15.0
9	not creditworthy	4.0	6.5
10	insolvent	0.8	1.5

Of the receivables written off, a contractually outstanding amount of €0.0 (previous year: €2.3 million) is still subject to enforcement measures.

Other financial non-derivative assets comprise receivables and assets outside the field of supplying goods and services.

22 Other assets

Other assets mainly include sales tax receivables amounting to €17.7 million (previous year: €19.6 million) and prepaid expenses amounting to €21.3 million (previous year: €17.4 million).

23 Equity

The classification of equity and changes in equity are presented in the consolidated statement of changes in equity.

Share capital is unchanged at €132.6 million as of the balance-sheet date. It is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share.

The Annual General Meeting of May 24, 2017 authorized the Executive Board, until May 23, 2022 with the approval of the Supervisory Board, to acquire the company's own shares in an amount of up to €13,262,712.00 (10 percent of the share capital of the company). The company has no rights from these shares (Section 71b AktG). On the basis of this authorization, no shares were acquired in the reporting year and in the previous year.

Through the relevant resolution of the Annual General Meeting of May 15, 2018, the previous approved capital in accordance with Section 3 of the Articles of Incorporation was removed and replaced by a new authorization (approved capital 2018). The Executive Board is authorized, with the consent of the Supervisory Board, until May 14, 2023 to increase the share capital of the company by up to €66,313,563.00 (approved capital 2018). The capital increase serves to issue new shares against cash and / or non-cash contributions.

By resolution of the Annual General Meeting of May 24, 2017, the share capital was increased by up to €13,262,712.00 by the issue of up to 4,420,904 new bearer shares with an arithmetical value of €3.00 per share (contingent capital 2017). It serves to grant shares upon the exercise of conversion rights or option rights or upon the fulfillment of conversion obligations or option obligations in connection with bonds until May 23, 2022.

We refer to the explanation given in the combined management report for Bilfinger SE and the Bilfinger Group pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB) with regard to the authorization for the Executive Board to issue shares out of approved capital and out of contingent capital as well as the possibilities to buy back and use the company's own shares.

23.1 Retained and distributable earnings

	2020	2019
Distributable earnings	83.1	44.2
Remeasurement of defined-benefit pension plans	-215.8	-200.9
Share-based payments	10.6	5.6
Other retained earnings	590.4	530.5
Total	**468.3**	**379.4**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE for financial year 2020 of €83.1 million be appropriated as follows:

In €	
Distribution of a dividend of €1.88 per dividend-entitled share	75,765,107.32
Carried forward to new account	7,347,891.64
Total	**83,112,998.96**

Against the backdrop of the developments in the first half of financial year 2020, namely the COVID 19 pandemic and its impact on the global economy as well as the simultaneous significant drop in the price of oil, the Executive Board of Bilfinger SE resolved, for the benefit of Bilfinger, to rescind the original proposal of March 10, 2020 on the appropriation of net profit for financial year 2019 and to submit an adjusted proposal for the appropriation of net profit so that the proposed dividend amounted to 4.0 percent of the share capital entitled to dividends as of April 30, 2020 in the amount of €120,873,870.00 (divided into 40,291,290 no-par value shares) in compliance with Section 254 (1) AktG. Accordingly, a dividend of €4.8 million was distributed for financial year 2019.

Remeasurements include the deviations fully included in the retirement-benefit obligation (actuarial gains and losses) between the amount of the retirement-benefit obligation expected at the beginning of the year and the actual amount of the retirement-benefit obligation at the end of the year, as well as the difference between the income recognized from plan assets based on the amount of the discount rate for the retirement-benefit obligation and the income actually achieved from the plan assets.

The accumulated losses from remeasurement recognized in other comprehensive income and attributable to the shareholders of Bilfinger SE amount to €227.5 million before deferred taxes (previous year: €217.2 million) and €215.8 million (previous year: €200.9 million) after consideration of deferred taxes.

Changes in **retained earnings** resulted from the granting of virtual shares to managers under the Bilfinger 2020 Executive Share Plan and the Extraordinary 2020 Share Bonus Plan as well as to selected employees under a further share-based compensation plan.

Other retained earnings principally comprise amounts established from earnings in the reporting period or in previous financial years.

23.2 Other reserves

The fair valuation of securities reserve includes the unrealized gains and losses from debt instruments which, in accordance with IFRS 9.4.1.2A, are measured at fair value in other comprehensive income (FVtOCI-DI) with due consideration of deferred taxes.

The reserve from the market valuation of equity instruments includes the unrealized gains and losses from financial investments in equity instruments of other companies which, in accordance with the option in IFRS 9.5.7.5, are to be measured at fair value through other comprehensive income (FVtOCI-EI) with due consideration of deferred taxes. In the previous year, this related almost exclusively to the listed shares in Julius Berger Nigeria PLC (see Note 19), which was fully sold. Fair value at the time of recognition was €10.6 million; the cumulative loss in the amount of €3.5 million was transferred to retained earnings.

The reserve from hedging transactions contains unrealized profits and losses from hedging highly probable future payments, taking into consideration any deferred-tax effects.

The currency translation reserve reflects all currency differences arising from the translation of financial statements of foreign subsidiaries as well as net investments in foreign operations. In the previous year, due to the loss situation in the German tax group (see Note 13), deferred taxes on cumulative gains from foreign currency translation in the amount of €14.7 million were offset against deferred taxes on cumulative losses from the remeasurement of net defined pension plans reported under retained earnings (see Note 23.1).

24 Provisions for pensions and similar obligations

Various retirement-benefit obligations exist at the Bilfinger Group, the heterogenic nature of which is historically based in the development of the Group with numerous corporate acquisitions. They comprise both defined-contribution pension plans and defined-benefit pension plans.

With defined-contribution pension plans, the company makes fixed contributions on a contractual or voluntary basis to an external pension fund. Beyond those contributions, the company has no legal or constructive payment obligations in the case that the pension fund should not be sufficient to provide the retirement benefit in full. The contributions are recognized as an expense for retirement benefits when they fall due. Obligations from multi-employer plans are accounted for as obligations from defined-contribution pension plans if sufficient information is not available to enable the entity to account for the plans as a defined-benefit plan. The benefits provided by a pension fund in Germany, for example, are financed on the basis of the coverage method. The employer contribution is determined depending on the employee contribution and the investment income. The contribution rate is determined by the pension fund. The employer has no obligation toward the pension fund beyond the payment of the fixed contributions, including in the case of withdrawal from the pension fund or unfulfilled obligations of other companies. The anticipated employer contributions in financial year 2021 amount to €3 million. This represents an insignificant portion of the total employer contributions to the pension fund.

Pension plans that do not meet the definition of defined-contribution pension plans are deemed to be defined-benefit plans. These are recognized at the balance-sheet date at the present value of the defined-benefit obligation (DBO). If assets are set aside solely to pay or fund these obligations, those assets are defined as plan assets and are deducted at their fair value and the net amount is presented in the balance sheet. Any amount in excess of the obligation is presented as other assets.

Obligations from pension commitments are calculated separately for each plan by estimating the amounts of future pension entitlements. These are discounted to their present values at the end of the reporting period. A discount rate is used equivalent to the rate of return on high-grade corporate bonds with an AA rating denominated in the same currency as the pension obligations and with similar maturities. At the end of the reporting period, the amount of the pension obligations is actuarially calculated with consideration of assumptions on future developments and with application of the so-called projected-unit-credit method. The assumptions underlying the calculations are based on published country-specific statistics and on experience. In addition to estimates of future income and pension developments, they also include biometric assumptions. The latter are based on locally recognized guideline tables. In Germany, the Heubeck guideline tables 2018 G are applied.

ACTUARIAL ASSUMPTIONS (WEIGHTED)	Euro zone	Other countries	Euro zone	Other countries
		2020		2019
Discount rate	0.70%	0.80%	0.90%	1.80%
Projected increase in wages and salaries	2.75%	1.35%	2.75%	1.75%
Projected pension increase	1.50%	0.30%	1.50%	0.55%

Gains and losses from changes in actuarial assumptions and from experience adjustments are recognized in other comprehensive income in the period in which they occur. Past service cost due to the curtailment, introduction or amendment of plans is recognized in profit or loss as incurred. The same applies to gains or losses from the settlement of plans.

COMPOSITION BY REGION	Euro zone	Other countries	Total	Euro zone	Other countries	Total
			2020			2019
Defined-benefit obligation of funded pension plans	176.9	64.1	240.9	178.3	62.8	241.1
Defined-benefit obligation of non-funded pension plans	223.9	37.4	261.3	226.1	39.7	265.8
Defined-benefit obligation of all pension plans	**400.8**	**101.5**	**502.2**	**404.4**	**102.5**	**506.9**
in percent	80%	20%	100%	80%	20%	100%
Defined-benefit obligation of funded pension plans	176.9	64.1	240.9	178.3	62.8	241.1
Fair value of plan assets	118.3	44.0	162.2	125.9	43.1	169.0
Funded status	**58.6**	**20.1**	**78.7**	**52.4**	**19.7**	**72.1**
thereof provisions for pensions	58.6	20.1	78.7	52.5	19.7	72.2
thereof net asset	0.0	0.0	0.0	0.1	0.0	0.1
Provision for funded pension plans	58.6	20.1	78.7	52.5	19.7	72.2
Provision for non-funded pension plans	223.9	37.4	261.3	226.1	39.7	265.8
Provisions for pensions and similar obligations, total	**282.5**	**57.5**	**340.0**	**278.6**	**59.4**	**338.0**

In the euro zone, the present value of future pension obligations relates mainly to Germany with €341.4 million (previous year: €340.2 million), while a further €49.1 million relates to obligations in Austria (previous year: €53.8 million). Outside the euro zone, the pension plans relate to Scandinavia and Switzerland, in particular.

The pension plans of Group companies in Germany are generally structured so that employees receive commitments to retirement, invalidity and dependents pensions in the form of lifetime annuities whose amount depends on the length of time worked at the Group and partially also on an employee's level of wage or salary. In addition to direct pension commitments, generally to managerial staff, commitments exist at the Bilfinger Group in the context of company agreements often reached indirectly through pension funds or in the form of direct insurance. The adjustment of pensions to price developments takes place in line with the provisions of applicable law at the latest after three years.

For the employees of Bilfinger SE and some domestic subsidiaries, plans exist for occupational retirement, invalidity and dependents pensions granting the employees entitlement to annual contribution credits to an individual retirement-benefit account. The amount of the contribution credits is staggered by contribution group or for managerial staff is contractually agreed. Furthermore, employees have the possibility to make additional contributions out of their wages or salaries in order to improve their company pensions. The interest paid on the respective retirement-benefit account balances is based on the returns achieved on the related plan assets, whereby a minimum return of 2 percent per annum is guaranteed by the company. Pension payments can, if applicable and desired by the employee, be made in a lump sum, in installments or in the form of an annuity after the employee has left the company, but at the earliest at the age of 60. Due to the fact that payments are made on a defined-contribution basis, risks from deviations of the actual developments from biometric assumptions are largely excluded.

In order to protect employees' rights from these and other pension commitments, assets have been placed in a contractual trust arrangement (CTA), based on the model of a two-way trust and protected against insolvency. In this context, Bilfinger SE had previously transferred assets to the administration of an independent trustee. With regard to investment policy, the trustee is bound by the decisions of an advisory committee commissioned by the trustor. The investment strategy follows a total-return approach with strict risk limitation. No obligations exist to make further payments into the plan assets.

Pension plans in Austria in particular are claims to severance payments in accordance with national regulations which arose before 2003 and are to be paid as lump sums following termination of employment by the employer or upon retirement. Since 2003, employers have had to pay wage-related contributions to an employee benefit fund in order to finance those claims. These plans qualify as defined-contribution plans and the related expenses are therefore recognized as soon as a payment obligation arises.

PENSION PLANS	Funded	Funded provisions	Total	Funded	Funded provisions	Total
			2020			2019
Defined-benefit obligation at January 1	**241.1**	**265.8**	**506.9**	**185.2**	**266.8**	**452.0**
Reclassification from / to liabilities classified as held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	2.3	2.8	5.1	3.6	4.8	8.4
Service cost	2.5	4.0	6.5	0.0	3.6	3.6
Current service cost	*2.9*	*4.0*	*6.9*	*2.1*	*3.5*	*5.6*
Past service cost	*-0.4*	*0.0*	*-0.4*	*-2.1*	*0.1*	*-2.0*
Gains / losses on settlements	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Settlement payments	0.0	0.0	0.0	0.0	0.0	0.0
Pension payments	-16.6	-12.4	-29.0	-16.1	-11.4	-27.5
Employee contributions	5.4	0.2	5.6	11.5	0.2	11.7
Currency adjustments	-0.7	-0.9	-1.6	1.7	0.1	1.8
Disposals from the consolidated group	0.0	0.0	0.0	-0.2	-1.0	-1.2
Transfers to / from other companies	0.3	-0.2	0.1	27.3	-27.3	0.0
Remeasurement gains (-) / losses (+)	6.6	2.0	8.6	28.1	30.0	58.1
from changes in demographic assumptions	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
from changes in financial assumptions	*7.1*	*5.6*	*12.7*	*20.4*	*28.5*	*48.9*
from experience adjustments	*-0.5*	*-3.6*	*-4.1*	*7.7*	*1.5*	*9.2*
Defined-benefit obligation at December 31	**240.9**	**261.3**	**502.2**	**241.1**	**265.8**	**506.9**

Pension plans, continued >

< Pension plans, begin

PENSION PLANS	Funded	Funded provisions	Total	Funded	Funded provisions	Total
			2020			2019
Fair value of plan assets at January 1	169.0		169.0	164.4		164.4
Reclassification from / to assets classified as held for sale	0.0		0.0	0.0		0.0
Interest income on plan assets	1.5		1.5	2.8		2.8
Pension payments	-15.3		-15.3	-16.1		-16.1
Settlement payments	-0.1		-0.1	0.0		0.0
Allocations to fund (company contributions)	3.8		3.8	2.6		2.6
Allocations to fund (employee contributions)	5.4		5.4	11.5		11.5
Currency adjustments	-0.6		-0.6	1.2		1.2
Disposals from the consolidated group	0.0		0.0	-0.2		-0.2
Transfers to / from other companies	-0.1		-0.1	0.0		0.0
Remeasurements	-1.4		-1.4	2.8		2.8
Fair value of plan assets at December 31	162.2		162.2	169.0		169.0
Defined-benefit obligation at December 31	240.9	261.3	502.2	241.1	265.8	506.9
Fair value of plan assets at December 31	162.2		162.2	169.0		169.0
Funded status at December 31	-78.7	-261.3	-340.0	-72.1	-265.8	-337.9
Net pension provisions at December 31	78.7	261.3	340.0	72.1	265.8	338.0
Net plan assets at December 31	0.0		0.0	0.1		0.1
Gains / losses recognized in profit or loss						
Current service cost	-2.9	-4.0	-6.9	-2.1	-3.5	-5.6
Past service cost	0.4	0.0	0.4	2.1	-0.1	2.0
Gains / losses on settlements	0.0	0.0	0.0	0.0	0.0	0.0
Net interest cost (-) / income (+)	-0.8	-2.8	-3.6	-0.8	-4.8	-5.6
Net pension cost	-3.3	-6.8	-10.1	-0.8	-8.4	-9.2

In the income statement, service costs and any gains or losses from settlements are allocated to the respective functional areas and are thus included in EBIT. The net interest cost from the interest accrued on the net pension obligation is presented under interest expense.

Pension expenses for defined-contribution plans were €20.1 million (previous year: €26.3 million).

The weighted average duration of the pension obligations is 14.0 years (previous year: 14.2 years).

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2020	Dec. 31, 2019
Total assets	162.2	169.0
Assets with a quoted market price	138.7	146.5
Cash and cash equivalents	2.6	2.3
Equity instruments (shares Europe, North America, Australia)	0.8	1.9
Debt instruments	23.4	20.4
thereof government bonds	18.6	15.4
thereof covered bonds	4.8	5.0
Investment funds	111.9	121.9
thereof mixed funds	94.3	102.1
thereof equity funds	10.5	14.5
thereof bond funds	4.0	2.5
thereof real estate funds	1.7	0.0
thereof money-market funds	1.2	1.3
thereof other funds	0.1	1.5
Other assets	0.0	0.0
Assets without a quoted market price	23.5	22.5
Real estate properties	4.4	4.1
Qualifying insurance policies	18.8	18.4
Other assets	0.3	0.0

For 2021, contribution payments to pension plans in the amount of €2.8 million are planned.

The pension obligations, which exist as of the balance-sheet date, are expected to result in the following – undiscounted – benefit payments in the next 10 financial years:

EXPECTED PENSION PAYMENTS

	2021	2022	2023	2024	2025	2026-2030
	27	24	24	25	24	108

Contributions of €72.0 million were paid to state pension insurance institutions (previous year: €70.1 million).

Due to the pension plans, the Group is exposed to various risks. A reduction in the interest rate used to discount the provisions for pensions (interest rate for high-grade corporate bonds) would cause the pension obligations to increase. There would be corresponding effects from higher-than-expected income and pension increases. Higher life expectancies than assumed would also lead to an increase in pension obligations, especially when fixed benefits are paid which are independent of the contributions paid in the past. If plan assets exist to cover the pension obligations, it is assumed that they accrue interest at the rate of interest used to discount defined-benefit obligations. If the actual interest rate is lower, this leads to an increase in the net pension obligations. For pension plans denominated in foreign currencies, exchange-rate risks also exist.

The following sensitivity analysis shows the change in the pension obligations (DBO) in millions of euros caused by a change in one of the assumptions upon which the calculation is based when all the other assumptions remain unchanged. The calculation methods are otherwise unchanged.

SENSITIVITY ANALYSIS ON ACTUARIAL ASSUMPTIONS

Defined-benefit obligation Dec. 31

	0.5 percentage point increase	0.5 percentage point decrease
Discount rate	-31.6	35.6
Projected increase in wages and salaries	4.0	-3.6
Projected pension increase	34.9	-30.0
	1-year increase	1-year decrease
Life expectancy	25.0	-24.9

25 Other provisions

	Risks relating to contracts and litigation	Warranty risks	Personnel-related obligations	Restructurings	Other uncertain liabilities	**Total**
Balance at January 1, 2020	67.7	32.6	44.8	39.5	140.9	325.5
Utilization	18.7	4.0	25.8	25.0	24.8	98.3
Release	16.5	1.9	9.8	4.9	23.6	56.7
Additions	29.3	17.0	22.7	50.9	37.2	157.1
Currency adjustments	-0.2	-0.4	-0.9	-0.6	-1.2	-3.3
Changes in the consolidated group	-0.1	-3.0	2.1	-0.1	-0.7	-1.8
Balance at December 31, 2020	61.5	40.3	33.1	59.7	127.9	322.5

MATURITIES OF OTHER PROVISIONS	Non-current		Current		Total	
	2020	2019	2020	2019	2020	2019
Risks relating to contracts and litigation	0.1	0.1	61.3	67.6	61.5	67.7
Warranty risks	2.0	2.4	38.4	30.2	40.3	32.6
Personnel-related obligations	19.1	20.0	14.0	24.8	33.1	44.8
Restructuring measures	0.0	0.0	59.7	39.5	59.7	39.5
Other uncertain liabilities	1.0	1.1	126.9	139.8	127.9	140.9
Total	**22.2**	23.6	**300.3**	301.9	**322.5**	325.5

Risks relating to contracts and litigation primarily comprise provisions for risks from current projects, provisions for reworking and provisions for litigation risks.

