WE MAKE IT WORK

BILFINGER SE
ANNUAL REPORT 2014

BILFINGER

ENGINEERING AND SERVICES


Business segments

As an engineering and services group, Bilfinger develops, builds, maintains and operates facilities and structures for the industrial, energy and real-estate sectors.

Industrial

Bilfinger provides services for the design, construction, maintenance and modernization of plants, primarily in the sectors oil and gas, refineries, petrochemicals, chemicals and agro chemicals, pharmaceuticals, food and beverages, power generation, steel and aluminum. The range of services covers consulting, engineering, project management, piping and component engineering, plant assembly, mechanical engineering, electrical, instrumentation and control technology, process engineering, insulation, scaffolding and corrosion protection. Key regions include Europe, the USA and Asia. __page 76

€ million	2014	2013	Δ in %
Output volume	3,705	3,721	0
Orders received	3,276	3,986	-18
Order backlog	2,404	2,791	-14
Capital expenditure on P, P & E	67	73	-8
Depreciation	64	64	0
EBITA / EBITA adjusted	190	214	-11
EBITA margin (in %)	5,1	5,8	
Employees (at December 31)	33,016	35,018	-6

Power

Bilfinger is active in maintenance, repair, efficiency enhancements, service life extensions and demolition of existing plants as well as in the design, manufacture and assembly of components for power plant construction with a focus on boiler and high-pressure piping systems. The company also erects overhead power lines for the expansion of the German grid network. Services include engineering, delivery, assembly and commissioning of power plant facilities throughout their entire lifecycles (construction, operation, demolition). Key regions include Europe, South Africa and the Middle East. __page 82

€ million	2014	2013	Δ in %
Output volume	1,445	1,577	-8
Orders received	1,090	1,434	-24
Order backlog	1,060	1,404	-25
Capital expenditure on P, P & E	22	34	-35
Depreciation	27	26	+4
EBITA / EBITA adjusted	8	148	-95
EBITA margin (in %)	0,6	9,4	
Employees (at December 31)	11,651	13,479	-14

Building and Facility

Bilfinger is one of Europe's leading providers of integrated real-estate services for the entire lifecycle of a property. Our specialists for design, construction and operation implement energy-saving and value-optimizing real-estate projects. We manage facilities of all kinds and provide consultancy and real-estate services for fund, asset, property and facility management. In Germany, Bilfinger offers development, design and management services as well as services for construction and construction logistics. Global services in water and wastewater technology fill out our portfolio. __page 88

€ million	2014	2013	Δ in %
Output volume	2,659	2,346	+13
Orders received	2,298	2,181	+5
Order backlog	2,004	2,304	-13
Capital expenditure on P, P & E	32	21	+52
Depreciation	20	18	+11
EBITA / EBITA adjusted	136	116	+17
EBITA margin (in %)	5,1	4,9	
Employees (at December 31)	23,712	22,069	+7

Key figures

KEY FIGURES

€ million

	2013[1]	2014
Output volume	**7,552**	**7,690**
Orders received	**7,513**	**6,600**
Order backlog	**6,476**	**5,461**
Capital expenditure	**391**	**279**
Property, plant and equipment	140	139
Financial assets	251	140
Employees (at year-end)	**71,127**	**69,132**
Balance sheet		
Balance-sheet total	6,532	5,962
Equity	2,165	1,917
Equity ratio	33	32
Working capital	-291	-181
Cash and cash equivalents	647	403
Financial debt, recourse	545	544
Financial debt, non-recourse	41	40
Capital employed	3,038	2,946
Earnings		
EBITA adjusted[2]	415	270
EBITA	349	198
EBIT	298	7
Adjusted net profit from continuing operations[3]	251	175
Net profit	173	-71
Cash flow from operating activities	210	65
Cash flow per share (in €)	4.76	1.47
Earnings per share (in €)	3.91	-1.62
Adjusted earnings per share from continuing operations (in €)	5.69	3.96
Dividend per share (in €)	3.00	2.00
Profitability		
Return on output (EBITA adjusted) (in %)	5.5	3.5
Return on equity (adjusted net profit) (in %)	12.3	8.6
Return on capital employed (ROCE) (in %)	13.9	9.5
Value added from continuing operations	157	-36

[1] The figures have, insofar as it is relevant, been adjusted for the discontinued activities of the former Construction business segment and Offshore Systems which were put up for sale in 2014.
[2] Adjusted for exceptional items from profits from the sale of investments and from one-time restructuring expenses.
[3] Adjusted for exceptional items in EBITA and tax expense as well as for amortization of intangible assets from acquisitions and goodwill impairment.

WE MAKE IT WORK

BILFINGER SE
ANNUAL REPORT 2014

To our shareholders

Letter from the Chairman of the Executive Board

Herbert Bodner
Chairman of the Executive Board

Dear Shareholders,
Ladies and Gentlemen,

2014 was a deeply unsatisfying year for Bilfinger, one in which we clearly failed to meet our growth goals. We had to repeatedly adjust our earnings expectations downward within a period of just a few weeks. In the wake of these events, the Chairman of the Executive Board at the time, Roland Koch, left the Group. These developments significantly prejudiced the financial market's confidence in Bilfinger.

In this difficult situation, the Supervisory Board asked me to once again assume the position of Chairman of the Executive Board on an interim basis. The primary objective was to create, together with Executive Board colleagues and managers, a sustainable basis for the further development of the Group. Following an initial analysis, it was necessary to once again adjust earnings expectations downward.

Bilfinger's business development in 2014 was affected by a severe decline in demand in the European power-plant sector and a general reticence to invest on the part of our customers in the process industry. While output volume increased, orders received declined as a result of developments in the Industrial and Power business segments. Adjusted EBITA was well below the figure for the prior year. This was primarily the result of the very negative development in the Power business segment. The reasons for this included the lack of capacity utilization in several areas and burdens from a number of projects. Earnings also decreased in the Industrial business segment, due in particular to the difficult situation in the European process industry and the negative impact from a lack of power plant projects. In the Building and Facility segment, however, EBITA increased as a result of acquisitions and organic growth.