Warranty risks primarily comprise provisions for warranties related to individual cases from the valuation of projects.

Personnel-related obligations mainly consist of provisions for employee anniversaries and pre-retirement part-time employment as well as provisions for personnel severance compensation that do not relate to restructuring measures. The amount of employee anniversaries and pre-retirement part-time employment is calculated annually by external experts.

The provisions for restructurings include mainly expenses for staff reductions.

Other contingent liabilities include, inter alia, provisions for risks in connection with discontinued operations, provisions for contingent losses, costs of annual financial statements, compensation for damages and consultant costs, and other miscellaneous provisions.

26 Financial debt

	Non-current		Current		Total	
	2020	2019	**2020**	2019	**2020**	2019
Bonds (FL-AC)	250.0	250.0	0,0	0,0	250.0	250.0
Promissory note loan (FL-AC)	123.0	123.0	0,0	0,0	123.0	123.0
Other financial debt (FL-AC)	1.9	2.2	0.3	0.3	2.2	2.5
Lease liabilities (IFRS 16)	146.3	176.1	46.6	49.4	192.9	225.5
Financial debt	**521.3**	551.3	**46.9**	49.7	**568.1**	601.0

In December 2019, the unsubordinated, unsecured bond placed in December 2012 in the amount of €500 million was repaid. In the course of the refinancing of this corporate bond, in financial year 2019 the non-current financial liabilities increased as a result of the issue of a new bond in the amount of €250 million (5-year term, coupon 4.5 percent) as well as the issue of promissory note loans in the amount of €123 million (several tranches with terms between 3 and 5.5 years as well as fixed and variable interest rates).

Financial debt developed as follows:

	Jan. 1, 2020	Cash changes				Non-cash changes	Dec. 31, 2020
			Change in the consolidated group	Additions / disposals lease liabilities	Currency adjustments	Changes in fair value	
Bonds	250.0	–	–	–	–	–	250.0
Promissory note loans	123.0	–	–	–	–	–	123.0
Other financial debt	2.5	-0.3	–	–	–	–	2.2
Lease liabilities (IFRS 16)	225.5	-52.1	-2.6	26.0	-3.9	–	192.9
Financial debt	**601.0**	**-52.4**	**-2.6**	**26.0**	**-3.9**	**–**	**568.1**

	Jan. 1, 2019	Cash changes				Non-cash changes	Dec. 31, 2019
			Change in the consolidated group	Additions / disposals lease liabilities	Reclassification to disposal group	Changes in fair value	
Bonds	500.0	-250.0	–	–	–	–	250.0
Promissory note loans	0,0	123.0	–	–	–	–	123.0
Other financial debt	0,0	2.5	–	–	–	–	2.5
Lease liabilities (IFRS 16)	247.5	-49.7	-2.8	30.4	0.1	–	225.5
Financial debt	**747.5**	**-174.2**	**-2.8**	**30.4**	**0.1**	**–**	**601.0**

27 Trade and other payables

	2020	2019
Trade payables (FL-AC)	293.3	386.2
Advance payments received and counterpart for work in progress (customer contract liabilities)	142.1	136.0
Liabilities to joint ventures and consortiums (FL-AC)	19.3	17.4
Liabilities to companies in which equity is held (FL-AC)	5.0	6.5
	459.7	546.1
Liabilities from derivatives, current	0.0	0.0
not in hedging relationships (FL-FVtPL)	1.3	0.9
	1.3	0.9
Other current financial, non-derivative liabilities (FL-AC)	118.2	132.7
Trade and current other payables	**579.2**	679.7

28 Other liabilities

	2020	2019
Liabilities for sales tax and other taxes	78.7	85.0
Personnel obligations	90.4	99.5
Social-security levies	34.3	31.6
Deferred income and / or accrued expenses	17.6	11.9
Total	**221.0**	228.0

29 Additional information on financial instruments

29.1 Carrying amounts and fair values

Carrying amounts and fair values of financial assets and financial liabilities, classified according to the categories of IFRS 9 and indicating the fair-value hierarchy according to IFRS 13, are as follows:

	Level according to IFRS 13 hierarchy	IFRS 9 category	Carrying amount	Fair value	Carrying amount	Fair value
				2020		2019
Assets						
Securities – equity-like participation rights	2 (previous year: 3)	FA-FVtPL	450.0	450.0	240.3	240.3
Equity interests	3	FA-FVtOCI-EI	0.2	0.2	0.3	0.3
Loans	2	FA-AC	3.3	3.3	3.4	3.4
Other financial, non-derivative assets	2	FA-AC	38.0	38.0	47.2	47.2
Securities	1	FA-FVtOCI-DI	0.2	0.2	0.2	0.2
Securities	2	FA-AC	0.0	0.0	0.1	0.1
Receivables	2	FA-AC	834.6	834.6	1,018.6	1,018.6
Securities - other	3	FA-FVtPL	1.1	1.1	1.2	1.2
Cash and cash equivalents	1	FA-AC	510.6	510.6	499.8	499.8
Derivatives						
Not in hedging relationships	2	FA-FVtPL	2.3	2.3	1.5	1.5
Equity & liabilities						
Financial debt, bonds	1	FL-AC	250.0	263.6	250.0	271.5
Financial debt, promissory note loan	2	FL-AC	123.0	124.3	123.0	123.4
Financial debt, other	2	FL-AC	2.2	2.2	2.5	2.5
Liabilities	2	FL-AC	459.7	459.7	546.1	546.1
Other non-derivative liabilities	2	FL-AC	118.2	118.2	132.7	132.7
Derivatives						
Not in hedging relationships	2	FL-FVtPL	1.3	1.3	0.9	0.9

Carrying amounts and fair values, continued >

< Carrying amounts and fair values, begin

	Level according to IFRS 13 hierarchy	IFRS 9 category	Carrying amount	Fair value	Carrying amount	Fair value
				2020		2019
Aggregated presentation by measurement category						
Financial assets measured at fair value through profit or loss		FA-FVtPL	453.4	453.4	243.0	243.0
Financial liabilities measured at fair value through profit or loss		FL-FVtPL	1.3	1.3	0.9	0.9
Financial assets measured at amortized cost		FA-AC	1,386.5	1,386.5	1,569.1	1,569.1
Financial liabilities measured at amortized cost		FL-AC	953.1	968.0	1,054.3	1,076.2
Financial assets measured at fair value through other comprehensive income – without reclassification to profit or loss		FA-FVtOCI-EI	0.2	0.2	0.3	0.3
Financial assets measured at fair value through other comprehensive income – with reclassification to profit or loss		FA-FVtOCI-DI	0.2	0.2	0.2	0.2

The other non-derivative liabilities include an amount of €79.5 million (previous year: €100.9 million) which is excluded from the scope of IFRS 7.

	Level	Recognized at fair value	Fair value information only in the notes	Recognized at fair value	Fair value information only in the notes
			2020		2019
Aggregated presentation by level in the IFRS 13 hierarchy					
Assets	1	0.2	510.6	0.2	499.8
	2	452.3	875.9	1.5	1,069.3
	3	1.3	0.0	241.8	0.0
Liabilities	1	0.0	263.6	0.0	271.5
	2	1.3	704.4	0.9	804.7
	3	0.0	0.0	0.0	0.0

For cash and cash equivalents, current receivables and liabilities and current other financial non-derivative assets and other non-derivative liabilities, the carrying amounts are approximately equal to the fair values due to the short residual terms.

The fair values of non-current financial assets and financial liabilities, which include the measurement categories “financial assets measured at amortized cost” (FA-AC) and “financial liabilities measured at amortized cost” (FL-AC), correspond to the present values calculated using current market-based interest-rate parameters.

For derivatives, the fair values are determined with the use of recognized financial-mathematical methods on the basis of observable market data such as exchange rates and interest rates (forwards and swaps: present-value method; options: option-pricing models).

The fair values of the listed securities and the financial liabilities from the bond issued in financial year 2019 (FL-AC) are derived from the respective stock market prices.

The fair value of the unlisted securities (equity-like participation rights, FA-FVtPL; "PPN") are determined as of December 31, 2020 based on the expected pro-rata net sales proceeds attributable to them in accordance with the contract. On December 6, 2020, EQT published a press release announcing that they were selling all shares in Apleona Group GmbH to PAI Partners SAS. Completion of the sale is expected in the second quarter of 2021 following fulfillment of the conditions precedent. On the basis of the PPN agreement, Bilfinger participates in the net proceeds from the sale in the amount of the attributable share. The fair values were previously valued using a combined discounted-cash-flow and multiplicator method on the basis of financial planning (unobservable input) and discount rates were calculated using the capital-asset-pricing model or multiplicators (observable input). Accordingly, the fair value as of December 31 is to be classified as level 2 of the IFRS 13 hierarchy (previous year: level 3). The change in the fair value in the amount of €209.7 million (previous year: €3.5 million) was recognized in other financial result (see Note 12). The development of the fair value of the equity-like participation rights is shown below:

Balance January 1, 2019	**236.8**
Fair value changes recognized in profit or loss	3.5
Balance December 31, 2019 / January 1, 2020	**240.3**
Fair value changes recognized in profit or loss	209.7
Balance December 31, 2020	**450.0**

The investments are measured at amortized cost because, as a result of the generally low carrying amounts, it is assumed that these deviate only insignificantly from the fair values.

Hierarchy of fair values by valuation inputs:
All assets and liabilities either measured at fair value or for which fair-value disclosures are required are categorized within a level of the following IFRS 13 measurement hierarchy based on the quality and objectiveness of the inputs used in valuation:

Level 1: Current (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Market data other than the inputs in Level 1 such as prices in active markets for similar assets or liabilities, prices for identical assets or liabilities in markets that are not active, market-corroborated inputs (interest rates, implied volatilities, credit spreads) and derived prices or valuation inputs. Level 2 inputs may have to be adjusted to reflect the features of the asset or liability being measured (condition, location, market activity, etc.).

Level 3: Unobservable inputs, i.e., not market data but estimates and the Group's own information. This data is to be adjusted so that it reflects the assumptions of the (fictive) market participants.

The assessment as to whether financial assets and liabilities are to be reclassified between the different levels of the IFRS 13 hierarchy levels is made at the end of the reporting period.

29.2 Net earnings

Net earnings from financial instruments classified according to IFRS 9 measurement categories are as follows:

		2020	2019
Valuation category			
Financial assets and financial liabilities at fair value through profit or loss	FA-FVtPL & FL-FVtPL	216.8	-0.4
Financial assets at fair value through other comprehensive income – without reclassification to profit or loss	FA-FVtOCI-EI	0.0	0.0
Financial assets at fair value through other comprehensive income – with reclassification to profit or loss	FA-FVtOCI-DI	0.0	0.0
Financial assets at amortized cost	FA-AC	-12.1	13.9
Financial liabilities at amortized cost	FL-AC	0.0	0.5

Net earnings from the valuation categories include the following income and expenses:

- FA-FVtPL & FL-FVtPL: income and expenses recognized in profit or loss from the measurement at fair value and gains / losses realized on disposals as well as dividend income
- FA-FVtOCI-EI: dividend income recognized in profit or loss; the income from measurement at fair value in other comprehensive income is presented in the statement of comprehensive income and amounted to €3.5 million

- FA-FVtOCI-DI: gains / losses realized on disposals recognized in profit or loss (reclassifications from cumulative other comprehensive income in profit or loss); the income from measurement at fair value in other comprehensive income is presented in the statement of comprehensive income and amounts to €0.0 million (previous year: €0.0 million)
- FA-AC: impairments and reversals recognized in profit or loss as well as income from currency translation
- FL-AC: expenses from currency translation recognized in profit or loss

Interest is not a component of the presented net earnings (see Note 12).

29.3 Offsetting agreements

The derivatives contracted by Bilfinger are partially subject to legally enforceable offsetting agreements (ISDA agreement, German framework contract for currency futures), which, however, do not allow any offsetting of receivables and payables in the balance sheet under IAS 32.42, i.e., there is no current legally enforceable right to offsetting with the simultaneous intention to settle on a net basis, but the right to offset in the case of delayed payment or insolvency on the part of a contracted party. These items are therefore presented in the balance sheet on a gross basis. The carrying amount of the derivatives that were subject to offsetting agreements with positive fair values is €2.3 million (previous year: €1.5 million); the carrying amount of the corresponding derivatives with negative fair values is €1.3 million (previous year: €0.9 million). The offsettable amount is €1.0 million (previous year: €0.7 million). This results in arithmetical net assets of €1.3 million (previous year: €0.8 million) and net liabilities of €0.3 million (previous year: €0.2 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

30 Risks related to financial instruments, financial risk management and hedging transactions

We monitor financial risks (default risks, liquidity risks and market-price risks) with proven control mechanisms that allow for timely and transparent reporting. The Group's reporting system guarantees the regular identification, analysis, assessment and management of financial risks by Corporate Treasury. All relevant equity interests and joint ventures are included in this monitoring. There is no extraordinary concentration of risk.

Fundamental questions of risk management such as defining or reviewing methods, limits or risk strategies are dealt with by a steering committee with the direct involvement of the Executive Board.

Liquidity risk is the risk that a company will have difficulties fulfilling the payment obligations arising from its financial liabilities. As a result of an unexpected negative business development, increased financing needs can occur in the operating units. At the same time, a negative business development can lead to changes in Bilfinger's credit rating, particularly through rating agencies and banks, which could lead to more difficult and more expensive financing, or make securing bonds and guarantees more difficult and expensive. In addition, external financing can result in a worsened dynamic gearing ratio. This metric is limited by the financial covenant. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash-flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. With the exception of economically less relevant regions, the Group's internal equalization of liquidity in Europe and the U.S. is supported by cross-border cash pooling.

Investment financing is carried out with consideration of matching maturities. To finance working capital, we have a €250 million pre-approved syndicated credit line at attractive conditions that is in place until December 2023. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio adjusted net debt / adjusted EBITDA. The value as of December 31, 2020 is below the contractually agreed cap. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and services business with a volume of about €949 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a U.S. surety program in the amount of US $ 750 million for the execution of our business in North America. All credit commitments can be called due prematurely in the case of a change of control.

The following chart shows the future contractual undiscounted payments on financial liabilities as of December 31, 2020 and December 31, 2019 (repayments, capital repayments, interest and derivatives with negative fair values). For derivative financial liabilities to be fulfilled on a gross basis (currency derivatives), payments received and payments made are shown; for derivative financial liabilities to be fulfilled on a net basis (interest-rate derivatives and commodity derivatives), net payments are shown.

	Carrying amount	**Total**	2021	2022	2023	2024-2027	>2027
2020							
Financial debt, bonds	250.0	**-307.5**	-14.4	-14.4	-14.4	-264.4	–
Financial debt, promissory note loan	123.0	**-128.5**	-3.2	-119.3	-0.2	-5.8	–
Financial debt, other	2.2	**-2.4**	-0.7	-0.4	-0.4	-0.9	–
Lease liabilities (IFRS 16)	192.9	**-209.2**	-50.6	-40.9	-33.7	-65.4	-18.5
Liabilities	459.7	**-459.7**	-459.6	-0.1	0,0	–	–
Other financial, non-derivative liabilities	118.2	**-118.2**	-118.2	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	**–**	–	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	1.3						
Payments received		**120.5**	88.0	–	32.5	–	–
Payments made		**-120.1**	-86.8	–	-33.3	–	–
		0.4	1.2	–	-0.8	–	–

	Carrying amount	Total	2020	2021	2022	2023-2026	>2026
2019							
Financial debt, bonds	250.0	**-306.3**	-11.3	-11.3	-11.3	-272.5	–
Financial debt, promissory note loan	123.0	**-130.5**	-2.7	-2.7	-119.2	-5.9	–
Financial debt, other	2.5	**-2.8**	-0.7	-0.4	-0.4	-1.3	–
Lease liabilities (IFRS 16)	225.5	**-241.7**	-53.6	-45.0	-37.8	-79.1	-26.3
Liabilities	546.1	**-546.1**	-546.0	-0.1	0,0	0,0	–
Other financial, non-derivative liabilities	132.7	**-132.7**	-132.7	–	0,0	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	**–**	–	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	0.9	**–**	–	–	–	–	–
Payments received		**89.4**	88.9	0.5	–	–	–
Payments made		**-89.6**	-89.1	-0.5	–	–	–
		-0.2	-0.2	0,0	–	–	–

With its international operations, the Bilfinger Group is subject to various market-price risks, relating in particular to currency exchange rates, interest rates and the market values of financial investments. We minimize market-price risks by protecting against currency and interest-rate risks through derivative financial instruments. Our centralized controlling of market-price risks allows us to net out cash flows and financial positions to a large extent. We make use of derivative financial instruments to minimize residual risks and the resulting fluctuations in earnings, valuations and cash flows. Depending on the development of exchange rates and interest rates, hedging transactions could affect our net assets and financial position. We therefore do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges.

Currency risk is the risk that the fair values or future payments of financial instruments might change due to exchange-rate movements. As a globally active company, we are subject to exchange-rate fluctuations, e.g., between the euro and the US dollar, since a portion of our volume of business is generated in the U.S. A rise of the euro against the US dollar in particular could therefore have a negative impact on our financial position. We use currency futures or currency options to hedge risks relating to foreign-currency cash flows and balance-sheet items denominated in foreign currencies (not translation risks). We generally hedge against transaction risks. Risk management takes place with the use of specified risk limits for outstanding foreign-exchange items. All future cash flows that are not denominated in the functional currency of the respective company of the Group are subject to currency risk.

Interest-rate risk is the risk that the fair values or future payments of financial instruments might change due to movements in market interest rates. Interest-rate changes can lead to increasing financing costs or to lower returns on marketable securities. We counter risks from interest-rate changes by continually reviewing loans and investments with fixed and variable interest rates and, when necessary, hedge the interest-rate-change risk.

Bilfinger uses the value-at-risk method to quantify market-price risks. The value at risk is the potential loss of a particular risk position that with a probability of 95 percent will not be exceeded during the next five days. The calculation takes place on the basis of the variance-covariance approach. The value at risk is the maximum possible loss on the basis of the specified parameters, but does not make a statement on the distribution of loss or expected extent of loss if it is actually exceeded.

When calculating the value at risk for currency risks, potential changes in the valuation of the monetary financial instruments (cash and cash equivalents, receivables, interest-bearing debt, liabilities) that are not denominated in the functional currency and currency derivatives are taken into consideration.

The value at risk for the risk of changes in interest rates takes into consideration potential changes in the valuation of financial instruments that are measured at fair value. This generally relates mainly to interest-rate swaps, which are hedging instruments within the scope of cash-flow hedges. On the balance-sheet date, no relevant instruments were held so that there was no corresponding interest-rate risk.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the volume of financial instruments held at the end of the reporting period. It is assumed that the volume at the balance-sheet date is representative of the whole year.

Value at risk amounts to €0.2 million (previous year: €0.1 million) for the currency risk.

Market-value risk of financial investments is the risk that the fair values or future payments from financial instruments might change due to exchange-rate movements. As of the balance-sheet date, Bilfinger is not invested in any financial instruments that are subject to price changes.

The **default risk** is the risk that a contracting party of a financial instrument does not fulfill its payment obligations. Positive market values and the investment of liquid funds in banks result in credit risks from these banks. In the case of a collapse of the bank, there is the risk of a loss, which can have a negative impact on our net assets and financial position. We counter these risks by concluding relevant financial transactions with such banks that have a short-term public rating of at least A. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place.

The risk of default on receivables in our business operations is regularly monitored and controlled by the companies of the Group. In this context, use is made, for example, of guarantees and sureties.

In connection with receivables and other financial non-derivative assets, possible default risks are reflected by impairments.

The maximum default risk connected with financial assets (e.g., cash and cash equivalents, securities, loans, receivables, derivative financial instruments) is equal to their carrying amounts in the balance sheet.

Due to this consistent application of the financing policy, there were no negative effects on the Group's financial position or earnings in the past financial year.

Hedging instruments

The following table shows the fair values of the various types of derivative financial instruments that Bilfinger uses to hedge market-price risks. A difference is made depending on whether they are designated as hedging instruments in a hedge accounting relationship pursuant to IFRS 9.

	2020	2019
Derivatives with positive fair values		
not in hedging relationships		
Currency derivatives	2.3	1.5
	2.3	1.5
Total derivatives with positive fair values	**2.3**	1.5
Derivatives with negative fair values		
Not in hedging relationships		
Currency derivatives	1.3	0.9
	1.3	0.9
Total derivatives with negative fair values	**1.3**	0.9

Other disclosures

31 Additional information on capital management

The goal of capital management at Bilfinger is to maintain a strong financial profile. In addition to securing liquidity and limiting financial risks, the focus is on maintaining sufficient financial flexibility as a precondition for the continuous further development of our business portfolio. We aim to optimize the total cost of capital on the basis of an adequate capital structure under consideration of financial covenants.

The syndicated cash credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA), which we therefore use as a significant key performance indicator. At December 31, 2020, this indicator was well below the permissible threshold.

Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's (S&P). S&P rates Bilfinger as BB- / stable outlook as of December 31, 2020 (December 31, 2019: BB / stable outlook).

On the basis of mid-term corporate planning and with a view to various acquisition and development scenarios, the financial scope for action is regularly analyzed in terms of any action that might need to be taken.

32 Contingent liabilities and other financial obligations

	2020	2019
Liabilities from guarantees	23.4	24.7

Contingent liabilities generally relate to guarantees provided for former Group companies that were sold and companies in which Bilfinger holds a minority interest, the vast majority of which are collateralized by the buyers of the former Group companies. There are bank guarantees in the amount of €11.7 million in place for this. In addition, we are jointly and severally liable as partners in companies constituted under the German Civil Code and in connection with consortiums and joint ventures.

Other contingent liabilities comprise in particular potential litigation charges. These include judicial, arbitrative, and out-of-court proceedings involving customers and subcontractors that file claims or may in the future file claims under various contracts, for example under contracts for maintenance and servicing as well as other supply and service relationships. At this time, however, Bilfinger does not expect that these legal disputes will result in any significant negative effects on its financial position, cash flows or profitability.

One of the most significant damage claims was the *collapse of the Cologne Municipal Archives* in 2009, which was concluded in June 2020 with an out-of-court settlement among the parties involved. The payments attributable to Bilfinger in the amount of €200 million were covered in full by the insurers. The settlement payments therefore had no effect on the net assets, financial position and results of operations of the Group, as expected by the company.

Bilfinger SE also reached a settlement in the dispute over breaches of duty with 12 former members of the Executive Board and the D&O insurers. A large majority of shareholders at Bilfinger SE's Annual General Meeting on June 24, 2020 approved the settlement.

In individual projects in Germany, Poland, northern Macedonia and other countries, clients, subcontractors or consortium partners are asserting claims in the mid three-digit million-euro range against Bilfinger for various reasons. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays, disruptions to the construction process, defects and disagreements related to the technical features of the plants.

33 Executive Board and Supervisory Board

More details on the remuneration of members of the Executive Board and the Supervisory Board are included in the remuneration report which is a component of the combined management report.

Remuneration for the members of the Executive Board is comprised of several components which are presented in the table below (remuneration pursuant to German accounting standard GAS 17).

€ thousand	Non-performance-related remuneration				Performance-related remuneration				**Total remuneration**	
	Fixed remuneration		Fringe benefits		Short-term incentive		Long-term incentive (expense from share-based remuneration)			
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Tom Blades (Chairman)	1,330[1]	1,200	38	45	310	347	1,269	918	2,947	2,510
Christina Johansson (Chief Financial Officer)	732[2]	650	36	39	186	540	635	459	1,589	1,688
Duncan Hall (from January 1, 2019, Member of the Executive Board)	935[3]	870[4]	13	13	155	270	571	413	1,674	1,566
Michael Bernhardt (until December 31, 2019)	0	600	0	35	0	154	0	413	0	1,202
Total, Executive Board	**2,997**	3,320	**87**	132	**651**	1,311	**2,475**	2,203	**6,210**	6,966

1 Including one-time payment of €190 thousand
2 Including one-time payment of €114 thousand
3 Including annual contribution to pension of €270 thousand and one-time payment of €95 thousand
4 Including annual contribution to pension of €270 thousand

Total remuneration as defined by IAS 24 was €7,075 thousand (previous year: €9,430 thousand). Of that amount, €3,735 thousand was accounted for by short-term employee benefits (previous year: €4,835 thousand), €865 thousand by post-employment defined benefits (previous year: €838 thousand), €0 thousand by termination benefits (previous year: €1,554 thousand) and €2,475 thousand by long-term share-based remuneration (previous year: €2,203 thousand).

The total remuneration paid to former members of the Executive Board or their surviving dependents amounted to €5,118 thousand (previous year: €3,572 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €30,320 thousand (previous year: €30,998 thousand).

Total remuneration of the members of the Supervisory Board amounts to €1,449 thousand (previous year: €1,499 thousand), including reimbursement of expenses in the amount of €93 thousand (previous year: €107 thousand). In the previous year, Mr. Knerler was paid for his advisory role with the Group Works Council, approved by the Supervisory Board, a consulting fee in the net amount of €80 thousand.

34 Share-based payment

For members of the Executive Board, a long-term incentive plan (LTI) exists, which includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). The number of the PSUs is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as well as the development of the total shareholder return value (TSR value) of the Bilfinger share in relation to the TSR value of the shares of MDAX-listed companies. At the end of the performance period, members of the Executive Board receive a number of real shares corresponding to the final number of PSUs. The determination of the fair value of a PSU is based on the requirements of IFRS 2 for equity-settled share-based payments at the time of granting. The measurement is conducted on the basis of a recognized financial-mathematical method. In the Monte Carlo simulation used for this purpose, a large number of possible development paths of the Bilfinger share are simulated, in addition to comparative values from the MDAX. The parameters underlying the measurement are derived in a systematic process. Annualized volatility and correlations are determined on the basis of historical daily returns. The risk-free interest rate was determined on the basis of the level of return of German government bonds with matching maturities. The following average parameter values were taken into consideration when assessing the LTI 2019:

	2020	2019
Annualized volatility of the Bilfinger share	34.6%	29.9%
Average annualized volatility of MDAX companies	31.3%	27.4%
Average correlation of the Bilfinger share to MDAX securities	25.8%	28.0%
Risk-free interest rate	-0.6%	-0.6%

The weighted average fair value of the PSUs granted in the financial year was €28.98 at granting (previous year: €18.56).

	As of Jan. 1, 2020 outstanding PSU	2020 granted PSU	As of Dec. 31, 2020 forfeited PSU	As of Dec. 31, 2020 finally allocated PSU	As of Dec. 31, 2020 outstanding PSU	Weighted average of residual term in years
Thomas Blades	86,437	43,792	9,236	27,713	93,280	1.6
Christina Johansson	26,314	21,896	392	1,178	46,639	1.6
Duncan Hall	22,270	19,706	0	0	41,976	1.6
Michael Bernhardt	38,899	0	4,156	12,471	22,272	1.0
Dr. Klaus Patzak	16,779	0	4,194	12,585	0	0.0
Total	**190,699**	**85,394**	**17,978**	**53,947**	**204,167**	**1.5**

More details on the above-mentioned components of remuneration for members of the Executive Board are included in the remuneration report, which is a component of the combined management report.

In financial year 2017, the Bilfinger 2020 Executive Share Plan was introduced which presents a one-time long-term remuneration in the form of virtual shares with a term of four years for top management. The share options are provided in tranches each representing 20 percent of the target amount for the years 2017 until 2019 as well as 40 percent of the target amount for the year 2020 and grant an entitlement to shares in Bilfinger SE which the beneficiaries receive following the fulfillment of the plan conditions at the end of the term. For each financial year of the plan term, the Executive Board defines target values for the adjusted EBITA margin. If these are met, the conditional share option for the relevant tranche cannot be reversed. Insofar as the target value in the financial year is not achieved, the entitlement from the relevant tranche is forfeited.

In financial year 2020, the Extraordinary 2020 Share Bonus Plan was introduced which represents a one-time remuneration in the form of virtual shares with a term until the end of the financial year for top management. Upon achievement of the target figures for adjusted EBITA and reported free cash flow set by the Executive Board for financial year 2020, the entitlement to shares in Bilfinger SE cannot be reversed.

In financial year 2020, a further one-time share-based remuneration plan with a term of two years was introduced for selected employees, under which shares in Bilfinger SE are transferred to the beneficiaries at the end of the term.

The number of virtual shares from these share-based remuneration plans developed as follows:

	2020	2019
Outstanding virtual shares at January 1	233,918	286,590
Virtual shares granted in the reporting year	651,037	168,386
Virtual shares forfeited in the reporting year	388,648	221,058
Finally allocated virtual shares at December 31	418,817	0
Outstanding virtual shares at December 31	77,490	233,918

The weighted average fair value of the virtual shares granted in the financial year at the grant date was €7.93 (prior year: €31.13), measured at the Bilfinger share price at the grant date less the present value of the dividends expected during the vesting period.

The expenses from share-based remuneration are recognized pro rata over the vesting period. The expense recognized in profit or loss from share-based payments was €9.5 million (previous year: €4.8 million).

35 Related-party disclosures

Related parties as defined by IAS 24 are persons or entities that can be influenced by the reporting company or that can exert a significant influence on the reporting company.
The significant transactions between fully consolidated companies of the Group and related parties mainly involved associates, joint ventures and non-consolidated subsidiaries. Business transactions with related parties result from the normal exchange of goods and services and are conducted at arm's length. They are shown in the table below.

	Associates		Joint ventures		Non-consolidated subsidiaries	
	2020	2019	**2020**	2019	**2020**	2019
Revenue	0.1	0.1	14.4	19.4	0.1	4.1
Services received	37.4	38.2	0.1	0.1	0.9	0.9
Receivables	0.7	0.4	5.5	6.1	0.4	0.5
Liabilities	3.0	1.5	0.7	0.6	1.4	4.4
Guarantees granted	0.0	0.0	0.0	0.0	0.0	0.1

In the fourth quarter of financial year 2020, the fully consolidated subsidiary *Tebodin India Private Ltd.* was sold to the joint venture *Muscat Engineering Consultancy LLC* (see Note 4.3).

Remuneration of the Executive Board and the Supervisory Board is explained in the previous note and in the remuneration report. No further transactions with the Executive Board, the Supervisory Board and their close relations who are subject to disclosure took place in the reporting year.

Pursuant to the notification in accordance with Section 33 Subsection 1 of the German Securities Trading Act (WpHG) dated March 5, 2019, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 26.81 percent of voting rights with respect to Bilfinger SE capital. Over the past financial year, as was the case in the prior year, no business was conducted between Bilfinger SE or, respectively, its Group companies and Cevian Capital.

36 Auditors' fees

The fees listed below cover all of the services provided to the companies of the Bilfinger Group by our external auditors, Ernst & Young, in the 2020 financial year. Insofar as these services relate to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, the fees are shown as 'thereof' in the following table.

	2020	2019
Audit services	2.9	3.3
thereof in Germany	1.6	1.7
Other assurance services	0.2	0.1
thereof in Germany	0.1	0.1
Tax-consulting services	0.2	0.3
thereof in Germany	0.0	0.0
Other services	0.2	0.1
thereof in Germany	0.2	0.1
Total	**3.5**	**3.8**

Audit services include expenses for the audit of the consolidated financial statements and the annual financial statements of Bilfinger SE, expenses for statutory and voluntary audits of subsidiaries as well as expenses for the audit review of the half-year financial report of Bilfinger SE.

The fees for other assurance services mainly include assurance services relating to state support measures in connection with the COVID 19 pandemic and in relation to sustainability reporting.

The fees for other services mainly include consulting services in connection with M&A activities and other project-related consulting services.

37 Declaration of compliance

Bilfinger SE is included in the consolidated financial statements as a listed company.

As prescribed by Section 161 of the German Stock Corporation Act, an annual declaration of compliance was issued by the Executive Board and the Supervisory Board on December 12, 2020, and on that date was made permanently available to the shareholders on Bilfinger's website.

38 Events after the balance-sheet date

There have been no significant events since the balance-sheet date.

39 List of subsidiaries and equity interests of Bilfinger SE

A. FULLY CONSOLIDATED COMPANIES	Equity interest %
I. German companies exempted pursuant to Section 264 Paragraph 3 / Section 264b of the German Commercial Code (HGB)	
Bilfinger arnholdt GmbH, Gelsenkirchen	100
Bilfinger Corporate Insurance Management GmbH, Mannheim	100
Bilfinger Corporate Real Estate Management GmbH, Mannheim	100
Bilfinger Digital Next GmbH, Aarbergen	100
Bilfinger EMS GmbH, Cloppenburg	100
Bilfinger Engineering & Technologies GmbH, Oberhausen	100
Bilfinger Global IT GmbH, Mannheim	100
Bilfinger GreyLogix foodtec GmbH, Flensburg	82
Bilfinger GreyLogix GmbH, Flensburg	91
Bilfinger Infrastructure Mannheim GmbH, Mannheim	100
Bilfinger ISP Europe GmbH, Mannheim	100
Bilfinger Maintenance GmbH, Heidelberg	100
Bilfinger Noell GmbH, Würzburg	100
Bilfinger OKI Isoliertechnik GmbH, Dortmund	100
Bilfinger Peters Engineering GmbH, Ludwigshafen	100
Bilfinger Rohrleitungsbau GmbH, Bitterfeld-Wolfen	92
Bilfinger Shared Services GmbH, Mannheim	100

A. FULLY CONSOLIDATED COMPANIES

II. Other German companies	Equity interest %
Bilfinger Industrial Services Germany GmbH, Burghausen	100
Bilfinger Infrastructure Services GmbH, Wiesbaden	100
Bilfinger Tebodin Germany GmbH, Oberhausen	100
BIS Equipment Service GmbH, Munich	100
BIS Industrieservice Mitte GmbH, Frankfurt am Main	100
R&M Baudienstleistungen GmbH, Munich	100
Sönnichsen & Görtz Baugesellschaft mbH, Hamburg	100

A. FULLY CONSOLIDATED COMPANIES

III. International	Equity interest %
Babcock Borsig Service Arabia Ltd., Dammam, Saudi-Arabia	100
Bilfinger Berger (Canada) Inc., Burnaby, British Columbia, Canada	100
Bilfinger Berger Civil Pty Ltd, Belmont Victoria, Australia	100
Bilfinger Berger Qatar W.L.L., Doha, Qatar	100
Bilfinger Bohr- und Rohrtechnik GmbH, Vienna, Austria	100
Bilfinger Brabant Mobiel B.V., Oosterhout, Netherlands	100
Bilfinger Chemserv GmbH, Linz, Austria	100
Bilfinger Construction Hungária Kft., Budapest, Hungary	100
Bilfinger Construction UK LIMITED, Manchester, United Kingdom	100
Bilfinger Deutsche Babcock Emirates LLC, Abu Dhabi, United Arab Emirates	90
Bilfinger Deutsche Babcock Middle East FZE, Dubai, United Arab Emirates	100
Bilfinger EMV BV, Zwijndrecht, Belgium	100
Bilfinger ESG AG, Buchs, Switzerland	100
Bilfinger GreyLogix Austria GmbH, Vienna, Austria	91
Bilfinger Guangzhou Engineering & Technologies Co., Ltd., Guangzhou, People's Republic of China	100
Bilfinger Inc., Wilmington, Delaware, USA	100
Bilfinger Industrial Services België N.V., Zwijndrecht, Belgium	100
Bilfinger Industrial Services Beteiligungs GmbH, Linz, Austria	100
Bilfinger Industrial Services Finland Oy, Porvoo, Finland	100
Bilfinger Industrial Services GmbH, Linz, Austria	100
Bilfinger Industrial Services IM AS, Porsgrunn, Norway	100
Bilfinger Industrial Services Inc., Wilmington, Delaware, USA	100
Bilfinger Industrial Services Interpipe AB, Stenungsund, Sweden	100
Bilfinger Industrial Services Nederland B.V., Brielle, Netherlands	100
Bilfinger Industrial Services Norway AS, Porsgrunn, Norway	100
Bilfinger Industrial Services Österreich GmbH, Linz, Austria	100
Bilfinger Industrial Services Polska Sp. z o.o., Warsaw, Poland	100
Bilfinger Industrial Services Schweiz AG, Zofingen, Switzerland	100