An analysis of the business situation of each division in the third quarter of 2014 necessitated a fundamental reassessment of the situation in the Power business segment. Because of the considerably worsened market situation – especially in Germany and other European countries – not only did the earnings forecast for 2014 have to be reduced, but the earnings outlook for the subsequent years also had to be significantly adjusted. In the end, the resulting goodwill impairments led to a negative net profit.

Considerable efforts are necessary in order to ensure that Bilfinger regains confidence and gets back on a track to success. Our focus throughout will initially be on organic growth and the further improvement of our profitability.

We took an important strategic step forward just prior to the end of the reporting year: Civil was sold to Swiss construction company Implenia. This is positive in two ways: on the one hand, we can fully focus on the further development of our services group and, on the other hand, our employees there have found a good new home.

Despite the difficult year in 2014, it should not be forgotten that our Group is a market leader in many areas in Germany and Europe and that we were able to achieve strong success on many fronts in the reporting year. Important service agreements were extended or new ones signed and the internationalization of the company was moved forward. At the same time, we have optimized processes and procedures in the Group. This allows me to look to the future with optimism: Bilfinger will return to its former strengths.

Ladies and Gentlemen, the company has reshaped its organization and simultaneously strengthened its position as an internationally leading engineering and services group. The environment remains challenging for our Industrial business segment in particular in light of the low price of oil. In the medium term, we believe the chances are good that this business will recover more strongly. In the Power area, we have adjusted our capacities to the lower business volumes and, simultaneously, opened up a path to new markets. The Building and Facility business segment has integrated the new acquisitions and will continue to move forward in terms of organic growth.

The Executive Board would like to thank all employees for their dedication and commitment which is the foundation for satisfied customers and for our success. We invest to a tremendous extent in the training of our employees. In addition to professional training, we also focus on topics such as occupational safety and compliance. We attract qualified young talent through an intensive exchange with selected universities. We offer them interesting and diverse development possibilities and the chance to follow an attractive career path in our Group.

Dear Shareholders,

We received very sad news at the beginning of the new year: Dr. Bernhard Walter, our long-serving Chairman of the Supervisory Board, passed away at the age of 72. His record of achievement for the company during his term in office was highly distinguished. His actions were shaped by integrity, commitment and a sense of responsibility. With his experience and his ability to focus on the big picture, Bernhard Walter provided decisive impetus for the development of Bilfinger. He was replaced by Dr. Eckhard Cordes as Chairman of the Supervisory Board in November 2014. The Executive Board and employees of Bilfinger will honor the memory of Bernhard Walter.

I would also like to thank our shareholders, who have – some of them for many years – accompanied us with confidence. It is extremely important, especially in times of transformation, that you support Bilfinger and the clear path we have taken as an engineering and services group. The company can look to 2015 with confidence. Please continue to demonstrate your loyalty to Bilfinger and help us to put our Group back on the path to success.

Sincerely yours,

Herbert Bodner
Chairman of the Executive Board at Bilfinger SE

Executive Board of Bilfinger SE

from left:

Joachim Enenkel

Divisions: Construction | Infrastructure | Offshore Systems and Grids

Technology and Development

Born 1962 in Sindelfingen. After a degree in civil engineering from the University of Technology in Stuttgart and positions with various engineering offices and construction companies, Joachim Enenkel joined the Bilfinger Group in 1996. He assumed management functions in Germany and abroad and has been a member of the Executive Board since 2010.

Pieter Koolen

Divisions: Engineering, Automation and Control | Industrial Fabrication and Installation | Industrial Maintenance | Insulation, Scaffolding and Painting | Oil and Gas | Support Services

HSEQ (Health, Safety, Environment and Quality)

Born 1955 in Breda, Netherlands. Pieter Koolen holds a registered accountant degree and has held a number of management positions with auditing and construction companies. In 2005 he became a member of the Executive Board at the current Bilfinger subsidiary Tebodin B.V. He joined the Executive Board of Bilfinger SE in September 2013.

Herbert Bodner, Chairman

Divisions: Piping Systems | Power Systems

Strategy | Legal | Compliance | Project Controlling | Communications & Marketing | Group Organization

Born in Graz, Austria in 1948. After graduating from the University of Stuttgart with a degree in civil engineering, Mr. Bodner began his career in 1971 at Ed Züblin. He moved to the Bilfinger Group in 1991 and joined the Executive Board in 1997. Mr. Bodner was Chairman of the Executive Board from 1999 until reaching retirement age in 2011. In 2013 he was elected to the Supervisory Board of Bilfinger SE. Following the resignation of Roland Koch in August 2014, Mr. Bodner became Chairman of the Executive Board on an interim basis and announced his resignation from the Supervisory Board.

Dr. Jochen Keysberg

Divisions: Building | Facility Services | Real Estate | Water Technologies

Government Services | Human Resources (Labor Director) | Business Development and Key Account Management

Born 1966 in Dortmund. In 1997, after completing his studies in civil engineering at the Technical University of Aachen and his doctorate at the Technical University of Hamburg-Harburg, Dr. Jochen Keysberg joined the Bilfinger Group. He held a number of management positions in the Group both in Germany and abroad and has been a member of the Executive Board since 2012.

Joachim Müller

Accounting | Finance | Controlling | M & A | Internal Audit | Taxes | Investor Relations | Purchasing | IT

Born 1959 in Eberbach. After studying economics at the University of Heidelberg, Joachim Müller worked at auditing companies and in commercial management positions at several international industrial and IT companies. He has been a member of the Executive Board at Bilfinger since 2008.

Unless otherwise indicated, information on Executive Board responsibilities correct at December 31, 2014.

Dr. Eckhard Cordes
Chairman of the Supervisory Board

Dear Shareholders,

2014 was a difficult year for Bilfinger. The abrupt changes in the energy sector in Germany and their impact on neighboring countries led to a drop in earnings. The Supervisory Board is, however, convinced that Bilfinger has a convincing business model as a service provider for industrial facilities, the energy sector and real estate and, with a repositioning of the power plant business, will soon get back on a path to success.

Cooperation between the Supervisory Board and the Executive Board

During the year under review, the Supervisory Board performed the duties incumbent upon it in accordance with the law and the Articles of Incorporation. The Executive Board informed the Supervisory Board regularly in both written and verbal form, on all relevant aspects of the company's development. The cooperation with the Executive Board was characterized by an intensive dialog. There were, however, considerable differences between the Supervisory Board and the Executive Board with regard to the earnings assessment. The Executive Board's two corrections to the forecast in June and in August of the reporting year led to the resignation of the former Chairman of the Executive Board and to the termination of the Chief Financial Officer in the course of a succession plan.

The Supervisory Board discussed in detail the reports from the Executive Board. It continuously monitored the work of the Executive Board on the basis of this reporting and provided advice regarding the management and strategic development of the company. The Supervisory Board was always involved in decisions that were subject to its authority. The primary benchmarks for the supervision of the Executive Board by the Supervisory Board were 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. Between the scheduled meetings, the Chairman of the Supervisory Board regularly exchanged ideas and information, in particular with the Chairman of the Executive Board with regard to fundamental topics, the progress of business and significant events.

Article 15 Paragraph 1 of the Articles of Incorporation of Bilfinger SE and a catalog prepared by the Supervisory Board, embedded in the Executive Board rules of procedure, list the transactions and measures of fundamental importance which require the approval of the Supervisory Board. The Supervisory Board decided on transactions and measures submitted to it and requiring its approval after reviewing them and discussing them with the Executive Board.

A further focus of consultations in the plenary sessions of the Supervisory Board was earnings development in the individual business segments as well as corporate planning – investments, return-on-capital-employed controlling and the comparison of the course of business with the anticipated figures were also dealt with in detail.

Furthermore, the Supervisory Board was informed by the Executive Board on an ongoing basis about findings from Risk Management and Compliance.

Through its Audit Committee, the Supervisory Board accompanies and monitors the framework, development and application and preventive measures taken by the company against violation of laws and regulations. Pursuant to an agreement with the U.S. Department of Justice, the Bilfinger Compliance System has been undergoing a review by a Compliance Monitor since August 2014. The Monitor informed the Supervisory Board on the findings of his activities to date at the end of the reporting year.

The Supervisory Board is not aware of any conflicts of interest to be disclosed by members of the Executive or Supervisory Boards.

Supervisory Board meetings

The Supervisory Board convened for eleven meetings in financial year 2014; they took place on March 12 and 13, May 7, June 16, August 7, September 10, October 13 and 23, November 11, December 2 as well as on December 20. All members of the Supervisory Board attended more than half of the meetings; the average attendance rate was 94.6 percent.

Topics in the plenary meetings

Current business development was dealt with in all meetings of the Supervisory Board. The Chairmen of the committees informed the plenum about the activities of the bodies they lead. The meetings of the Supervisory Board also dealt with the following topics:

On March 12, 2014, the Supervisory Board dealt with the corporate planning for the years 2014 to 2016 as well as the investment budget for 2014. In addition, it approved the sale of shares in the 'Bilfinger Berger Global Infrastructure' fund and dealt with proposed resolutions to the Annual General Meeting.

At the meeting on March 13, 2014, the Supervisory Board focused on the annual financial statements for 2013.

On May 7, 2014, the Supervisory Board gave its general approval for the Executive Board plan to sell the activities of the Construction business segment and approved the acquisition of GVA Grimley Holdings Ltd., London. The meeting also served as preparation for the Annual General Meeting on the following day.

On June 16, 2014, measures to secure earnings were discussed and the divisions operating in the Industrial and Power business segments introduced.

At its meeting held on August 7, 2014, the Supervisory Board dealt primarily with Executive Board personnel issues. At this meeting it also issued an updated Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

On September 10, 2014, the Supervisory Board dealt, among other things, with the status of implementation of 'Bilfinger Excellence' which was introduced in the previous year and with which the administrative functions in the company will be combined, costs reduced and the management structure more efficiently structured.

On October 13, Executive Board personnel issues were once again on the agenda.

At the meeting on October 23, 2014, the Supervisory Board focused on Group strategy. The current situation and future prospects of the individual divisions were analyzed in detail. The development of the subsidiaries acquired in 2012 as well as Executive Board personnel issues were also discussed.

The meeting held on November 11, 2014 was used primarily for the election of the new Chairman of the Supervisory Board because the previous Chairman, Dr. h. c. Bernhard Walter had stepped down from this position with effect from November 4, 2014. In his place, Dr. Eckhard Cordes was appointed member of the Supervisory Board by court order on November 5, 2014 and elected Chairman of the committee on November 11, 2014.

On December 2, 2014, the Supervisory Board dealt with the corporate planning for the years 2015 to 2017, the investment budget for 2015 and, once again, the status of the implementation of 'Bilfinger Excellence'. The committee approved the sale of stakes in two concession projects in Hungary. Also on the agenda for this meeting was the report of the Chief Compliance Officer, a presentation from the Compliance Monitor and the results of the Supervisory Board's external efficiency review.

On December 20, 2014, the Supervisory Board dealt with and approved the sale of Bilfinger Construction GmbH.

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 company and consolidated financial statements for the year 2014. The Annual General Meeting approved this proposal on May 8, 2014.

Work of the committees

In order to ensure the efficiency of its activities, the Supervisory Board has formed a Presiding Committee, an Audit Committee and a Nomination Committee.