A. FULLY CONSOLIDATED COMPANIES III. International	Equity interest %
Bilfinger Industrial Services Sweden AB, Kungälv, Sweden	100
Bilfinger Industrier Danmark A/S, Aarhus, Denmark	100
Bilfinger Industrier Norge AS, Stavanger, Norway	100
Bilfinger Industrietechnik Salzburg GmbH, Puch bei Hallein, Austria	100
Bilfinger Insulation B.V., Brielle, Netherlands	100
Bilfinger International Construction and Trading N.V., Zwijndrecht, Belgium	100
Bilfinger Intervalve Africa (Pty) Ltd., Rivonia, South Africa	50
Bilfinger LTM Industrie SAS, Toussieu, France	100
Bilfinger Maschinenbau Beteiligungs GmbH, Linz, Austria	100
Bilfinger Maschinenbau GmbH & Co. KG, Linz, Austria	100
Bilfinger Maschinenbau Holding GmbH, Linz, Austria	100
Bilfinger North America Inc., Wilmington, Delaware, USA	100
Bilfinger Northwest Europe Limited, Aberdeen, United Kingdom	100
Bilfinger Peters Engineering SARL, Malakoff, France	91
Bilfinger Piping Technologies UK Limited, Warrington, United Kingdom	100
Bilfinger Power Africa (Pty) Ltd., Rivonia, South Africa	100
Bilfinger Prefal - Isolamentos Térmicos, Unipessoal Lda, Lispon, Portugal	100
Bilfinger ROB B.V., Terneuzen, Netherlands	100
Bilfinger ROB N.V., Zwijndrecht, Belgium	100
Bilfinger Salamis UK Limited, Aberdeen, United Kingdom	100
Bilfinger Scaffolding B.V., Brielle, Netherlands	100
Bilfinger Shared Services B.V., Brielle, Netherlands	100
Bilfinger Tebodin B.V., The Hague, Netherlands	100
Bilfinger Tebodin Belgium NV, Zwijndrecht, Belgium	100
Bilfinger Tebodin CIS B.V., The Hague, Netherlands	100
Bilfinger Tebodin Czech Republic, s.r.o., Prague, Czech Republic	100
Bilfinger Tebodin d.o.o., Belgrade, Serbia	100
Bilfinger Tebodin Hungary Kft., Budapest, Hungary	100

A. FULLY CONSOLIDATED COMPANIES	Equity interest %
III. International	
Bilfinger Tebodin Netherlands B.V., The Hague, Netherlands	100
Bilfinger Tebodin Poland Sp. z o.o., Warsaw, Poland	100
Bilfinger Tebodin România S.R.L., Voluntari, Romania	100
Bilfinger Tebodin Slovakia s.r.o., Bratislava, Slovakia	100
Bilfinger Tebodin Ukraine CFI, Kiev, Ukraine	100
Bilfinger UK Limited, Warrington, United Kingdom	100
Bilfinger VAM Anlagentechnik GmbH, Wels, Austria	100
Centennial Contractors Enterprises Inc., Reston, Virginia, USA	100
FCC LLC, Clayton, Missouri, USA	100
Multiserwis Sp. z o.o., Krapkowice, Poland	83
OOO Bilfinger Tebodin RUS, Moscow, Russia	100
Steinmüller Africa (pty) Ltd., Rivonia, South Africa	68
TEBODIN d.o.o., Velika Gorica, Croatia	100
Tebodin Malaysia SDN. BHD., Kuala Lumpur, Malaysia	100
Tebodin Middle East Holding Limited, Nicosia, Cyprus	100
Tebodin Middle East Ltd., Nicosia, Cyprus	100
Tebodin Singapore Pte. Ltd., Singapore, Singapore	100

B. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD I. Germany	Equity interest %
Babcock Fertigungszentrum GmbH, Oberhausen	50

B. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD II. International	Equity interest %
Atlantic NICC JV LLC, Vienna, Virginia, USA	49
BILFINGER (THAI) CONSTRUCTION CO. LTD., Bangkok, Thailand	49
Central NICC JV LLC, Vienna, Virginia, USA	49
Eduardo Construction (pty) Ltd., Witbank, South Africa	29
Mediterranean Sea Engineering Construction Joint Stock Company, Sirte, Libya	49
Midnight Sun - Centennial JV, LLC, Anchorage, Alaska, USA	49
Muscat Engineering Consultancy LLC, Muscat, Oman	10[1]
PCC/BMO v.o.f., Heijningen, Netherlands	50
SIP's UNITED V.O.F., Vlaardingen, Netherlands	50
Tebodin & Partners Saudi for Engineering Consultancy, Jeddah, Saudi Arabia	51
Veteran's Construction Alliance LLC, Norfolk, Virginia, USA	49
Veteran's Construction Coalition LLC, Norfolk, Virginia, USA	49
Veterans Construction Enterprises, LLC, Norfolk, Virginia, USA	49

[1] Economic share 50%

C. NON-CONSOLIDATED COMPANIES I. Germany	Equity interest %
Bau-Union Potsdam Gesellschaft mit beschränkter Haftung, Leipzig	100
BIS EnTech GmbH, Munich	100
Bromit Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94
CSG GmbH, Bonn	49
PR France GmbH, Aarbergen	100
Willich Beteiligungen GmbH, Munich	100

C. NON-CONSOLIDATED COMPANIES II. International	Equity interest %
Babcock Borsig Service Hellas E.P.E., Athens, Greece	100
Bilfinger Height Specialists B.V., Rotterdam, Nehterlands	100
Bilfinger India Private Limited, Chennai, India	100
Bilfinger One Belgium BV, Zwijndrecht, Belgium	100
BMO B.V., Oosterhout, Netherlands	100
Deutsche Babcock Nigeria Ltd., Abuja, Nigeria	70
Malmö Citytunnel Group Handelsbolag, Malmö, Sweden	50
Tebodin Design & Engineering Technology Libya JSC, Tripoli, Libya	60
Zaklad Remontowy Transformatorów i Silników sp. z o.o., Warsaw, Poland	100

D. GERMAN CONSTRUCTION JOINT VENTURES

I. Germany	Equity interest %
ARGE ABS III Oldenburg-Wilhelmshaven, allg. Bau PFA2 und PFA3, Wiesbaden	40
ARGE Baugrube DKÖ Düsseldorf, Wiesbaden	68
ARGE Ing.-Bau Rethebrücke, Hamburg	50
ARGE LEH A1 Köln-Lövenich, Cologne	20
ARGE Neuer Kaiser-Wilhelm-Tunnel, Oberbau, Wiesbaden	50
ARGE Nord-Süd Stadtbahn Köln, Los Süd, Cologne	33
ARGE Raffinerie Service Gesellschaft, Bitterfeld	75
ARGE Rethebrücke, Hamburg	39
ARGE Spezialtiefbau DKÖ, Wiesbaden	60
CJV E18 Grimstad-Kristiansand ANS, Wiesbaden	100

D. JOINT VENTURES

II. International	Equity interest %
Doha Expressway, Doha, Qatar	90
Golden Crossing Constructors Joint Venture, Burnaby, British Columbia, Canada	67
Highway Management Construction (M1), Hillsborough, United Kingdom	33
Highway Management Construction (M80), Manchester, United Kingdom	50
JV Max Streicher Romania SRL, Ploiesti, Romania	50

D Explanations and additional information

D.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of Bilfinger SE, includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 2, 2021

Bilfinger SE

The Executive Board

Christina Johansson

The Supervisory Board

Duncan Hall

D.2 Reproduction of the auditor’s report

The following copy of the auditor’s report also includes a “Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the financial statements and the management report prepared for publication purposes” (“separate report on ESEF compliance”). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].

“Independent auditor’s report

To Bilfinger SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Bilfinger SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated income statement and statement of comprehensive income for the fiscal year from 1 January to 31 December 2020, consolidated balance sheet as at 31 December 2020, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bilfinger SE, which is combined with the management report of Bilfinger SE, for the fiscal year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the group declaration of corporate governance pursuant to Sec. 315d HGB [“Handelsgesetzbuch”: German Commercial Code], which is published on the website stated in the group management report and is part of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group declaration of corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition for project and service contracts

Reasons why the matter was determined to be a key audit matter

A significant portion of the Bilfinger Group's business activities is characterized by long-term project and service contracts with customers. Revenue from contracts with customers is recognized in accordance with IFRS 15, Revenue from Contracts with Customers, generally over the period in which performance obligations are satisfied. We consider the accounting for project and service contracts to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the assessments of the executive directors significantly impact the determination of when performance obligations are satisfied. These assessments include, in particular, the scope of deliveries and services required, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenue, estimated total costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a contract. In addition, the effects of the COVID-19 pandemic on the project business in fiscal year 2020, such as delays processing projects on account of access restrictions at customer locations or temporary disruptions to the supply chains, and their accounting treatment were a key audit matter.

Auditor's response

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and controls for project management in the bid and execution phase of project and service contracts. We also assessed the design of the accounting-related internal controls by examining contract-specific business transactions starting with the initiation of the transaction through the recognition in the consolidated financial statements.

As part of our substantive audit procedures, we evaluated the estimates and assumptions of the executive directors based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, cross-border projects, projects in geographical regions hit particularly hard by the COVID-19 pandemic and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the transfer of performance obligations, and examined the accounting for the associated positions in the statement of financial position.

Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects including the effects of the COVID-19 pandemic on processing projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and the assessments of the executive directors on probabilities that contract risks will materialize. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and asserted claims).

Our audit procedures did not lead to any reservations relating to revenue recognition on project and service contracts.

Reference to related disclosures

With regard to the accounting policies applied for project and service contracts, we refer to the disclosures in the notes to the consolidated financial statements in Note 3.4 "Significant accounting policies" and Note 3.5 "Assessments and estimates". With respect to contract assets and liabilities as well as provisions for losses and risks relating to project and service contracts, we refer to Note 20 "Receivables and other financial assets", Note 24 "Other provisions" and Note 26 "Trade and other payables".

2. Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

Goodwill is tested for impairment at least once a year as at 31 December and, additionally, during the year where there are signs of an impairment. The result of these tests is dependent to a large extent on the executive directors' estimate of future cash flows – also in particular against the background of the effects of the COVID-19 pandemic – and the respective discount rates used.

Due to the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was one of the key audit matters.

Auditor's response

During our audit, among other things, we obtained an understanding of the methodical procedure for performing an impairment test in accordance with IAS 36. Among other things, we discussed with the Company the definition of cash-generating units as well as the identification of corporate assets and their allocation and assessed their consistency with the internal reporting structure.

We compared the business plans which form the basis of the goodwill impairment test, including any deviating assumptions, with the forecasts for the Company's future development prepared by the executive directors. We discussed the significant planning assumptions, including any temporary and long-term effects of the COVID-19 pandemic, with the executive directors and compared these with the results and cash inflows realized in the past. This also took effects caused by the COVID-19 pandemic into account. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the individual components used to determine the discount rate with the involvement of internal experts by analyzing the peer group, comparing market data with external evidence and examining the mathematical accuracy of the calculation.

With respect to rolling forward the medium-term plan to obtain the long-term plan, we examined the assumptions by comparing them to industry peers, particularly with regard to the growth rate. Our assessment of the results of the impairment tests as of 31 December 2020 was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also scrutinized the executive directors’ planning scenarios and performed sensitivity analyses to assess the potential impairment risk in the case of a reasonably possible change in one of the significant assumptions on which the valuation is based.
Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

The approach to performing the goodwill impairment test is presented in the Notes 3.4 “Significant accounting policies”, 3.5 “Assessments and estimates”, and 14.1. “Goodwill” of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in section A3. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group declaration of corporate governance. In all other respects, the executive directors are responsible for the other information. The other information consists of the group declaration of corporate governance referred to above. In addition to that, the other information includes the non-financial report, which was provided to us prior to issuing this auditor’s report. The other information also includes the prescribed elements of the Annual Report, which were provided to us prior to issuing this auditor’s report, including, but not limited to:

- Letter from the Chairman of the Executive Board to the shareholders in section A.1 of the Annual Report 2020,
- Report of the Supervisory Board in section A.3 of the Annual Report 2020,

- Corporate governance report and declaration of corporate governance in section A.4 of the Annual Report 2020,
- Bilfinger in the capital market in section A.5 of the Annual Report 2020,
- Responsibility statement in section D.1 of the Annual Report 2020,
- Return-on-capital-employed controlling in section D.3 of the Annual Report 2020,
- Boards of the company in section D.4 of the Annual Report 2020,
- Non-financial report in section E. of the Annual Report 2020,
- Ten-year overview in the Annual Report 2020,
- Financial calendar in the Annual Report 2020,
- Notes and exclusion of liability in the Annual Report 2020,

but not the consolidated financial statements, not the disclosures in the group management report included in the audit of content and not our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file BILFINGER_SE_KA+ZLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Quality Control Standard: "Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" [Requirements for Quality Control in the Practice of Public Auditors] (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor’s responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 24 June 2020. We were engaged by the Supervisory Board on 29 June 2020. We have been the group auditor of Bilfinger SE without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Prof. Dr. Sven Hayn."

Mannheim, March 2, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Sven Hayn	Heiko Hellmich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

D.3 Return-on-capital-employed controlling

in € million	Engineering & Maintenance Europe		Engineering & Maintenance International		Technologies		Total of segments		Reconciliation Group		Total Continuing operations	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Goodwill	403.9	409.1	218.8	223.8	152.5	154.6	775.2	787.5	2.6	13.8	777.8	801.3
Property, plant and equipment	180.8	185.5	33.0	35.5	16.5	17.9	230.4	238.9	65.0	76.9	295.3	315.8
Other non-current assets	165.5	169.7	41.8	70.2	27.1	32.8	234.3	272.7	279.4	343.3	513.7	616.0
Current assets	602.7	672.1	199.6	256.1	209.8	236.1	1,012.2	1,164.3	690.1	850.9	1,702.3	2,015.2
Segment assets	**1,353.0**	1,436.4	**493.2**	585.6	**406.0**	441.3	**2,252.1**	2,463.4	**1,037.0**	1,284.9	**3,289.2**	3,748.2
Segment liabilities	581.6	575.0	168.9	208.8	242.0	289.0	992.6	1,072.8	1,217.7	1,481.9	2,210.3	2,554.7
Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-926.2	-1,199.3	-926.2	-1,199.3
Non-interest-bearing liabilities	**581.6**	575.0	**168.9**	208.8	**242.0**	289.0	**992.6**	1,072.8	**291.6**	282.6	**1,284.1**	1,355.4
Balance	**771.4**	861.4	**324.3**	376.8	**163.9**	152.3	**1,259.6**	1,390.5	**745.5**	1,002.3	**2,005.0**	2,392.8
Financial assets, project-related	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets, division-related	49.8	18.1	0.0	0.0	82.4	117.9	132.2	136.0	-132.2	-136.0	0.0	0.0
Operating financial assets	**49.8**	18.1	**0.0**	0.0	**82.4**	117.9	**132.2**	136.0	**-132.2**	-136.0	**0.0**	0.0
Capital employed	**821.1**	879.5	**324.3**	376.8	**246.4**	270.2	**1,391.8**	1,526.5	**613.3**	866.3	**2,005.0**	2,392.8

Return-on-capital-employed controlling, continued >

< Return-on-capital-employed controlling, begin

in € million	Engineering & Maintenance Europe		Engineering & Maintenance International		Technologies		Total of segments		Reconciliation Group		Total Continuing operations	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
EBITA reported	36.0	86.2	-34.5	36.7	-36.0	-35.2	-34.4	87.7	-22.6	-55.7	-57.0	32.0
EBIT	35.7	85.6	-35.8	33.9	-36.0	-35.8	-36.1	83.8	-29.4	-55.7	-65.5	28.1
Interest income and income from securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	211.1	18.9	211.1	18.9
Interest income, division-related (2.31% / previous year 2.31%)	1.1	0.4	0.0	0.0	1.9	2.7	3.1	3.1	-3.1	-3.1	0.0	0.0
Taxes	0.3	-9.2	1.7	-4.6	-2.6	1.4	-0.6	-12.4	-6.9	8.5	-7.5	-3.9
Return	37.2	76.9	-34.1	29.3	-36.8	-31.7	-33.7	74.6	171.7	-31.4	138.0	43.1
ROCE (return on capital employed)	4.5%	8.7%	-10.5%	7.8%	-14.9%	-11.7%	-2.4%	4.9%	-	-	6.9%	1.8%
WACC (weighted average cost of capital)	8.3%	7.4%	9.1%	8.1%	11.6%	10.1%	8.8%	8.5%	-	-	8.8%	7.7%
Value added, relative	-3.8%	1.4%	-19.6%	-0.4%	-26.5%	-21.9%	-11.2%	-3.6%	-	-	-1.9%	-5.9%
Value added, absolute	-31.2	12.2	-63.5	-1.3	-65.3	-59.1	-156.2	-55.9	118.3	-86.1	-37.9	-142.0

D.3.1 Explanation of return-on-capital-employed controlling

Our return-on-capital-employed controlling is based on the segment reporting which is conducted in accordance with the organizational structure of our business segments. We focus on continuing operations in order to provide better comparability over time in the consideration of return-on-capital-employed.

To determine the return, we rely on an after taxes calculation, based on EBIT and including interest income and income from securities. This means that we also consider special items, amortization on capitalized assets from acquisitions as well as goodwill impairments in the calculation of the return. We thus want to ensure that all success components are represented in our return on capital employed.

The segment assets of the business segments include goodwill and intangible assets from acquisitions; property, plant and equipment; other non-current assets and current assets. The segment assets shown under 'Reconciliation Group' include cash and cash equivalents, as well as non-current and current assets not allocated to the business segments.

The segment liabilities are deducted from the segment assets. They include liabilities and provisions that are available to the company free of interest. Financial liabilities and retirement-benefit obligations are not included.

We refer to segment liabilities as non-interest-bearing liabilities. The balance of segment assets and non-interest-bearing liabilities represents the capital directly employed in the business segments.

Project-related and business-unit-related financial assets are allocated to the business segments in the context of return-on-capital-employed controlling so that adequate capital resources are taken into consideration. As so-called operating financial assets, they adjust the balance, which results in the average tied-up interest-bearing assets. This item is termed capital employed.

The definition of return as used in the return-on-capital-employed concept is derived from EBIT.

Interest income and income from securities result from the investment of cash and cash equivalents presented under 'Reconciliation Group' as well as from the interest and the mark-to-market valuation of non-current assets.

In order to determine a measure of earnings not affected by the form of financing, interest expenses are fundamentally not taken into consideration in the context of return-on-capital-employed controlling.

Project-related and business-unit-related interest income relates to credit entries on operating financial assets made by headquarters to the benefit of the business segments.

Return as defined by our return-on-capital-employed controlling is the sum of EBIT and the described additional financial components less taxes incurred.

ROCE stands for return on capital employed, expressed as a percentage. It is compared with the weighted average cost of capital after taxes (WACC) for the business segments and for the entire Group.

The difference between ROCE and WACC is the relative value added. The absolute value added is the difference between return and the cost of capital employed, and is equal to the amount of capital employed multiplied by the relative economic value added.

D.4 Boards of the company

D.4.1 Executive Board

Tom Blades, Chairman (until January 19, 2021)

Chief Digital Officer | Communications & Public Affairs | Compliance | Human Resources (Labor Director) | Legal & Insurance | Strategy & M&A

Other (material) activities:
Membership in the Shareholders' Committee of Voith Management GmbH (managing shareholder of Voith GmbH & Co. KGaA) (since December 9, 2020)

Duncan Hall

Division:
Technologies

Regions:
E&M Austria and Switzerland | E&M Belgium and Netherlands | E&M Germany | E&M Middle East | E&M Nordics | E&M North America | E&M Poland | E&M UK

Chief Digital Officer (since January 20, 2021) | Compliance (since January 20, 2021) | Global Development | Health, Safety, Environment & Quality (HSEQ) | Operational Excellence

Information on the boards and board members relate, unless stated otherwise, to December 31, 2020.

Christina Johansson

Division:
Other Operations

Accounting, Controlling & Tax | Bilfinger Infrastructure Mannheim | Communications & Public Affairs (since January 20, 2021) | Human Resources (Labor Director) | Internal Audit & Investigations (until January 19, 2021 Internal Audit & Controls) | IT | Legal & Insurance (since January 20, 2021) | Procurement | Real Estate | Strategy & M&A (since January 20, 2021) | Treasury & Investor Relations

Memberships in comparable monitoring boards of other German and foreign companies:
Emmi AG, Lucerne, Switzerland (Administrative Council)
Optikart AG, Wangen bei Olten, Switzerland (Administrative Council)

D.4.2 Supervisory Board

Dr. Eckhard Cordes, Chairman (since November 11, 2014)
Member of the Supervisory Board since November 5, 2014

Partner at Cevian Capital, Pfäffikon, Switzerland
Partner and Managing Director of EMERAM Capital Partners GmbH, Munich

Memberships in other statutory supervisory boards of other German companies:
WMP Eurocom AG, Berlin (until July 31, 2020)

Memberships in comparable monitoring boards of other German and foreign companies:
AB Volvo (publ), Gothenburg, Sweden (Board of Directors)

Stephan Brückner, Deputy Chairman (since May 21, 2008)
Member of the Supervisory Board since May 21, 2008

Employee of Bilfinger Maintenance GmbH, Heinsberg

Agnieszka Al-Selwi
Member of the Supervisory Board since September 1, 2016

Employee of Multiserwis Sp. z o.o., Krapkowice, Poland

Information on the boards and board members relate, unless stated otherwise, to December 31, 2020.

Dorothée Deuring

Member of the Supervisory Board since May 11, 2016

Self-employed corporate consultant in corporate finance

Memberships in comparable monitoring boards of other German and foreign companies:
Axpo Holding AG, Baden, Switzerland (Administrative Council)
Elementis plc, London, United Kingdom (Board of Directors)
Lonza AG, Basel, Switzerland, (Administrative Council) (since April 28, 2020)
Selecta Group AG, Switzerland (Administrative Council) (until March 26, 2020)

Nicoletta Giadrossi

Member of the Supervisory Board since July 11, 2019 (appointment by court order) until June 24, 2020

Status as of June 24, 2020:

Senior Advisor Energy and Industry at Bain Capital Partners, London, United Kingdom
Chair at TecHouse AS, Oslo, Norway

Memberships in comparable monitoring boards of other German and foreign companies:
Cairn Energy plc, Edinburgh, United Kingdom (Board of Directors)
Koninkliyke Vopak N.V., Rotterdam, Netherlands (Board of Directors)
IHS Markit Ltd., London, United Kingdom (Board of Directors)
Brembo spa, Milan, Italy (Board of Directors) (until April 2020)

Dr. Ralph Heck
Member of the Supervisory Board since May 11, 2016

Entrepreneur and advisor

Other (material) activities:
Chairman of the Executive Board of the Bertelsmann Stiftung, Gütersloh

Memberships in other statutory supervisory boards of other German companies:
Klöckner & Co SE, Duisburg

Memberships in comparable monitoring boards of other German and foreign companies:
Adolf Würth GmbH & Co. KG, Künzelsau (Advisory Board)
Bertelsmann Stiftung, Gütersloh (Board of Trustees) (until July 31, 2020)
Formel D GmbH, Troisdorf (Chairman of the Advisory Board)

Susanne Hupe
Member of the Supervisory Board since September 1, 2016

Employee of Bilfinger Engineering & Technologies GmbH, Osterode

Rainer Knerler
Member of the Supervisory Board since July 18, 1996

Executive employee of IG Bauen-Agrar-Umwelt and consultant

Dr. Janna Köke
Member of the Supervisory Board since May 11, 2016

Trade Union Secretary at IG Metall, Mannheim

Frank Lutz
Member of the Supervisory Board since May 15, 2018

Chairman of the Executive Board of CRX Markets AG, Munich

Memberships in other statutory supervisory boards of other German companies:
Scout24 AG, Munich (Deputy Chairman)

Robert Schuchna
Member of the Supervisory Board since June 24, 2020

Partner at Cevian Capital, Pfäffikon, Switzerland

Jörg Sommer
Member of the Supervisory Board since May 11, 2016

Employee of Bilfinger arnholdt GmbH, Gelsenkirchen

Jens Tischendorf

Member of the Supervisory Board from April 18, 2013 until June 24, 2020

Status as of June 24, 2020:

Management consultant

Memberships in other statutory supervisory boards
of other German companies:
ThyssenKrupp AG, Essen (until January 22, 2020)

Dr. Bettina Volkens

Member of the Supervisory Board since June 24, 2020

Member of various supervisory boards and independent consultant

Memberships in other statutory supervisory boards
of other German companies:
CompuGroup Medical SE & Co. KGaA
Vossloh AG

Presiding Committee:

Dr. Eckhard Cordes, Chairman

Stephan Brückner, Deputy Chairman

Dr. Ralph Heck

Rainer Knerler

Audit Committee:

Frank Lutz, Chairman

Susanne Hupe, since March 10, 2020, Deputy Chairwoman (since May 11, 2020)

Dr. Janna Köke, until March 10, 2020, Deputy Chairwoman (until March 10, 2020)

Dorothée Deuring

Jörg Sommer

Nomination Committee:

Dr. Eckhard Cordes, Chairman

Frank Lutz

Robert Schuchna, since June 24, 2020

Jens Tischendorf, until June 24, 2020

Strategy Committee:

Dr. Eckhard Cordes, Chairman

Stephan Brückner, Deputy Chairman

Dr. Ralph Heck

Susanne Hupe

Rainer Knerler

Robert Schuchna, since June 24, 2020

Jens Tischendorf, until June 24, 2020

E Non-financial report

E.1 Non-financial aspects of business operations

E.1.1 About this report

In accordance with Section 315b of the German Commercial Code (HGB), Bilfinger SE is obligated to publish a non-financial Group declaration. We meet this obligation with the publication of a separate non-financial report outside of the Group management report (Section 315b Subsection 3 HGB).

This separate non-financial report from Bilfinger Group relates to financial year 2020. In terms of structure and content, the report follows the provisions of the CSR Directive Implementation Act (CSR-RUG) and the corresponding formulation of the German Accounting Standards (DRS 20). It meets the content-related requirements pursuant to Section 315c HGB in conjunction with Section 289c HGB. In the interests of focused reporting, a dedicated framework was not included.

The Supervisory Board has reviewed the separate non-financial report in accordance with Section 171 of the German Stock Corporation Act (AktG). To support its review, the Supervisory Board commissioned Ernst & Young Wirtschaftsprüfungsgesellschaft GmbH with a limited assurance engagement pursuant to the audit standard ISAE 3000 (revised). The auditor's report from Ernst & Young Wirtschaftsprüfungsgesellschaft is reproduced in Chapter *E.6 Auditor's report*.

In a number of places in the non-financial report, we refer to additional information, for example in the Annual Report or on our Internet site. This additional information serves to deepen the information presented here, but is not part of the separate non-financial report.

E.1.2 Business model of Bilfinger SE

Bilfinger is an internationally active industrial services provider. Our services help to enhance the efficiency of plants in the processing industry, to secure high availability and to reduce maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, construction, maintenance, plant expansion as well as turnarounds and also includes construction and digital networking of components.

Bilfinger delivers its services in the segments Engineering & Maintenance Europe, Engineering & Maintenance International as well as Technologies. Bilfinger is active in the core regions Europe, North America and the Middle East. Process industry customers primarily come from the sectors chemicals & petrochem, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. At the end of financial year 2020, Bilfinger employed about 28,000 people and generated revenue of approximately €3.5 billion.

More detailed explanations on the organization, strategy and goals as well as the management system of the company can be found in the chapter *B.1 The Bilfinger Group* in the management report of the Annual Report.

E.1.3 Sustainability management

With our services, we have a direct impact on the effectiveness, efficiency, availability and service life of industrial plants and therefore help our customers to meet their sustainability goals.

Questions of sustainability are extremely important for us. We are a member of the UN Global Compact initiative and have anchored the principles of sustainability in our corporate structures. Sustainability is defined as a goal in our Company Mission Statement and is a component of our Code of Conduct, our Code of Conduct for Suppliers as well as of a number of Group policies, particularly those from the HSEQ, Compliance, Procurement and Human Resources departments.

The Executive Board is responsible for sustainability. Sustainability management at Group level is coordinated and aligned within the SustaiNet sustainability network, which is coordinated by Corporate Treasury & Investor Relations under the responsibility of Executive Board member Christina Johansson (Chief Financial Officer).

Members of SustaiNet are heads of corporate departments whose areas of responsibility relate to sustainability issues (including Strategy, Compliance, Human Resources, Procurement, Communications, Accounting & Controlling), heads of other functional units with a Group-wide governance function (HSEQ, Business Development) as well as managing directors of operational regional and divisional management teams.

SustaiNet meets at least twice a year as scheduled; in addition, meetings are convened on an ad hoc and project-related basis. In addition to the formal exchange in the sustainability network, the members as well as employees in their functional areas are in regular contact on individual sustainability topics.

E.1.4 Determination of materiality

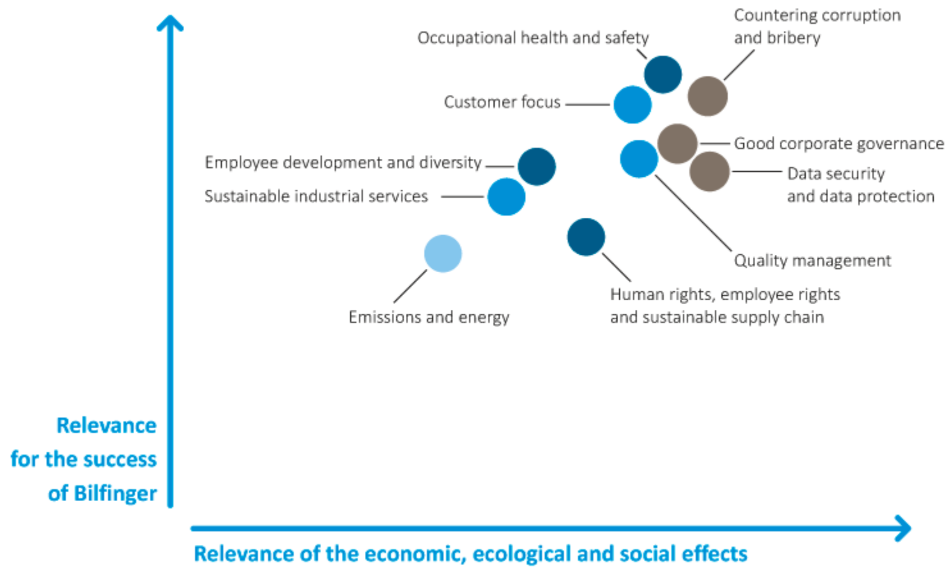
In 2020, Bilfinger SustaiNet conducted a new materiality analysis with the involvement of the Group's stakeholders. The results of the survey replace the analysis from 2017, which had previously served as a basis for our reporting and which we had revalidated several times in previous years.

To identify the aspects of sustainability that are material to our Group, we involved employees, customers, suppliers, and representatives of the capital market as well as social institutions. We asked them to assess the impact of individual sustainability topics on themselves and on the success of the Bilfinger Group (business relevance). As a first step, the result was validated in SustaiNet and then by the full Executive Board.

To determine the content of our non-financial report, we looked at these areas of activity both in terms of their business relevance and in terms of their impact on the materiality of the economic, environmental and social consequences listed in the CSR Directive Implementation Act. In particular, we discussed the costs and risks associated with the topics, the extent to which they affect our business and our environment, and the degree to which we are able to influence each aspect.

The result of the 2020 materiality analysis is presented in our current materiality matrix.

BILFINGER SE MATERIALITY MATRIX



To structure the content and structure of this year's non-financial report, we have grouped individual topics into obvious topic areas and divided them into the four main chapters *People, Planet, Customers* and *Governance*. These topics create a direct link to the Bilfinger Group's Mission Statement.

BILFINGER SUSTAINABILITY TOPICS

Based on the results of the materiality analysis 2020, this report is divided into the following chapters, which we assign to the aspects defined in the CSR Guideline Implementation Act as follows:

CHAPTERS OF THE NON-FINANCIAL REPORT

	Significant topics	CSR-RUG
Governance	Good corporate governance	*Additional reported aspect*
	Countering bribery & corruption	Countering bribery & corruption
	Data security & data protection	*Additional reported aspect*
People	Occupational health and safety	Employee matters
	Employee development and diversity	Employee matters
	Human rights, employee rights and sustainable supply chain	Observing human rights and employee matters
Planet	Emissions and energy	Environmental matters
Customers	Customer focus	*Additional reported aspect*
	Quality management	*Additional reported aspect*
	Sustainable industrial services	Social matters

E.1.5 Risk reporting

The identification and evaluation of risks that arise from the company's business operations and that affect the reportable aspects is the responsibility of risk management. The focus is on the question of which risks arise from our business activities and relationships or from our products and services that have an impact on these aspects. Significant risks that are likely to have or will have serious negative impacts on them must be reported.

Our Group-wide risk management system is described in Chapter *B.3.1 Risk management* in the management report of the Annual Report. Corporate Accounting, Controlling & Tax, which is responsible for Bilfinger's Group-wide risk management system, conducted a survey of the Group's sustainability risks at the end of the 2020 financial year. In order to identify and assess these risks, the operating units and the heads of the corporate departments concerned were surveyed about them and they were assessed at the regular meeting of the Bilfinger Risk Committee (see Chapter *B.3.1 Risk management* in the management report of the Annual Report). The assessment of risks was based on the probability of occurrence and the possible extent of damage.

We have not identified any reportable risks related to the relevant topics.

E.2 Governance

E.2.1 Good corporate governance

Within the scope of our activities, we observe the generally recognized principles of responsible corporate governance. For Bilfinger, good corporate governance most importantly means responsible behavior toward employees, business partners, society and the environment. It also determines the actions of our executives and the management and supervisory bodies of Bilfinger SE in particular and, according to general understanding, encompasses the entire system of management and supervision of a company, including its organization, its business principles and guidelines as well as the internal and external control and monitoring mechanisms. A comprehensive and transparent corporate governance ensures the responsible, value-oriented and sustainable management and control of the company. It forms the foundation for sustainable business success and fosters trust among our shareholders, customers, employees, business partners and the financial markets. We view good corporate governance as an all-encompassing topic, one that is inseparable from non-financial topics.

The following sections describe in greater detail the executive bodies and management of the Group, the roles and interaction between Group headquarters and the operating units, the framework and regulations in the Group together with the rules of procedure and reporting lines.

Management committees and leadership

Bilfinger SE, a European stock corporation headquartered in Germany, has a dual management and control structure consisting of the executive bodies Executive Board and Supervisory Board. While the Executive Board is responsible for managing the business of the Company and the Group, the Supervisory Board supervises it and has personnel authority over the members of the Executive Board. The two committees work in close cooperation for the benefit and in the interest of the company. The third corporate body is the Annual General Meeting, which, in accordance with the law, is primarily responsible for fundamental decisions.

In the course of implementing corporate governance, Bilfinger follows the recognized standards of the German Corporate Governance Code (GCGC). Bilfinger's Executive Board and Supervisory Board issue an annual declaration of compliance in this regard.

The declaration of conformity with the GCGC and further details on the duties and responsibilities of the boards of the company are provided in section *A.4.1 Declaration of corporate governance and corporate governance report* of the Annual Report.

Executive Board

The Executive Board has established specific committees to implement and ensure corporate governance in the company and the Group. In particular, this includes the *Bilfinger Risk Committee*, the *Safety Council*, the *Compliance Review Board* and the *Independent Allegation Management Committee*.

Bilfinger Risk Committee The Bilfinger Risk Committee (BRC) meets at the behest of the Executive Board and advises it on issues related to risk assessment. It consists of the Chief Financial Officer (CFO), the Financial Directors of the individual regions / divisions, and selected Heads of Corporate Departments. The BRC supports the organization of an effective and pragmatic risk management system and the monitoring of general risk developments. The assessment of non-financial risks to society and the environment that could arise from Bilfinger's activities is also carried out as part of the BRC processes. The BRC thus contributes to general process quality as well as to the identification, treatment and reporting of significant Group risks.

Safety Council The Safety Council is the responsibility of the Chief Operating Officer (COO) and is the exploratory and decision-making body for Bilfinger HSEQ-related issues. Members of the Safety Council include the COO, the Executive Presidents of the regions/divisions and the Head of Corporate HSEQ. This Council is responsible, for example, for the Group-wide topic-specific minimum HSEQ requirements and determines the annual HSEQ targets for the Group. The Safety Council thus makes a significant contribution to the implementation of the HSEQ objectives in the Group.

Compliance Review Board The Compliance Review Board (CRB) manages and monitors the organization and implementation of our compliance management system. It is comprised of the full Executive Board as well as selected heads of the corporate departments and meets quarterly under the chairmanship of the Chief Compliance Officer. The CRB has a central role in ensuring the effectiveness of our compliance management system.

Independent Allegation Management Committee (IAMC) The Independent Allegation Management Committee (IAMC) is comprised of the heads of the corporate departments of Legal, Compliance, Internal Audit, Tax and Human Resources. The committee controls and monitors the conduct of internal investigations of possible violations of our Code of Conduct. The IAMC also advises on necessary responses to identified violations, including process changes, control activities and disciplinary measures.

Supervisory Board

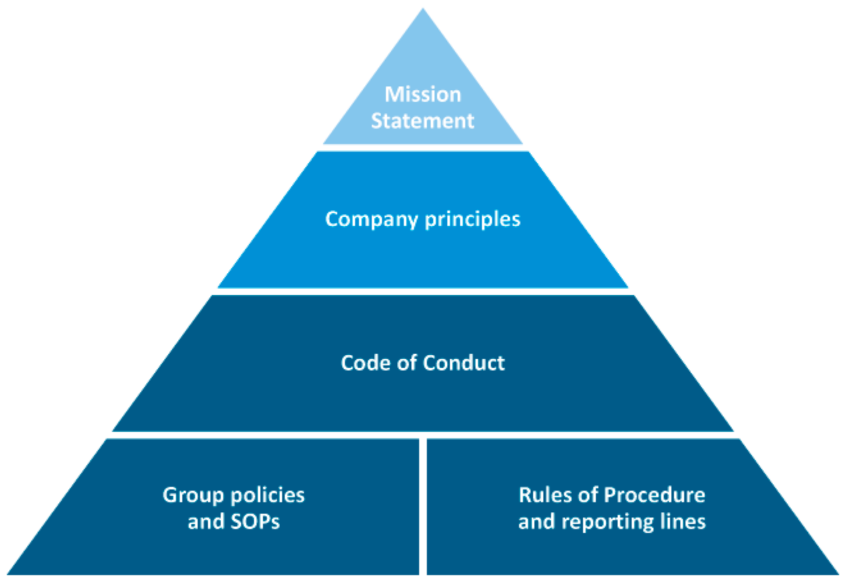
In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of 12 members, including equal representation of the shareholders and the employees. The Supervisory Board advises and monitors the management of the company by the Executive Board and is responsible for the appointment and dismissal of Executive Board members, their employment contracts and remuneration. In addition to legal provisions and the Articles of Association, the Supervisory Board has adopted Rules of Procedure which set out, among other things, the tasks, items that require approval as well as other requirements for Supervisory Board members, together with the formalities for preparing, convening and holding meetings and adopting resolutions. This was most recently reviewed and updated in the reporting year and is available on the Bilfinger SE website. The Supervisory Board has established various committees in order to ensure more efficient operations. Information about the committees can be found in Chapter *A.4.1 Declaration of corporate governance and corporate governance report* of the Annual Report.