Presiding Committee of the Supervisory Board

The Presiding Committee of the Supervisory Board consists of four members (see page 203). It also prepares the plenary meetings and makes recommendations on important resolutions. The main tasks of the Presiding Committee also include regulating the personnel issues of the Executive Board, unless the provisions of the German Stock Corporation Act and the German Corporate Governance Code stipulate that they are to be regulated by the plenum of the Supervisory Board, and taking decisions on legal transactions subject to approval and other transactions.

Four meetings of the Presiding Committee of the Supervisory Board were held in 2014. The Presiding Committee approved the sale of a part of the company and also approved two long-term framework agreements for facility management services. Some of the resolutions of the Presiding Committee of the Supervisory Board were made in written form.

Audit Committee

The Audit Committee also consists of four members (see page 203). It monitors the accounting 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. The Chairman of the Audit Committee, Mr. Udo Stark, has particular knowledge and experience in the application of accounting principles and internal control procedures.

In five meetings in the past financial year, the Audit Committee primarily dealt with the annual financial statements for 2013 and the quarterly reports for 2014, including the corresponding interim financial statements. The auditor participated in four meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements, the auditor's review the of interim financial statements as of March 31, June 30 and September 30, 2014 and on the significant findings for the work of the Audit Committee. The Chairman of the Supervisory Board participated in two meetings of the Audit Committee as a guest. 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 and the interim financial statements with him.

The Audit Committee reviewed the independence of the external auditors and recommended that the Supervisory Board propose their election by the Annual General Meeting in 2014. 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 to the auditors, negotiated the audit fee with them and determined the focus of the audit. It also dealt with the non-audit services provided by the external auditors and reviewed compliance with the relevant limits for such services.

The Audit Committee received information on the development of the risk situation from the quarterly reports of the Executive Board, which were also submitted to the plenum of the Supervisory Board. Furthermore, the Audit Committee dealt in detail with the activities of Project Controlling and Internal Auditing. To enable the Audit Committee to conduct an evaluation of the company's risk management, the Project Controlling and Internal Auditing departments submitted reports to the committee. The Chairman of the Audit Committee also discussed the work results of Internal Auditing and Project Controlling in individual meetings with the heads of the two corporate departments. 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 fully meet the demands that are made of them.

The Audit Committee also dealt in detail with questions of compliance. The Chief Compliance Officer reported on his activities to the committee once a quarter (see page 120 f.).

Nomination Committee

The Supervisory Board has formed a Nomination Committee in accordance with the recommendation in Section 5.3.3 of the German Corporate Governance Code. This committee consists of three members representing the shareholders (see page 203) 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. The Nomination Committee did not meet in financial year 2014.

Corporate governance and declaration of compliance

In 2014, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code. On August 7, 2014, the Executive Board and the Supervisory Board issued an updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), which is a component of the corporate governance report (see page 119 f.) and is permanently available on the company's website, as are the previous declarations.

Examination of efficiency

The Supervisory Board and Audit Committee examine the efficiency of their activities annually. An external expert conducted an evaluation in the reporting year. The results of his survey were analyzed in detail in the Presiding Committee.

Audit of the annual and consolidated financial statements

Accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, 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 2014 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for the year 2014 were prepared in accordance with Section 315a of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 May 8, 2014. 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 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 in the presence of the external auditors. In addition, the Audit Committee had the auditor report on the collaboration with internal auditing and others in positions relating to risk management and on the effectiveness of the internal control and risk management system, in particular with regard to accounting whereby the auditor stated that no significant weaknesses were found. The external auditors confirmed that the internal control system, the internal auditing system and the risk management system fully meet the demands made of them.

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 2014, 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 in its meeting on March 12, 2015. The external auditors, represented by the two auditors who signed the audit opinion, also participated in this meeting. 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. They also discussed in detail 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. 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 to be made; this applies in particular to the corporate governance statement, namely to the extent that its components are to be analyzed by the Supervisory Board alone. At its meeting held on March 12, 2015, the Supervisory Board approved the company and consolidated financial statements and the combined management report for the 2014 financial year as submitted by the Executive Board. The company's financial statements have thus been 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 profits particularly with regard to the stringency of accounting and dividend distribution policy, the effect on liquidity, creditworthiness and future financing needs as well as under consideration of shareholder interest. In accordance with the recommendation of the Audit Committee, it consents to the Executive Board's proposal for the appropriation of distributable earnings.

Executive Board personnel matters

On August 7, 2014, the Supervisory Board, in accordance with Section 39, Paragraph 3, Sentence 2 of the SE Regulations in connection with Paragraph 15 of the SE Implementation Act (SE-VO), assigned Herbert Bodner to the Executive Board and appointed him Chairman for the period from August 9, 2014 until May 31, 2015 at the latest. As a result of his resignation from the Supervisory Board with effect from November 13, 2014, Mr. Bodner left the committee. Because his assignment to the Executive Board also ended at that time, he was once again appointed member of the Executive Board and Chairman of the Executive Board from November 14, 2014 until May 31, 2015.

Mr. Roland Koch stepped down from the Executive Board by mutual agreement on August 8, 2014. On October 13, 2014, the Supervisory Board approved the resignation of Mr. Joachim Müller by mutual agreement. Mr. Müller will step down from his position as Chief Financial Officer on March 31, 2015.

Supervisory Board personnel matters

The SE Works Council which, in accordance with the co-determination agreement, has the authority regarding the appointment and dismissal of employee representatives to the Supervisory Board, dismissed Mr. Holger Timmer from the Supervisory Board at the end of the Annual General Meeting on May 8, 2014. Mr. Ingo Klötzer joins the Supervisory Board in his place.

Dr. h. c. Bernhard Walter stepped down from the Supervisory Board with effect from November 4, 2014. In his place, Dr. Eckhard Cordes was appointed member of the Supervisory Board on November 5, 2014 by court order. In its meeting on November 11, 2014, the Supervisory Board elected Dr. Cordes Chairman.

Herbert Bodner's Supervisory Board mandate was suspended due to his assignment to the Executive Board from August 9, 2014 and ended when he resigned the office on November 13, 2014. As substitute member of the Supervisory Board elected by the Annual General Meeting, Mr. Wolfgang Faden replaced Mr. Bodner in the Committee on November 14, 2014.

Mr. Volker Böhme resigned from the Supervisory Board with effect from December 31, 2014; Mr. Wolfgang Bunge joined the committee in his place on January 1, 2015 as substitute member elected by the SE Works Council.

The Supervisory Board thanks all the departed members for their work and commitment in the interests of the company.

The Supervisory Board mourns the loss of Dr. h. c. Bernhard Walter, who passed away on January 11, 2015. He was a member of the committee from 1998 until he stepped down in November 2014 and was Chairman from 2006. Dr. Walter shaped the work of the Supervisory Board throughout this long period, making a major contribution to Bilfinger. The Supervisory Board will commemorate his memory.

Thanks to the Executive Board and the employees

The Supervisory Board thanks the members of the Executive Board for the trusting and constructive cooperation and expresses its thanks and appreciation to all the employees for their good work for Bilfinger in the past financial year.

Adoption of this report

The Supervisory Board adopted this report in its meeting on March 12, 2015 in accordance with Section 171 Subsection 2 of the German Stock Corporation Act (AktG).

For the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board
Mannheim, March 12, 2015

Bilfinger in the capital market

Disappointing year for the Bilfinger share

S&P credit rating remains investment grade

Sustainable dividend distribution policy: dividend yield of 4.3 percent

Mixed year on the stock markets

Following the stock market rally in the previous year, 2014 was shaped to a great extent by uncertainty on the stock markets, caused by ongoing speculation about monetary policy measures from the most important central banks and by deflationary tendencies in the Eurozone. The crisis in the Ukraine and the subsequent economic sanctions against Russia as well as the surprisingly sharp drop in oil prices at the end of the year all hampered the stock market climate. As a result, the reference indices closed out the year with a slight increase – the DAX was up 3 percent while the MDAX and STOXX Europe TMI Support Services each recorded a 2 percent increase.

Although the Bilfinger share price developed better than the DAX and the MDAX in the first half of the year, the trend reversed in the second half of the year following the repeated downward adjustments to our earnings expectations. The upcoming personnel changes in the Executive Board led to further uncertainty. The Bilfinger share closed out 2014 at a price of €46.35, which represents a decline of 41 percent over the course of the year. Market capitalization thus totaled €2.1 billion.

Despite this development, shareholders who invested in Bilfinger shares 10 years ago have more than doubled the value of their investment, with the share price recording an increase of 117 percent by the end of 2014. In the same period, the DAX increased by 130 percent and the MDAX climbed 215 percent.

Following a somewhat hesitant start to 2015, the share price developed very positively in February following publication of the preliminary figures and the dividend proposal.

More focused profile as an engineering and services group

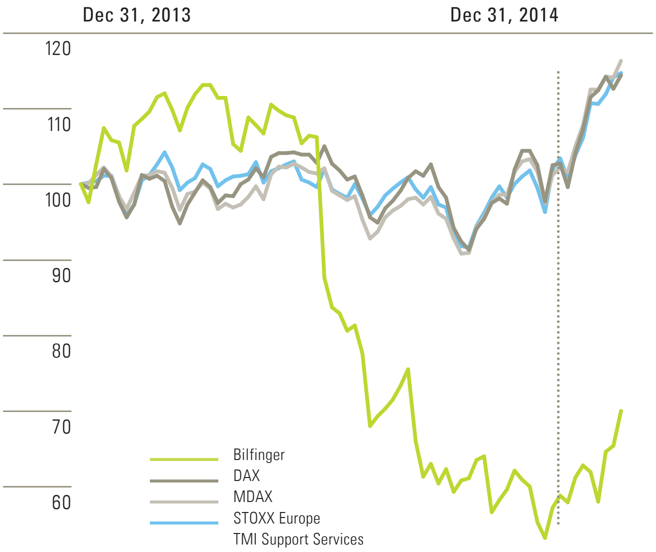
From the perspective of the capital market, Bilfinger has further established itself as an engineering and services group. This profile has gained additional focus as a result of the sale of significant portions of the civil engineering business completed at the end of the year.

Positive S&P credit rating

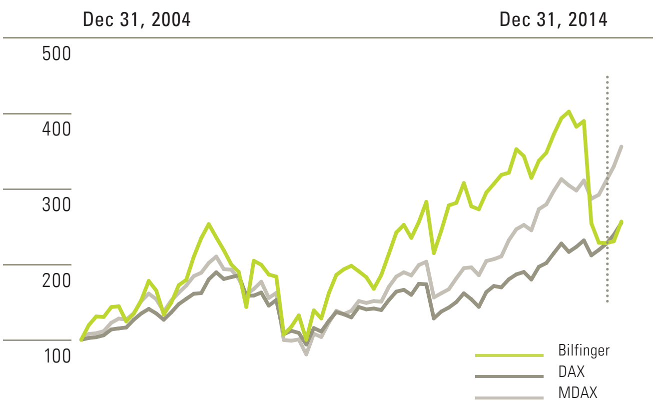
The Group's rating from Standard & Poor´s, BBB with negative outlook, remains investment grade.

In December 2012, Bilfinger placed a corporate bond for the first time with a volume of €500 million and an interest coupon of 2.375 percent. The bond closed the year 2014 at a price of €106.35.