Roles of Group headquarters and operations

The structure of the Group was adjusted at the beginning of the last financial year. Since then, the Group has been divided into two service lines (Engineering & Maintenance and Technologies) and within these into eight regions and two divisions, to which in turn the individual Group companies are allocated. At headquarters, the competences and responsibilities of the corporate departments and corporate functions were focused on the role of a "strategic architect". This also has an impact on the non-financial topics. The objective of this structure (as opposed to the previous divisional structure) is to streamline decision-making processes and reduce administrative expenses. At the same time with the more decentralized structure, headquarters has given greater individual responsibility to the regions and divisions. As a result, responsibility lies in each case with an Executive President who is responsible for operating business and who reports to the Chief Operating Officer (COO) on the Executive Board, and a Financial Director, who is responsible for commercial matters and reports to the Chief Financial Officer (CFO). In the course of the adjustment, three Global Excellence Teams (HSEQ, Global Development and Operational Excellence) were established in the form of corporate departments to provide targeted support to the regions, divisions and Group companies develop new areas of business, increase efficiency and, moreover, ensure our HSEQ standards. This more efficient and transparent Group structure also fosters good corporate governance.

Frameworks and regulations

IMPLEMENTATION OF GOVERNANCE IN THE GROUP



Our frameworks and regulations for the implementation of governance in the Group go beyond statutory requirements for the management of German listed companies. We provide both guidelines and binding regulations for the actions of each individual, oriented on the needs of our business. A clear and transparent structuring applies in this regard. The requirements are initially based on our corporate values as they are laid out in our Mission Statement and the Group principles. Integrity and security serve as the foundation and are of the utmost priority. The Mission Statement also describes our passion, values and competences and illustrates the cornerstones of our corporate culture. On this basis, our Group Principles set out behavioral guidelines in abstract form for all employees, in particular for the areas of HSEQ and risk-conscious behavior.

The principles laid out in our Code of Conduct serve as a further benchmark for our actions. The Bilfinger Code of Conduct applies to our activities throughout the world and has been translated into a total of 18 languages. It provides specific guidance for responsible, compliant and integrity-oriented behavior in everyday business and is mandatory for all managers and employees - regardless of where they work and what job they do. It is valid throughout the Group and relates to how we deal with each other and how we deal with customers and business partners. In addition to the general principles of behavior in the area of compliance, the Code of Conduct includes, among other things, rules related to integrity as well as the handling of conflicts of interest, and prohibits corruption and discrimination of any kind. The individual topics are substantiated by corresponding Group policies. The Code of Conduct and the substantiated Group policies are regularly reviewed and adjusted for current needs and developments.

In addition to the Group's specific guidelines on the Code of Conduct, all other issues and processes classified as requiring regulation throughout the Group are also set out in Group policies. Specific processes are, in turn, regulated in *standard operating procedures* (SOPs), which are binding for all employees. In each case, local requirements must be taken into account. In individual cases, these also allow deviations. Responsibility for the Group policies and SOPs lies with the corporate and specialist departments at Group headquarters. In the course of the reporting year, a complete review of Group policies and SOPs was initiated against the background of the adjusted Group structure. It was largely implemented by the end of the reporting year and will be continued in the following year.

Rules of Procedure and reporting lines

In addition to the content of the Group policies and SOPs, governance in the Group is further managed and implemented by means of rules of procedure and reporting lines that are defined in them. The regional or division head as well as the managing director or other executive representative of a Bilfinger company each has rules of procedure which define, among other things, the reporting line, internal approval requirements for certain actions and measures as well as procedural regulations, such as the possible division of responsibilities and requirements for joint decisions. This ensures that there is a clear framework for action as well as clear accountability and reporting line for each respective manager. The reporting line generally corresponds to the functional responsibility. The Rules of Procedure were reviewed and updated in the reporting year. This process is largely complete.

E.2.2 Counteracting corruption & bribery

Bilfinger is committed to the fight against corruption and bribery. Corrupt behavior is contrary to our values. We are also convinced that corruption undermines business relationships, distorts competition and exposes companies and individuals to unnecessary risks.

Concept

Counteracting corruption and bribery is a central component of our compliance management system. For this reason, Corporate Compliance is responsible for the framework to counteract corruption and bribery at Bilfinger.

Bilfinger's compliance management system covers all areas of the business and pursues the objective of preventing compliance violations through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, reacting quickly and consistently punishing misconduct.

Our compliance management system is illustrated in, among other places, our Code of Conduct, which is binding for all employees worldwide. In the Code of Conduct, we prohibit bribery and corruption among our employees. They may not hold out the prospect of or grant to our customers, suppliers or other business partners money or anything of value, either directly or indirectly, to influence their decisions or to gain any improper advantage. This principle also applies in reverse: No one acting for or on behalf of Bilfinger can allow themselves to be corrupted or bribed through the acceptance of unfair economic advantages from business partners. Accepting small payments to secure or accelerate routine official acts ("acceleration payments") is also prohibited for our employees.

In our Code of Conduct, we also describe constellations that are often associated with a risk of corruption in business life. These include donations, sponsoring activities, gifts, hospitality and entertainment, dealing with public officials and accounting. Our Group Policy on donations and sponsoring prohibits all Group companies from making donations to political organizations, parties or individual politicians.

Corporate Compliance is headed by the Chief Compliance Officer. He reports directly to the Chairman of the Executive Board and has an additional reporting line to the Supervisory Board and its Audit Committee. Managers have a special role to play in the implementation of our Code of Conduct and the compliance policies: They must act as role models. The annual performance evaluation of managers therefore includes an individual integrity assessment that then forms part of the annual dialogue on career development. In addition, variable remuneration for managers at management levels 1 and 2 includes an individual integrity factor. This factor is determined and taken into consideration annually with regard to the extent a manager implements the topics of integrity and compliance into his daily actions and how much he actively supports and promotes them in his environment.

To manage and monitor the design and implementation of our compliance management system, the Executive Board has established a Compliance Review Board (CRB), whose tasks and composition are described in section *E.2.1 Good Corporate Governance*.

Our subsidiaries are supported by compliance managers and officers at both the regional and divisional levels. In addition, each regional and divisional management, each executive management and each department head at Bilfinger assumes responsibility for the Internal Control System (ICS) in their respective area of responsibility.

Our international network of "Compliance Representatives" ensures that employees in the business units have a local compliance contact person. The Compliance Representatives are specially trained employees who, in addition to their primary functions in the company, support their colleagues with compliance and integrity questions and thus strengthen the presence and visibility of the topic of compliance at their locations. The Compliance Representatives maintain a regular exchange of information with Corporate Compliance and contribute experience and challenges of the individual locations to the further development of the compliance program.

Performance indicators

The goal of our compliance management system is, above all else, to prevent future misconduct. To this end we rely, among other things, on policies, information on the intranet, direct communication with employees, mandatory online and on-site training, supportive compliance IT tools and specific, practical compliance support and advice for our employees from Corporate Compliance and the Compliance Help Desk.

Our compliance training modules include both on-site training and e-learning programs in which knowledge is conveyed and case studies are discussed. The total number of people in the target group of the individual trainings sometimes varies greatly from year to year as a result of a multi-year training concept.

NUMBER OF PERSONS TRAINED IN COMPLIANCE-RELATED QUESTIONS	Total number of persons in target group		Number of trained persons (absolute)		Share of trained employees (relative)	
	2020	2019	2020	2019	2020	2019
E-learning module 'Anti-corruption & bribery'[1]	12,048	2,845	11,660	2,620	97%	92%
E-learning module 'Code of Conduct'[2]	4,204	13,302	4,036	12,851	96%	97%
On-site training module 'General Compliance Training'3	273	4,283[3]	262	4,166[3]	96%	97%

1 2020: for all hires with a PC workstation and access to the Bilfinger network
2019: for all new employees with PC workstation and access to the Bilfinger network
2 2020: for all new hires with a PC workstation and access to the Bilfinger network, as well as for current employees whose job requires increased compliance awareness.
2019: for all employees. The information also includes the e-learning module "Code of Conduct Refresher"
3 2020: for all employees who as new hires or as a result of a change in positions have taken up a job at Bilfinger that requires increased compliance awareness
2019: for all employees whose job requires increased compliance awareness. The information includes the classroom training modules "Anti-corruption and bribery" and "Third-party due diligence"

All employees also have access to a central Compliance Help Desk that offers support in all compliance-related questions.

NUMBER OF INQUIRIES TO THE COMPLIANCE HELP DESK	Number		Share	
	2020	2019	**2020**	2019
Tool – gifts, entertainment and hospitality (e.g. reporting on gifts, entertainment and hospitality, tool administration)	161	372	41%	46%
Tool – third-party due diligence (e.g. integrity hits, re-opening scope check and risk assessment, tool administration)	148	260	37%	32%
Group policies and internal standards (e.g. Code of Conduct, compliance review in hiring and promotion process, delegation trips, third-party due diligence, gifts, entertainment and hospitality, conflicts of interest, donations for charitable purposes and sponsoring)	17	91	4%	11%
Compliance trainings	9	29	2%	4%
AMO allegations (e.g. bullying, discrimination, harassment, conflicts of interest, fraud, breach of trust, theft, embezzlement, money laundering, illegal employment, personnel issues)	12	19	3%	2%
Inquiries related to other compliance topics	50	46	13%	6%
Total	**397**	817	**100%**	100%

In order to deliver our services as a company, we are dependent on cooperation with numerous business partners. Because the compliant behavior of our business partners is an indispensable prerequisite for us, we use a risk-based IT-supported process to review our potential business partners before entering into a business relationship (so-called third-party due diligence). When carrying out such integrity audits, the business units of Bilfinger are supported by the Compliance department in the risk evaluation.

In addition to prevention, the rapid identification of any misconduct and an appropriate response to such misconduct are essential components of the compliance management system. There is a whistleblower system in place for the receipt, documentation and processing of suspicious cases in connection with possible violations of our Code of Conduct: Our employees and external parties can, on a confidential basis and if desired also anonymously, provide information on potential misconduct on the part of Bilfinger employees. Information from the corporate departments Internal Audit & Controls, Compliance and Human Resources as well as data from Bilfinger's due diligence processes also serve to identify suspected cases.

NUMBER OF NOTICES OF COMPLIANCE VIOLATIONS	2020	2019
Indications of compliance violations[1]	80	68
thereof: indications of corruption and bribery	1	3
Investigations initiated[2]	24	35
Disciplinary measures as a result of investigations[3]	4	20

1 Reports classified as relevant in the period from January 1 to December 31 of any given year. As of this reporting year, statistics also include reports that are not followed up. This may be due, among other things, to the fact that reports are not plausible or cannot be substantiated further. This procedure was also applied to the previous year's figure shown here, so that the figure is increased by 11 notices as a result.

2 Includes investigations following reports from the reporting year and previous years. In the reporting year, as part of process adjustments, more plausibility checks and data analyses were carried out before an investigation was formally opened. This means that the number of investigations opened decreased compared to the previous year, despite the increasing number of notices.

3 Includes disciplinary measures as a result of investigations in the reporting year and previous years. A significant share of the disciplinary measures in the previous year resulted from investigations that were initiated in 2018.

The Allegation Management Office deals with all notifications related to suspicious cases from internal and external sources and, in cooperation with the compliance organization, conducts a preliminary review of the notifications received. If the suspicions of a violation are confirmed, an internal investigation is initiated. Particularly serious allegations are forwarded to the Independent Allegation Management Committee for assessment and for a decision on further action. The composition and duties of this body, which is appointed by the Executive Board, are described in Chapter *E.2.1 Good corporate governance*.

If misconduct on the part of a business partner is identified, the Independent Allegation Management Committee decides on necessary measures. These measures can include, among other things, termination of the business relationship, assertion of civil claims or the filing of an official complaint. If misconduct on the part of an employee is proven, the Disciplinary Committee led by the Head of Corporate Human Resources, decides on the disciplinary measures and sanctions that are to be taken. These range from informal warnings through to immediate termination including negative financial consequences.

E.2.3 Data security & data protection

To be able to provide our services, we collect, store and process a range of data. On the one hand, this relates to personal data of our employees, but also data about plants, processes and people at our customers' sites, because we are providing an increasing number of services for the digitalization of our customers' systems. Information is therefore an integral part of our business processes and thus represents an important corporate asset that must be protected in an appropriate manner against unauthorized access. In the context of an ever-increasing global networking of computer systems, protection against abuse, manipulation, espionage or theft requires increasingly complex procedures.

Data leaks or issues related to accessing data can have a serious impact on the relationship with our employees or business partners. For this reason, our processes and activities for data security and data protection are important prerequisites for the acceptance of our business model by our stakeholders.

Concept

Data security

Our employees, customers and other stakeholders must be able to rely on the fact that the data entrusted to us is protected against abuse and loss. We have therefore adopted targeted regulations with regard to information security and data protection and have taken appropriate organizational measures.

The fundamental regulations for the secure and legally compliant handling and processing of data are summarized in our Group policy on Information Security. It is binding for all Group employees and for all those working on our behalf. It describes the components of information security, principles for handling and processing data and the obligations of managers, IT specialists, employees and external parties. Violations of the provisions of this Group Policy and its annexes or of existing laws may result in disciplinary, contractual or criminal consequences.

In addition to the "Group policy for data security", various Standard Operating Procedures (SOP) have been defined with the goal of implementing the Group Policies on information security in all Group companies. These include, for example, SOPs on the topics *information management standard, physical protection of data, emergency security* and *IT audit*.

Technical responsibility for information security lies with the manager responsible for information security at Bilfinger Global IT GmbH, who is supported by the dedicated, central competence center for the topic of IT security. The Information Security team checks to ensure that IT services that are planned or in operation are compliant with the "Group policy on information security" as well as regulatory requirements. In addition, each organizational unit must appoint a person responsible for data protection who works together with the manager responsible for information security as a coordinator.

We counter the risks in the cyber security environment with a broad package of measures, such as increased monitoring of incoming and outgoing e-mail traffic to prevent malicious e-mails with a cloud-based e-mail gateway. In the event of specific threats, we work together closely with the relevant authorities. Our central data centers are subject to ISO 27001 certification. In addition, measures to make network access more stringent are checked by means of regular vulnerability analyses, e.g. through so-called friendly hacking. At the same time, Bilfinger has established an intrusion detection system (IDS) designed to promptly detect any successful unauthorized access. In addition, training requirements have been defined for all employees with IT access to raise awareness of the increasing risk.

Every employee or person working on behalf of the Bilfinger Group is obligated to report any possible or actual threat to the information available in the Group as a security incident in a timely manner. In addition, each business unit is obligated to establish and maintain a comprehensive and effective emergency management system in accordance with its business area and area of responsibility. Should there be a security incident, the Allegation Management Office from Corporate Compliance is, when necessary, commissioned with an investigation into the violation.

Data protection

In order to create a uniform standard for handling personal data in accordance with the European General Data Protection Regulation, a standardized Group privacy policy applies in our Group. They are based on the provisions of the European General Data Protection Regulation and on globally accepted basic data protection principles for the processing of the personal data of employees, customers, suppliers and other business partners. The policy describes the tasks and responsibilities of the external Data Privacy Officer, the internal Data Privacy Officer as well as the Data Privacy Coordinator. It also outlines the data protection principles, specifications for data transmission and commissioned data processing, the rights of data subjects and the responsibilities of Group companies.

The policy is binding for all Group companies and is intended to ensure that the data protection standards described in the Policy are not undercut. It also applies to Group companies in countries that do not have their own statutory data protection regulations.

If data protection violations occur or are suspected, the Group policy for data protection lays out a procedure for the reporting of data protection violations. A reporting form is available for employees as a guideline for this purpose. The reports flow for further processing and for the purposes of evaluation into a database in which the (suspected) data protection violation is described.

The Executive Board is informed about data security and the structure of data protection at least once a year. The Executive Board is informed of any incidents of particular significance.

Performance indicators

NUMBER OF DATA PROTECTION VIOLATIONS

	2020	2019	Δ in %
Data protection violations	7	12	-42
thereof reportable data protection violations	0	0	n/a

E.3 People

E.3.1 Occupational health and safety

Concept

The health of our employees is the number one priority for Bilfinger. No employee's health shall be adversely affected by his or her work. There are different management approaches for the topics of occupational health and safety. While there are uniform Group-wide standards and centrally coordinated occupational safety campaigns, health protection is not managed centrally. Programs to maintain or review employee health, such as eye examinations or company sports, are the responsibility of the units and are therefore organized on a decentralized basis. In the case of events of particular significance, centrally controlled structures are established in a coordinated manner by Corporate HSEQ, as has been the case with the COVID-19 pandemic.

Occupational safety

Aspects of occupational safety are of key importance to whatever activities we pursue. In addition, safe work processes, reporting of key figures on occupational safety as well as the execution of occupational safety campaigns are important criteria that, with increasing frequency, are being surveyed by our customers prior to the awarding of orders.

Through its central governance function, Corporate HSEQ establishes the conditions for Group-wide HSEQ management and coordinates *occupational safety* in the Group together with local HSEQ specialists. Group companies are thus supported in their efforts to comply with occupational safety standards and in implementing and further developing programs and measures.

The occupational health and safety standards drawn up by Corporate HSEQ are reflected in uniform Group-wide guidelines. Responsibility for compliance with these policies lies with local unit managers who must also take local laws and working conditions into consideration. Occupational safety committees are established in the independent companies in accordance with the legal provisions.

To be able to record, process and communicate HSEQ incidents worldwide in accordance with uniform standards, we use a management software (Synergi Life, referred to at Bilfinger as *ACTIVE*). Accident risks, near-accidents, and incidents can be captured by executives and employees using an app, allowing them to be promptly recorded on site. Event analysis is key to ongoing improvement. An IT-based workflow helps employees and supervisors analyze root causes and facilitates the development of corrective actions to avoid similar situations in the future.

Workplace safety is the subject of the HSEQ quarterly report that is submitted to the Executive Board. Particularly serious accidents are reported immediately to the Executive Board. It is informed on an ongoing basis regarding their analysis as well as necessary corrective measures.

The objective pursued by all the measures we take is to continually improve occupational safety. Our Road to Zero concept helps us to consistently reduce the number of accidents.