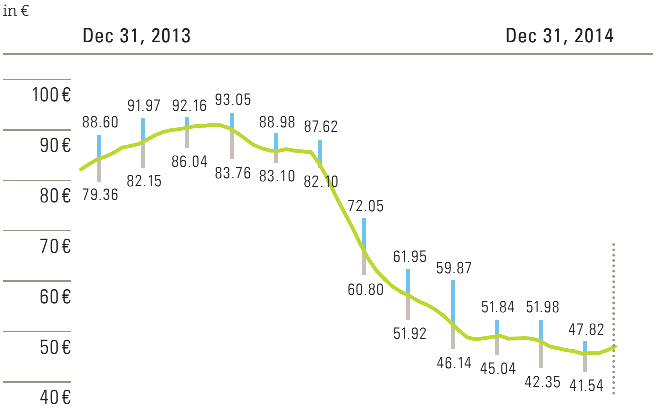
RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



RELATIVE PERFORMANCE OF OUR SHARES
10 YEARS



MOVING 30-DAY AVERAGE
in combination with monthly highest and lowest prices
in €



BILFINGER SHARE

ISIN / Stock exchange abbreviation	DE0005909006 / GBF
WKN	590 900
Main stock market	XETRA / Frankfurt
Deutsche Börse segment	Prime Standard
Component of	MDAX, DAXsubsector Industrial Products & Services Idx., DivMSDAX, STOXX Europe 600, Euro STOXX, STOXX EUROPE TMI Support Services, EURO STOXX Select Dividend 30

BILFINGER BOND

ISIN / Stock exchange abbreviation	DE000A1R0TU2
WKN	A1R0TU
Listing	Luxembourg (official trading)
Emission volume	€500 million
Interest coupon	2.375 %
Maturity	December 7, 2019
Year-end closing price (Stuttgart)	106.35

Broad international shareholder structure

As in previous years, two shareholder surveys were carried out in 2014. Institutional investors continue to dominate our shareholder structure.

Four percent of our shares are currently held as treasury stock and 62 percent are in the hands of institutional investors. A further 34 percent of the shares could not be identified; a portion of these are held by private investors.

Cevian Capital was our largest shareholder on December 31, 2014 with 26 percent of the shares. The analysis of shareholders by region shows that shareholders in Germany, the USA, the United Kingdom and Switzerland continue to be the most prominent. Identified shares held by institutional investors (not including Cevian) fell significantly in Germany to 14 percent, in the USA to 6 percent, in the United Kingdom to 5 percent and in the Benelux countries to 1 percent. The proportion in Switzerland, on the other hand, increased to 5 percent. Nearly unchanged were Scandinavia with 3 percent and France with 1 percent. The free float in accordance with the definition of Deutsche Börse was 96 percent at the beginning of 2014. Because the 25 percent threshold was exceeded, Cevian's stake which had previously been classified as free float was re-classified as non-free float. The free float thus decreased to 70 percent at the end of the year.

KEY FIGURES ON OUR SHARES

€ per share

	2010	2011	2012	2013	2014
Earnings [1]	6.43	8.93	6.26	3.91	-1.62
Adjusted earnings [2]	4.64	5.32	5.46	5.69	3.96
Cash flow per share	5.53	6.37	5.26	4.76	1.47
Dividend	2.50	3.40 [3]	3.00	3.00	2.00
Dividend yield [4]	4.0%	5.2%	4.1%	3.7%	4.3%
Pay-out ratio [5]	54%	64%	55%	53%	50%
Highest price	64.35	70.35	77.90	84.35	93.05
Lowest price	40.75	50.47	58.82	68.67	41.54
Year-end price	63.20	65.88	73.00	81.53	46.35
Book value [6]	40.84	40.51	45.96	48.67	43.85
Market value / book value [4, 6]	1.5	1.6	1.6	1.7	1.1
Market capitalization in € million [4, 8]	2,909	3,032	3,360	3,752	2,133
MDAX weighting [7]	3.5%	3.7%	3.2%	2.4%	1.1%
Price-to-earnings ratio [4, 5]	13.62	12.38	13.37	14.33	11.70
Number of shares (in thousands) [7, 8]	46,024	46,024	46,024	46,024	46,024
Average XETRA daily volume (no. of shares)	381,287	253,322	156,993	125,429	283,673

Unless stated otherwise, all information relates to continuing operations.
All price details refer to XETRA trading.

1 Includes continuing and discontinued operations
2 Adjusted for one-time expenses in connection with the efficiency enhancement program Bilfinger Excellence, restructuring expenses and for capital gains. Also adjusted for amortization of intangible assets from acquisitions and goodwill impairment. In addition, with income taxes, adjusted in 2014 for the reduction by €13 million of deferred tax assets on tax-loss carryforwards in accordance with Section 8c of the German Corporate Income Tax Act (KStG).
3 Including bonus in the amount of €0.90
4 Based on the year-end closing price
5 Based on adjusted earnings per share
6 Balance sheet shareholder's equity excluding minority interest
7 Based on the year-ending treasury shares
8 Including treasury shares

INSTITUTIONAL INVESTORS BY REGION

as of December 31
in %

	2014
Bilfinger treasury shares	4
Not identified / private shareholders	34
Institutional investors	62
Cevian Capital	26
Germany	14
USA	6
United Kingdom	5
Switzerland	5
Scandinavia	3
Benelux	1
France	1
Other	1