To achieve this objective, we pursue a twofold approach: we take the technical and organizational measures this requires, and we address occupational safety again and again in a variety of communications channels in order to raise awareness for this topic. We draw the attention of all employees to general occupational safety issues in the form of monthly Safety Moments Memos, for example. Various topics are addressed, including the importance of a safety culture, prevention of hand injuries, information on back health, or dealing with stored energy in plants, machinery and equipment.

The commitment and dedication of executives all the way up to the members of the Executive Board are a key building block of success. For example, it is the responsibility of managers throughout the Group to regularly carry out a number of safety walks, depending on their area of responsibility, to address risks and hazards, to make employees aware of occupational safety issues and to document their inspections. The results of these safety walks may be recorded *on the go*, as the walks are progressing, and will then be directly input into our central HSEQ software.

An important measure for raising awareness regarding topics of occupational safety is our safety program *Safety Works!* including the information campaigns that were developed in this context. In 2020, we conducted a safety campaign titled *Always Time for Safety*. The goal of the campaign was to raise awareness among our employees about the importance of a safe work environment in the form of a Last Minute Risk Assessment. The objective of the campaign was to address employees at an emotional level. To this end, everyday situations, such as those in family life, were depicted and connected to the topic of "occupational safety". Our annual Safety Award recognizes both outstanding safety initiatives and innovative ideas for the continuous improvement of safety performance. The Group-wide award is intended to commend all employees and managers who have contributed to this result while also encouraging them to work toward safe working conditions and the protection of all employees' health.

As part of Bilfinger Matrix certification, 37 companies with 128 locations have been certified pursuant to the occupational health and safety standard DIN EN ISO45001 and 11 companies with 53 locations have been certified pursuant to the *Safety Certificate Contractors Petrochemical* (SCCP) standard.

We conduct regular internal audits in all our subsidiaries, which took place to only a limited extent in 2020 due to the COVID-19 pandemic. In addition to these internal audits, there are further external audits, including by certifiers, authorities or customers, that were conducted despite the pandemic.

Performance indicators

For the topic of *occupational safety*, we use the indicators LTIF, fatalities and number of HSEQ FTE per 100 employees (FTE). The LTIF figure decreased by 36 percent from 0.25 (prior year) to 0.16. The desired continuous improvement in occupational safety was maintained. We see the direct involvement of Bilfinger managers in generating awareness for the importance of occupational safety as a key factor for this development.

Sadly, in one accident in 2020 the injuries of the person involved were so severe that he died of his injuries.

The increase in the HSEQ employee ratio in 2020 compared to 2019 reflects the increased importance of HSEQ for Bilfinger. It also results from the reduction in the total number of employees in the Group in 2020.

OCCUPATIONAL SAFETY INDICATORS

	2020	2019	Δ in %
LTIF[1]	0.16	0.25	-36
Fatalities[2]	1	0	n/a
Number of HSEQ FTE per 100 employees (FTE)	1.57	1.43	10

1 The indicator used by Bilfinger "LTIF" (Lost Time Injury Frequency – accidents per 1,000,000 working hours performed) includes all accidents Group-wide with at least one lost day from employees and temporary workers.

2 Work-related accidents of employees and temporary workers resulting in death.

Health protection

In the year under review, health protection focused on dealing with the COVID-19 pandemic, which had a significant impact on our company's business development. This is explained in detail in Chapter *B Combined management report* of the Annual Report. In line with our decentralized organization, responsibility for the specific measures related to the respective local COVID-19 situation lay with our units.

To manage this, we immediately set up a Corona Intervention Team at headquarters following the outbreak of the pandemic in Europe. The team includes Executive Board member Duncan Hall (Chief Operating Officer) and the heads of HSEQ, Corporate Human Resources as well as Corporate Communications & Public Affairs. The Corona Intervention team defined guidelines for local management on how to deal with the pandemic. To ensure that the required rules of conduct were efficiently communicated, the most important measures were defined at administrative workplaces and for work at operational sites. These measures were then made available on a decentralized basis. In addition to the relevant social distancing and hygiene rules, these also include site-specific models for working at a different location or flexible working, as well as far-reaching travel restrictions. Dealing with the COVID 19 pandemic was a major focus of internal corporate communications in financial year 2020. This was both centrally managed as well decentrally, for example through contributions published in our employee magazine *Bilfinger Update* or through e-mails to employees initiated by the respective local units or posted at the respective locations.

A reporting system has been set up at Group headquarters to record the current status of all COVID 19 cases throughout the Group. The Executive Board was informed by Corporate HSEQ on a weekly basis regarding the COVID 19 statistics in the company. The figures collected provide a daily update on the current rate of infection among the Group's employees in the various regions. For the Group as a whole, we record the number of employees who have contracted COVID-19, the severity of the disease, quarantine status as well as the number of employees who have recovered and returned to work.

The Executive Board was informed of the current COVID-19 statistics in the company on a weekly basis by Corporate HSEQ. With this information and an assessment from the Executive Board, Chief Executive Officer Tom Blades has addressed employees with regular video messages since mid-March 2020. The messages were made available on the Group intranet and in e-mail newsletters.

Selection and implementation of measures to deal with the pandemic are managed at the local level. A specific reaction to local developments was and is possible in a timely and effective manner. Depending on the type of job and the intensity of contact among employees, a measured approach is thus taken, always with the objective of minimizing the impact on the health of our employees and their families.

E.3.2 Employee development and diversity

As an industrial services provider, our business model is shaped by the availability, skills and value orientation of our employees. Continuous training and qualification of our employees are key in this regard.

Concept

The reorganization completed in the first half of 2020 was accompanied by a strengthening of responsibility in the regions and divisions. As a result, Corporate Human Resources (CHR), in its new role as *strategic architect* is responsible for Group-wide HR governance as well as strategic programs and defines minimum HR standards, for example in areas such as reporting, remuneration and talent management. The Business Partners in the Group companies are responsible for the implementation of minimum requirements. They serve as contact persons for management and for employees of the individual companies. Regional HR Heads appointed for the various regions act as links between Corporate Human Resources and the Group companies.

Our minimum HR requirements and their application are described in our Group policies. There are also Knowledge Cards that provide information on the most important regulations and procedures contained in the Policies.

The *HRcules* project started in April 2017 with the task of establishing a company-wide integrated process and system landscape in the area of Human Resources. In this context, the system implementation and roll-out of the *SAP SuccessFactors* software were finalized as planned in 2020. The further roll-out of various *Metric Packs* of the Workforce Analytics module is planned for 2021 to enable the system-based evaluation of HR performance indicators. *HRcules* thus helps us evaluate our employees, recognize their performance and foster a performance culture.

One strategic goal for 2021 is to define key performance indicators to make HR's contribution to the company's success transparent and measurable. Plans call for key performance indicators to be developed, coordinated and rolled out by Corporate HR together with those responsible in the regions.

Employee development

Our HR calendar outlines key HR management processes such as the annual performance assessment, development planning as well as salary talks in the course of a financial year. *HRcules* helps us track our annual performance and development cycle also in digital form. Corporate HR provides discussion guides for the annual employee appraisals, in which employees as well as industrial employees and their supervisors reflect on their achievements and define resulting development measures. Salaried employees also set individual goals for the year ahead.

To develop and retain internal talent at Group level, we have established various programs for high-potential employees and management levels 2 to 4.

As part of the annual Talent Review, the potential of all salaried employees is evaluated and calibrated. Structured interviews are used to identify potential successors for key positions, thus supporting long-term succession planning. The Talent Review process is carried out in cooperation among supervisors and local HR departments together with Corporate Human Resources and the Executive Board. The Talent Review's identification of potential is followed by a nomination to the global management development programs, which serve to promote the development of management and specialist competences as well as networking. In 2020, programs were, for the most part, held virtually due to the special situation caused by the COVID 19 pandemic.

In addition to the management development programs, the Bilfinger Academy bundles the internal further training programs for all employees. A Group-wide *Digital Learning Week* is held twice annually and employees, in consultation with their supervisors, can register online for workshops, seminars and training. In 2020, the topics covered included IT applications, project management, communication and self-management, for example.

In addition, as part of the learning week, we have included internal facilitators of expertise in the series of events in addition to externally-sourced trainers. We thus promote the exchange of knowledge and professional networking among employees across regional and functional boundaries.

For the special fostering of project management skills which, in Bilfinger's business model, are applied in many areas, we have introduced a qualification series together with external trainers that offers training in accordance with the internationally recognized standard of the Project Management Institute (PMI).

At the regional and local levels, Bilfinger's operating units offer additional development and training opportunities depending on local requirements.

We introduced a cloud-based video platform developed in 2019 called *Industrial Tube* to store and distribute the experience and expertise available in many areas of the Group and expanded its use in 2020. The goal of the platform is to bundle expert knowledge relating to work processes and occupational safety within the Group and make it available to other employees regardless of location, time or language skills. For this purpose, the platform also includes a systematic translation function into different languages, which are added as subtitles.

Diversity

Employee diversity is of fundamental value for the Bilfinger Group. We are an internationally positioned Group with a range of regions, languages and nationalities and understand diversity as differences in origin, age, gender, religion, marital status, skills as well as personality and education.

In the spirit of promoting innovation and the development of our employees, we aim to create a working environment that is free of discrimination and characterized by openness and inclusion.

We have instituted the ban on discrimination in our Code of Conduct. In this context, we pay particular attention to the requirements of the German General Equal Treatment Act (AGG). More detailed information on how violations of the Code of Conduct, including discrimination, are dealt with is set out in Chapter *E.2 Governance*.

There is currently no uniform Group-wide concept for the promotion of diversity in the Bilfinger Group. Plans call for the creation of such a concept in financial year 2021. We want to define the conscious development of personal diversity, ensuring an appreciative and productive approach to differences.

There are currently various individual measures in the Group. For example, an operating unit in the UK has taken up the issue of *improving gender balance in the energy industry* and joined a non-profit membership network. In addition, participation in studies such as *Diversity and Inclusion* was encouraged among the workforce. These measures seek to raise awareness of the issue of *diversity*.

Other local individual measures include, for example, a mentoring program to promote women in management positions and further education and training offers with a view to support inter-cultural cooperation. Others relate to measures for the greater consideration of diversity in re-cruitment and promotion processes. Temporary secondment to international locations or special *job rotation programs* are also in place to promote the transfer of knowledge among different locations. At the same time, they make it possible to learn about diverse points of view and thus promote cultural openness.

Performance indicators

The proportion of women in management positions is established as an indicator at Bilfinger. How-ever, we were unable to achieve the targets set for the end of financial year 2020.

The Executive Board decided to achieve a target of 10 percent women in management level 1 at Bilfinger SE and 23 percent women in management level 2 at Bilfinger SE by December 31, 2020. On June 30, 2017, the reporting date for the definition of the target figure, this proportion was 6 percent in management level 1 and 23 percent in management level 2. Due to the restructuring in the Group and especially at headquarters during this period, as well as a lean design, particularly in upper management levels, the target figures were not achieved as of December 31, 2020. At management level 1, however, an increase from 6 percent to more than 8 percent was achieved and the target of 10 percent was only narrowly missed. By contrast, the proportion of women in management level 2, which was particularly affected by the aforementioned measures, was just under 5 percent as of December 31, 2020, and only one-fifth of the target was achieved. Bilfinger also slightly missed its own target of increasing the proportion of women in management positions (management levels 1 to 3) in the Group worldwide to 15 percent by December 31, 2020. At the end of the reporting year 2020, the proportion of women in the total workforce was almost 13 percent.

The Executive Board has now decided, for management levels 1 and 2 at Bilfinger below the Executive Board, on a target of a 10 percent proportion of women by December 31, 2023 in ac-cordance with Section 76 Subsecion 4 AktG. In addition, Bilfinger is adhering to its self-imposed goal of further increasing the proportion of women in management positions (management levels 1 to 3) in the Group by the end of 2023 - without a set target figure.

The Supervisory Board has set a target of 30 percent women and men on the Executive Board by December 31, 2023, which means with an Executive Board of three members, at least one woman and one man.

Further information can be found in Chapter *A.41 Declaration of corporate governance and corporate governance report*, which is also available on the website www.bilfinger.com under *Company / Corporate Governance*.

PROPORTION OF WOMEN IN MANAGEMENT POSITIONS

in %	2020	2019	Target 2023
Executive Board	33%	33%	33%
Management level 1	8%	6%	10%
Management level 2	5%	8%	10%
Management levels 1-3[1]	13%	12%	n/a

1 No target was defined for the year 2023.

E.3.3 Human rights, labor rights and sustainable supply chain

We are committed to the United Nations Universal Declaration of Human Rights and the UN Global Compact initiative. We want to be fully committed to respect for observing human rights wherever we operate. This applies with a view to

- our own employees
- the employees of our direct and indirect suppliers as well as those of our business partners
- our customers and
- other regional stakeholders

The measures in relation to our supply chain are described in the section *Observing human rights in our supply chain*.

Concept

Observing human rights within the Group

The basis of all our activities with regard to observing human rights is our Code of Conduct. This also represents our fundamental declaration on observing human rights. The Code of Conduct was approved by company management and is publicly available on our website in both German and English. 18 different language versions are available for internal Group-wide use. The Code of Conduct defines the principles of acting with integrity toward both other employees as well as toward external persons and organizations and is aimed throughout the Group at all of our managers and employees – regardless of where they work and what job they do. In the section *Responsibility to society and the environment*, observing human rights is firmly anchored in our Code of Conduct.

Our managers and employees are obligated to adhere to the principles formulated in the Code of Conduct and to confirm in writing that they have received and familiarized themselves with it. In addition, the contents of the Code of Conduct are refreshed and expanded within the scope of e-learnings and through various other activities (see also Chapter *E.2.2 Counteracting corruption and bribery*). We do not tolerate violations of our Code of Conduct.

In addition to direct reporting to Corporate Compliance, a proprietary whistleblower system is used to receive suspected cases of possible violations of our Code of Conduct, including the principle of respect for human rights principles that it contains: Both our employees and external parties can, on a confidential basis and, if desired, also anonymously provide information on potential misconduct in the environment of our business activities. The whistleblower system can be accessed through our website and is available in 26 languages. Information can also be given by mail, telephone or directly. Availability of the whistleblower system is ensured through an external service provider. Our objective is to process suspected cases confidentially, objectively and independently. In the case of a confirmed violation, disciplinary and corrective measures are initiated, ranging from informal warnings through to termination without notice.

Observing employees' rights

We consider observing employee rights an important aspect of human rights. This is based in particular on our commitment to Principles 3 to 6 of the *UN Global Compact Initiative*, which applies throughout the Group. They relate to employees' rights to freedom of association and collective bargaining, the elimination of all forms of forced labor and child labor, and the elimination of discrimination in respect of employment and occupation. The rights of employees to freedom of association and collective bargaining find expression in particular in the - depending on local law - company or trade union employee representative bodies, which work to safeguard employee rights, including through the conclusion of collective agreements, and with which management maintains a regular and constructive dialog.

In the reporting year, we generated the vast majority of our revenue in regions where employee rights are guaranteed by law: more than 80 percent of our revenue was generated in the EU as well as the United Kingdom, Switzerland and Norway. Here, at the end of the year around 80 percent of our employees were based.

Observing human rights in our supply chain

We depend on suppliers and subcontractors for the delivery of our services. In our Supplier Code of Conduct, available to the public from our website, we formulate the clear expectations that we have of them to respect human rights. Our guidelines require that this Code of Conduct is a fundamental component of our supplier contracts. Through this Code of Conduct, we also require our suppliers to demand that their suppliers and subcontractors also comply with internationally accepted principles and standards on human rights.

Bilfinger follows national legal requirements for the protection of human rights. These include the UK Modern Slavery Act, which requires us to report on how we manage relevant risks in our business activities and, in particular, in our supply chain.

We pursue a Group-wide supplier management system (HANDLE Procurement Suppliers), with Corporate Procurement maintaining responsibility for its definition, organization, development and monitoring. This is described in detail in our procurement policies and standard operating procedures (SOP) and is binding for all our subsidiaries. One of the objectives of this Group-wide regulation is to ensure that compliance rules – including observing human rights – are observed.

In addition to the standardized assessment as part of our supplier management system, we review the integrity, which also includes observing human rights, of our business partners who exceed a defined value limit and all sales intermediaries using a risk-based and IT-supported due diligence tool (see also Chapter *E.2.2 Counteracting corruption and bribery*).

We have also commissioned an independent agency to obtain a self-disclosure from selected suppliers, among other things as relates to respect for human rights. The selection of these suppliers is carried out on the basis of a risk-based approach. In 2020, Bilfinger commissioned the agency with about 100 self-assessments from suppliers.

The sanctions list check we conduct on all contractual partners is also designed to ensure that we do not enter into any business relationships with third parties that have been listed on the basis of human rights violations.

If a violation of the Bilfinger Code of Conduct for Suppliers or a negative result is found in an integrity check, the supplier is blocked on a Group-wide basis. If such an incident should occur or become known, our employees are obligated to report it. A Group policy defines the process of barring suppliers and thus ensures a uniform Group-wide policy. Corporate Procurement informs all companies of the Bilfinger Group ad hoc regarding new blocks and also provides a list of all current blocks at least once a month.

Performance indicators

NUMBER OF INDICATIONS OF VIOLATIONS OF HUMAN RIGHTS *

	2020	2019	Δ in %
Indications of violations[1]	14	18	-22
Investigations initiated	4	6	-33
Disciplinary measures as a result of investigations	3	1	>100

* The number of indications of human rights compliance violations is a partial quantity to the number of indications of compliance violations presented in Chapter *E.2.2 Counteracting bribery & corruption*

1 Reports classified as relevant in the period from January 1 to December 31 of a respective year. The references in 2020 and 2019 relate to bullying, discrimination and sexual harassment. The previous year's figure was increased by three indications due to the changes described in Chapter *E.2.2 Counteracting bribery & corruption*.

Footnotes

* Management levels at Bilfinger are structured on the basis of budget responsibility, size of executive scope or strategic importance in the position held. The level below the Executive Board is management level 1.

E.4 Planet

With our Mission Statement and our Code of Conduct, we clearly commit to responsibility for society and the environment.

Our business model consists predominantly of services provided by our employees or subcontractors at customers' sites. We also have a number of workshops for on-site repair work, as well as smaller production facilities that manufacture special plant components, depending on customer requirements.

To date, environmental aspects have not been classified as material for non-financial reporting. In recent years, however, we have noticed increased regulatory requirements and growing demand for transparency on the part of individual stakeholders, including customers and the capital market.

Bilfinger attaches particular importance to climate protection. Although we use significantly less energy than manufacturing companies, we want to contribute to a reduction in greenhouse gases. For this reason, the topic of *emissions and energy*, identified as a material issue in the materiality analysis, is reported on for the first time in this non-financial report.

Furthermore, we want to use our product portfolio to contribute to a reduction in greenhouse gas emissions (GHG emissions). Our service portfolio for the energy transition is described in detail in Chapter *E.5.3 Sustainable industrial services*.