Still well-placed in the middle of MDAX

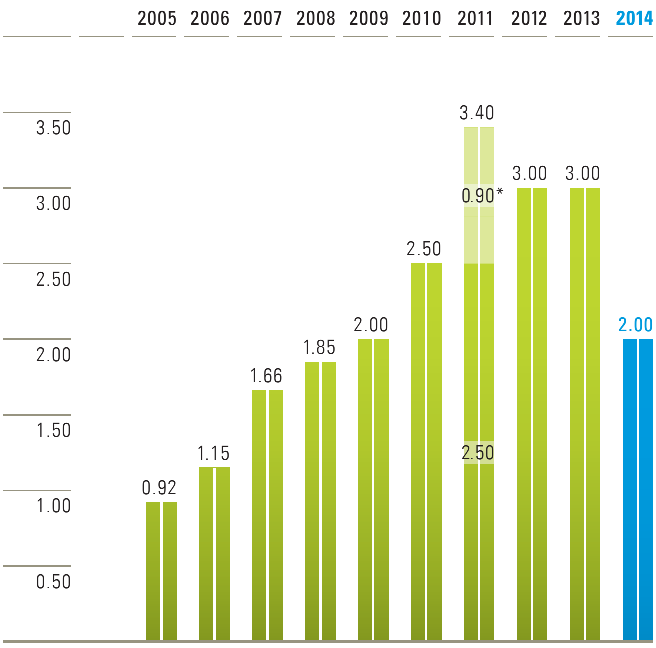
As a result of the significant news flow in the second half of the year, trading volumes more than doubled as compared to the previous year. At the same time, the previous shift to multilateral trading systems and to the over-the-counter market was interrupted. Nearly half of all transactions were processed via XETRA in 2014. Within the MDAX, Bilfinger shares remained among the most liquid stocks, ranking third by trading volume in December 2014 (December 2013: 17th). The comparatively weaker development of the share price as compared to other MDAX stocks as well as a lower free float were reflected in the ranking according to market capitalization and MDAX weighting. Bilfinger was only ranked 28th in terms of market capitalization by free float (December 2013: 15th) and the MDAX weighting declined to 1.1 percent (December 2013: 2.4 percent).

Attractive dividend yield of 4.3 percent

Despite the difficult financial year 2014, a proposal has been made to distribute a dividend of €2.00, which would correspond to 50 percent of the adjusted earnings per share and thereby comply with our sustainable dividend policy. In relation to the share price at the end of 2014, this represents an attractive dividend yield of 4.3 percent.

DIVIDEND DEVELOPMENT OF BILFINGER SHARES

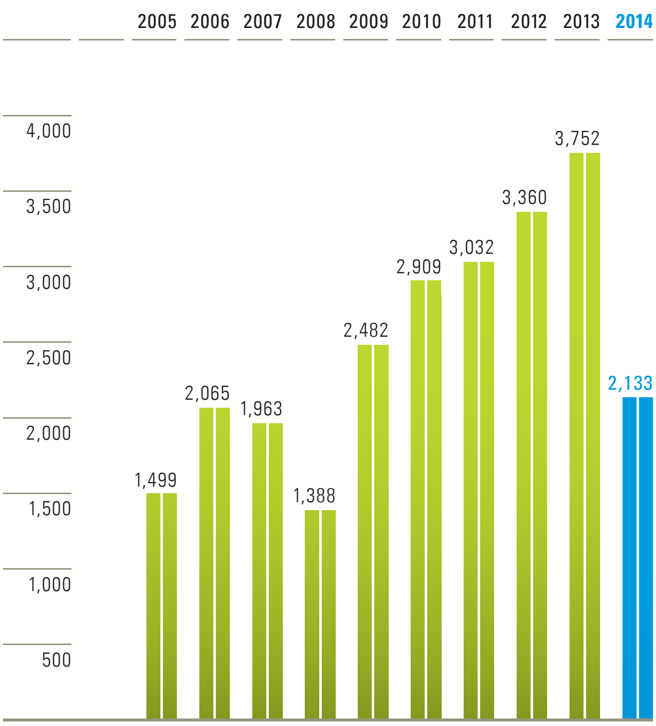
in €



* Bonus dividend

MARKET CAPITALIZATION OF BILFINGER SE

€ million



Continued broad coverage of Bilfinger's stock

The broad coverage of Bilfinger's stock remained almost unchanged in 2014. The Investor Relations team is in regular contact with a total of 19 financial analysts, six of whom currently recommend our shares as buy and ten as hold. Three analysts published a sell recommendation for Bilfinger in their studies. We provided information to institutional investors in more than 250 meetings, in particular in eleven roadshows in Germany and abroad, as well as by participating in eleven international investor conferences.

Enhanced offering for sustainable investors

With the first-time participation in the Carbon Disclosure Project, Bilfinger has reached a further milestone in terms of sustainability and is thus meeting the increased need for information among investors. Improvements were achieved in all capital-market relevant sustainability ratings.

Annual General Meeting 2014 once again with high capital presence

Shareholder presence at the Annual General Meeting remained mostly unchanged in 2014. 63 percent of the share capital as defined by our Articles of Incorporation was represented (previous year: 64 percent) and the event was attended by a total of 903 participants (previous year: 1,222). We will continue to encourage our shareholders to exercise their voting rights – either in person or through a proxy. All the resolutions of last year's Annual General Meeting were passed as recommended by the management with large majorities.

WE MAKE IT WORK

ALL AROUND THE WORLD, BILFINGER DESIGNS AND FINANCES, MAINTAINS AND REPAIRS, BUILDS AND OPERATES INDUSTRIAL FACILITIES, POWER PLANTS AND REAL ESTATE. EVERY DAY, 70,000 EMPLOYEES APPLY THEIR ENGINEERING AND SERVICE COMPETENCE TO ENSURE THAT BOTH OUR MODERN LIVES AND OUR CLIENTS' BUSINESSES WORK.

Sweden:
Maintenance of hydroelectric power plants for energy provider Fortum.

20

WE MAKE OUTSOURCING WORK

26

Oman:
In the desert nation, Bilfinger is helping with the production of crude oil – and with the country's youth.

WE MAKE OIL AND GAS WORK

WE MAKE INDUSTRY WORK

32

Scotland:
Close cooperation with Henkel for clients in the process industry.

Germany:
New office building for BASF in line with the principles of Bilfinger One.

38

WE MAKE LIFECYCLE WORK

WE MAKE SHOPPING WORK

44

United Kingdom:
A joint venture with 2,100 employees operates 19 large shopping centres.

WE MAKE CLEAN ENERGY WORK

50

France:
Modernization of pressure piping at the Malgovert Alpine power plant.