E.4.1 Emissions and energy

Concept

The topic of energy management is mainly controlled by the local HSEQ managers. In the Bilfinger Group, energy consumption data is collected at the level of the operating units. 34 Group companies are certified in accordance with the international environmental management standard DIN EN ISO 14001. That is how operational units have been meeting the requirements of their regional and local customers for many years. To date, however, there has been no complete and structured recording and internal reporting of energy consumption and GHG emissions. In the reporting year, we therefore began to lay the foundations for measuring the energy consumption required for our business activities together with the associated GHG emissions on a Group-wide basis and for managing this in the future.

A concept for reporting that was developed in financial year 2020 is based on an analysis of our current properties, our vehicle fleet as well as the energy consumption data currently recorded. It also defines measures for fiscal 2021. The goal is to set up a software-supported GHG reporting system in accordance with the method of the Greenhouse Gas Protocol. For financial year 2021, scope 1 and scope 2 emissions will be reported for the first time.

E.5 Customers

As a service provider, customers are the focus of our business activities. The relationship with our customers and their satisfaction with the work that we do is of utmost importance for our business development. Bilfinger is integrated into their value-added processes as a strategic partner. They decide whether to continue or intensify the cooperation and thus influence our order situation and our economic success.

A broad base of existing customers has been placing their trust in us for many years. Customer proximity encompasses our industry expertise combined with trusting, cooperative interaction with our clients. We pay particular attention to the quality of our services and to delivering a range of products and services that is consistently aligned with the needs of our customers. Through our services we want to support the sustainable value creation of our customers and thus contribute to both their long-term competitiveness as well as our own.

E.5.1 Customer focus

Concept

For the coordinated management of our customer relationships and our business opportunities, we already introduced the customer relationship management (CRM) software *Salesforce* in financial year 2018. One feature that we adapted for Group-wide use in financial year 2020 is system-based customer satisfaction surveys which are still in the roll-out phase as part of the reorganization carried out at the beginning of the reporting year and the ongoing process and system harmonization.

The governance function for the measurement of customer satisfaction is the responsibility of Corporate Global Development. In addition, this department also manages the support of national customers, so-called key accounts. Survey-based measures of customer satisfaction in the Salesforce system began for this customer segment at the end of the year.

Within this framework during an ongoing maintenance contract or project, satisfaction is surveyed within various categories and documented in the system. The key account managers responsible for the contract integrate the survey feature into their regular customer dialog at least once a year.

The use of the Salesforce system to measure customer satisfaction, which is currently limited to key accounts, will gradually be rolled out for further customers in 2021 and will then also provide the basis for comprehensive evaluations. Standardized reporting on this will be introduced in 2021 for the units and the Executive Board.

In line with our decentralized business model, the satisfaction survey for customers with whom we work at regional level is the responsibility of the respective regional operating unit. Here we pursue our approach of consistently putting responsibility for local business in the hands of our local unit. Customer satisfaction is also a component of our quality management system.

E.5.2 Quality management

For us, the satisfaction of our customers is directly linked to the quality of our services. This link is also part of the DIN EN ISO 9001 standard. This standard is applied centrally as a benchmark for our quality management system (QMS). The expectation in the Group is that operating units will meet the criteria defined in DIN EN ISO 9001, even if they do not pursue external certification.

Concept

In order to be able to provide the quality required by our customers, we have established an extensive quality and process management system. It starts with the operating units, which are responsible for the quality of their products and services and for their monitoring. They are supported by the quality management of the regions and / or divisions as well as by Corporate HSEQ. System requirements, internal audits as well as training and education measures for quality assurance are intended to ensure that our standards of quality are maintained at all times and continuously developed.

For the project business, we have established a Group-wide process that is oriented toward different risk classes. The so-called stage-gate process is used to standardize and ensure the quality of business processes in the operating companies when it comes to offers and orders. This process begins in the business development phase and ends with the expiration of the warranty period. The stage gates are predefined points (decisions and reviews) in the lifecycle of an offer or order, the successful completion of which is determined by a stage-gate certificate.

Performance indicators

In addition, Bilfinger has had a cross-regional matrix certificate since 2015 which helps ensure uniform quality standards in the Group and which, by the end of 2020, had already included 167 locations in 47 Bilfinger companies. The lower number of operating companies with certified QMS in the matrix compared to 2019 can be explained by M&A activities and internal mergers of operating units as part of an effort to create a more efficient organization. Our objective is to continue expanding the matrix certificate to all relevant Bilfinger companies in Europe and the Middle East that already have their own ISO-9001 certificate. Our HSEQ processes and operating units are audited and certified by external companies.

NUMBER OF OPERATING COMPANIES WITHIN THE MATRIX WITH CERTIFIED QMS IN ACCORDANCE WITH DIN EN ISO 9001

Number	2020	2019
Operating companies with certified QMS	47	60

E.5.3 Sustainable industrial services

Concept

As a service provider, we want to accompany our customers with our services on their energy transition journey. Bilfinger's portfolio of services includes technical services that can be organized in the various life cycle phases of a plant. In the investment phase, these include consulting and engineering services for the design and planning of the plant. In the operating phase, we deliver maintenance, inspections and modernization projects. In the dismantling phase, we provide support for the decommissioning or conversion of the plant.

Because process industry facilities require significant amounts of energy during operation and primarily use fossil fuels, they generate a large proportion of earth-heating emissions. According to a report from the International Energy Agency (IEA)*, the worldwide share of CO_2 emissions caused by heavy industry – including chemicals, cement and steel production – was 26 percent in 2019. It is precisely these energy-intensive industrial processes that are the core business of Bilfinger's important process industry customers. As part of its summit in October 2020, the EU increased climate targets, specifying a 16 percent reduction in greenhouse gas emissions by 2030 compared to a 1990 baseline. The EU expects to achieve climate neutrality by 2050.

In the reporting year, we began categorizing our operating business by services based on business opportunities in the area of the energy transition. In 2021, we want to further develop this structuring in view of the regulatory requirements announced by the European Union under the EU Taxonomy.

Our portfolio of energy transition services specifically addresses energy consumption and emissions reductions. Further information and project examples from this portfolio can be found on our website at https://www.bilfinger.com/en/services/energy-transition.

We have focused on three areas of competence at Bilfinger – areas where we see an increase in market demand. These are services related to energy efficiency, services in connection with *green* hydrogen produced using renewable energies as well as services for the treatment of unavoidable emissions. Carbon capture, utilization and storage (CCUS) is particularly noteworthy here.

The organization follows the principle of processing customer needs in close proximity to the market. To this end, responsibilities have been defined in the Global Development Team for the three primary service offerings *Energy Efficiency*, *Hydrogen* and *CCUS*. The specialists on these teams develop the range of services for each area and coordinate the implementation of business plans with the respective regional managers.
Overall, sustainable industrial services accounted for a small share of our Group revenue in the reporting year. By the end of 2025, this will be expanded into a significant share of revenue.

Energy efficiency

Energy efficiency services are primarily requested by our customers for existing plants that are in the process of being optimized or modernized.

Measures that can be executed within the framework of the existing infrastructure include, for example, improved thermal insulation. A certified analysis procedure *Thermal Insulation Performance (TIP) Check* illustrates energy and heat loss resulting from poorly insulated components - and thus helps with the identification and implementation of appropriate measures such as the application of insulation to these components.

Energy-saving potential can also be realized if the waste heat generated by a plant during production is reused within the plant's own processes. External users such as neighboring industrial plants or district heating networks can be provided with the excess heat energy that has been generated. Bilfinger supports this process by designing and supplying modular solutions that allow for the capture and reuse of waste heat.

A more complex energy efficiency method used by Bilfinger is the so-called *pinch analysis*. It evaluates the cold and heat flows of a process and, in addition to an evaluation of the current situation, also provides a theoretically ideal system status. Based on this ideal situation, Bilfinger then develops an individual energy efficiency concept and proposes modifications to the plant that optimize combined heat and power.

We have also focused our energy efficiency portfolio on the decarbonization of municipal networks. The *ScaleGrid* approach, which Bilfinger helped develop, combines a site-specific potential analysis of renewable heat sources with the development of options for demand-oriented optimization of energy and heat utilization in municipalities, for example. Our range of services also includes structured support for decision-making processes based on the optimization options identified.

Hydrogen

Hydrogen can play an important role in the future supply of energy. Hydrogen as a source of fuel is obtained through energy-intensive processes. A distinction is made between *grey* hydrogen, in which the energy input is obtained from fossil fuels, and *blue* hydrogen, in which the CO_2 that is produced is also captured and stored. *Green* hydrogen production relies on renewable energies for the electrolysis that generates it. We focus our services on this type of hydrogen because its CO_2-free generation makes it a particularly important component of climate-neutral supply of energy.

In close dialog with the relevant authorities, we supported government initiatives launched in a number of our markets – particularly Germany – during the reporting year to promote hydrogen technology. We want to make a constructive contribution here and incorporate the expertise the Bilfinger Group has built up over many years in the field of gas treatment along the entire hydrogen value chain. Our concept also calls for Bilfinger to position itself in the role of independent systems integrator in the future. We work independently of manufacturers and integrate technical solutions into a complete system.

We have already demonstrated our competences in various projects. As a partner of the *Energy North Sea Program*, for example, we are responsible for concept design of hydrogen plants on planned energy islands in the North Sea. The idea is to produce and store green hydrogen using renewable energy on island constructions.

Carbon capture, utilization and storage

Carbon capture, utilization and storage (CCUS) can also potentially be a key technology in the pursuit of climate-neutral industrial production. By capturing CO_2 emissions as they are generated and then processing or storing them, the volume of environmentally harmful greenhouse gas emissions can be significantly reduced.

With its expertise, Bilfinger delivers development and support for all aspects of CCUS-related technology. This includes the capture and separation of CO_2 emissions as well as their purification, compression and liquefaction through to their storage and transport. Bilfinger also provides support for its customers in the utilization of captured CO_2. We prepare feasibility and environmental impact studies as well as safety concepts while also managing approval processes. We support the construction of plants through project management and the procurement, manufacture and assembly of the required components. The application of this technology varies depending on statutory / regulatory and topographic conditions at the location of the industrial facility. For this reason, we also adapt our service offerings to regional demand.

Footnotes

* IEA_Energy Technology Perspectives 2020, page 55

E.6 Auditor's report

Independent Auditor's

Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the Group non-financial report 2020 of Bilfinger SE. The following text is a translation of the original German Independent Assurance Report.

To Bilfinger SE, Mannheim

We have performed a limited assurance engagement on the separate Group non-financial report of Bilfinger SE according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code) for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial report). Our engagement did not include other references to information outside the non-financial report as well as disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Bilfinger SE for the topics that have been identified as material,

- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance Conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Bilfinger SE for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Bilfinger SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungs-gesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 2 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Annette Johne
Wirtschaftsprüferin	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Ten-year overview

GROUP

in € million

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets										
Non-current assets	**3,090**	**3,519**	**3,012**	**2,491**	**1,525**	**1,690**	**1,643**	**1,614**	**1,676**	**1,313**
Intangible assets	1,561	1,890	2,015	1,639	895	849	804	804	803	765
Property, plant and equipment	647	690	629	477	471	383	367	324	312	270
Receivables from concession projects	377	508	–	–	–	–	–	–	–	–
Rights of use from leases	–	–	–	–	–	–	–	–	227	189
Other non-current assets	341	254	196	136	40	337	386	412	274	33
Deferred taxes	164	177	172	239	119	121	86	75	61	56
Current assets	**4,630**	**3,331**	**3,520**	**3,514**	**3,660**	**2,329**	**1,977**	**1,862**	**1,678**	**1,943**
Inventories, receivables, other	2,022	2,244	2,213	1,753	1,380	1,216	1,198	1,237	1,179	1,432
Cash and cash equivalents	847	1,087	647	359	427	1,032	767	574	500	511
Assets classified as held for sale	1,761	–	660	1,402	1,853	81	12	50	–	–
Equity & liabilities										
Equity	**1,793**	**2,037**	**2,165**	**1,917**	**1,418**	**1,621**	**1,383**	**1,205**	**1,153**	**1,199**
Share capital	138	138	138	138	138	138	133	133	133	133
Reserves	1,503	1,795	1,972	1,805	1,124	1,562	1,270	1,191	1,138	1,143
Treasury shares	-100	-100	-99	-97	-97	-97	-39	-150	-150	-150
Distributable earnings	247	196	138	92	292	46	44	44	44	83
Minority interest	5	8	16	-21	-39	-28	-25	-13	-12	-11

Ten-year overview, Group, continued >

< Ten-year overview, Group, begin

GROUP

in € million

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Non-current liabilities	1,159	1,748	1,146	1,061	901	898	874	363	917	886
Provisions for pensions and similar obligations	325	394	417	400	295	304	293	288	338	340
Other provisions	60	56	55	45	31	29	27	25	24	22
Financial liabilities, recourse	181	519	517	514	513	510	509	11	551	521
Financial liabilities, non-recourse	339	461	13	13	–	–	–	–	–	–
Other liabilities	128	169	49	22	2	–	–	–	–	–
Deferred taxes	126	149	95	68	60	55	45	39	4	3
Current liabilities	4,768	3,065	3,221	3,027	2,866	1,500	1,363	1,908	1,285	1,171
Current tax liabilities	88	102	115	84	39	39	34	34	25	24
Other provisions	755	557	482	360	512	489	442	384	302	300
Financial liabilities, recourse	5	192	28	7	13	12	2	502	50	47
Financial liabilities, non-recourse	9	9	28	27	–	–	–	–	–	–
Other liabilities	2,116	2,205	1,907	1,484	1,156	892	859	963	908	800
Liabilities classified as held for sale	1,795	–	661	1,065	1,146	68	26	26	–	–
Balance-sheet total	7,720	6,850	6,532	6,005	5,185	4,019	3,620	3,476	3,355	3,256

2013 pro forma: Adjusted for discontinued operations: Construction and Offshore Systems
2014 pro forma: Adjusted for discontinued operations: Power
2015 pro forma: Adjusted for discontinued operations: Divisionen Water Technologies sowie Building, Facility Services und Real Estate
2016 pro forma: Adjusted for discontinued operations: Power
2017: Incl. marketable securities in the amount of €150 million
2018: Incl. marketable securities in the amount of €120 million

BUSINESS DEVELOPMENT

in € million	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Orders received	7,690	8,304	7,513	5,510	4,301	4,056	4,055	4,459	4,159	**3,724**
Order backlog	7,557	7,388	6,476	4,401	2,902	2,618	2,531	2,818	2,567	**2,585**
Revenue / output volume [5]	8,397	8,586	7,552	6,246	5,003	4,219	4,044	4,153	4,327	**3,461**
Investments	310	521	391	258	66	72	76	67	65	**37**
Property, plant and equipment	127	143	140	117	62	70	71	66	64	37
Financial assets	183	378	251	141	4	2	5	1	2	0
Employees (at year-end)	59,069	66,683	71,127	57,571	42,365	36,946	35,644	35,905	33,327	**28,893**
Earnings figures										
Gross profit	1,051	1,121	1,052	794	431	395	336	391	412	296
EBITA	379	432	349	207	-157	-221	-118	-7	32	-57
EBITA adjusted[1]	379	387	415	262	-23	15	3	65	104	20
EBIT	344	381	298	170	-501	-231	-126	-12	28	-66
Net profit [4]	394	276	173	-71	-510	271	-89	-24	24	99
Adjusted net profit from continuing operations [1,2]	235	241	251	160	-30	-8	-9	36	49	-8
Operating cash flow	281	232	210	34	39	-224	-119	50	110	120
Free cash flow	774	439	294	105	2	-264	-181	-4	57	93
Adjusted free cash flow[1]	–	–	–	–	136	-111	-69	56	128	136
Earnings per share in €	6.37	5.26	4.76	0.77	0.88	-5.77	-2.71	1.21	2.74	2.99
Earnings per share in €[4]	8.93	6.26	3.91	-1.62	-11.54	6.13	-2.01	-0.59	0.60	2.47
Adjusted earnings per share from continuing operations in €[1,2]	5.32	5.46	5.69	3.62	-0.68	-0.17	-0.19	0.87	1.23	-0.20

Ten-year overview, Business development, continued >

< Ten-year overview, Business development, begin

BUSINESS DEVELOPMENT

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
in € million										
Profitability ratios										
Gross profit as a percentage of revenue / output volume 5	12.50	13.10	13.90	12.70	8.60	9.40	8.30	9.40	9.50	8.60
Return on output volume / revenue (EBITA adjusted) in %	4.50	4.50	5.50	4.20	-0.50	0.40	0.10	1.60	2.40	0.60
Return on equity (adjusted net profit) in %	12.80	12.00	12.30	7.80	-1.80	-0.60	-0.60	3.00	4.20	-0.70
Return on capital employed (ROCE) in %	17.30	15.70	13.90	11.90	-30.00	-13.80	-5.50	0.10	1.80	6.90
Value added	186	165	157	43	-704	-380	-304	-154	-141	-38
BILFINGER SE										
Dividend distribution	150.10	132.40	132.50	88.40	–	44.20	42.00	40.30	4.80	75.80
Dividend per share in €[5]	2.50	3.00	3.00	2.00	–	1.00	1.00	1.00	0.12	1.88[6]
Dividend bonus in €	1	–	–	–	–	–	–	–	–	–
Share price at year-end in €	65.88	73.00	81.53	46.35	43.47	36.57	39.57	25.48	34.58	25.86
Number of shares at year-end [3]	46,024,127	46,024,127	46,024,127	46,024,127	46,024,127	46,024,127	44,209,042	44,209,042	44,209,042	44,209,042

All values relate to continuing operations, unless stated otherwise.
2011 - 2012 continuing operations not including Valemus and Concessions
2013 Continuing Operations and not including Concessions, Construction and Offshore Systems
2014 Continuing Operations and not including Power
2015 continuing operations including Power, not including Water Technologies division as well as Building, Facility Services and Real Estate divisions

1 Adjustments see Chapter B.2.2 Earnings situation – adjusted earnings per share
2 Based on adjusted tax rate of 31 percent, from 2019 of 27 percent
3 Including shares held as treasury stock. 2011 to 2012: 1,884,000 | 2013: 1,866,365 | 2014: 1,835,318 | 2015: 1,824,383 | 2016: 1,815,085 | 2017: 1,084,302 | 2018: 3,938,393 | 2019: 3,917,752 | 2020: 3,908,453
4 Includes continuing and discontinued operations
5 Reporting changed from output volume to revenue. Output volume 2011-2016 | Revenue 2017 ff
6 Intended dividend proposal, subject to a corresponding resolution by the Annual General Meeting

Financial calendar

April 15, 2021

Virtual Ordinary Annual General Meeting,
without physical presence of shareholders or their proxies

Video and audio transmission from the Congress Center Rosengarten, Mannheim

May 11, 2021

Quarterly statement Q1 2021

August 12, 2021

Quarterly statement Q2 2021
Half-year financial report 2020

November 11, 2021

Quarterly statement Q3 2021

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