WE MAKE OUTSOURCING WORK

"We support every new employee in accordance with their skills and career goals – in everyone's interest."

As Director Technical Consultancy in the Bilfinger Industrial Maintenance division, Yngve Rune Olsen supported a total of 180 maintenance specialists from Fortum with their entry into the Bilfinger Group.

BILFINGER MAINTAINS SWEDISH HYDROELECTRIC POWER PLANTS

WITH A SCREWDRIVER AND A SMART PHONE

Energy supplier Fortum has entrusted Bilfinger with the maintenance of its hydroelectric power plants in Sweden. The Group has thus successfully managed to enter the attractive market for renewable energies in Scandinavia.

There is a loud roaring sound in the air as Yngve Rune Olsen hands over a pack of ear plugs. Without ear protection, there is no entry to the heart of the Untra hydroelectric power plant with its five Francis turbines that have been spinning for almost 100 years now. A historical power plant meets modern technology: Bilfinger Industrial Services has taken over the maintenance of the historically protected power plant.

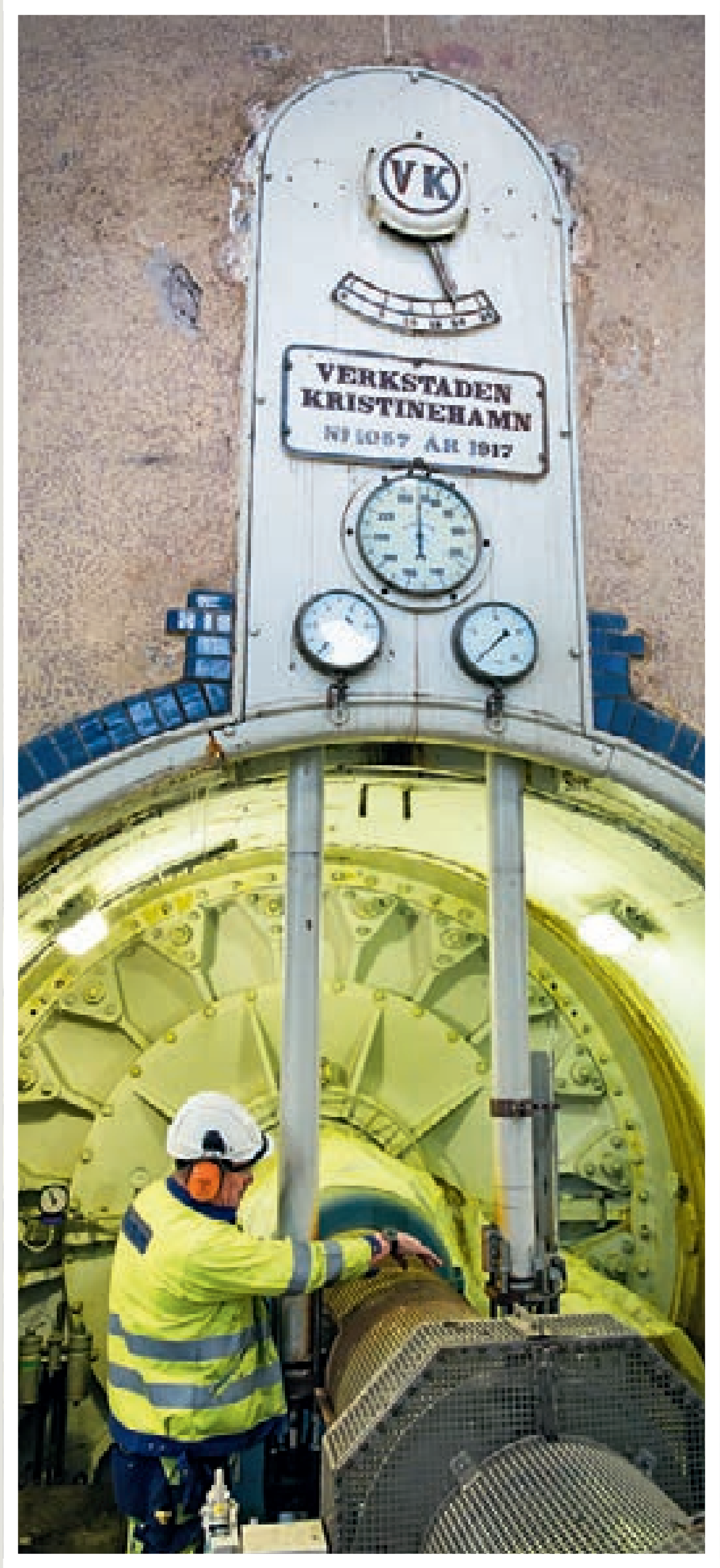
Olsen steps up to a railing made of decorated cast iron and looks down on the machine shed, where technicians are checking the generator waves for abnormalities. It's October and the slight drizzle over central Sweden bathes the energy plant in a soft gray light. Untra is located 130 kilometers north of Stockholm, the portrait of the Swedish King Erik X crowns the entrance. In 1918, the Swedish capital had the river Dalälven dammed and a 42-megawatt-energy plant built of red bricks. Today, the plant is owned by Fortum.

For the operation of its hydroelectric power plants, the Finnish utility has brought Bilfinger Industrial Services on board. In the future, the company will look after the turbines, switchgears and generators in all 125 Fortum power plants in Sweden. Bilfinger will also take over about 180 specialists who had previously worked for Fortum. Yngve Rune Olsen goes down the stairs, enters the engine room and greets the technicians with a handshake. As Director of Technical Consulting, he is in charge of the transition phase. It is his task to ensure that everyone is ready for this partnership. That includes more than a change of protective clothing, online working schedules or training for a new IT software. "An open, trusting working environment is very important to us," the Norwegian explains. "Therefore, we try to support each of the new employees according to their skills and career goals."

Outsourcing services is a trend, especially in Scandinavia. When companies outsource maintenance work, a professionally-managed team of experts is always available for them. From routine checks to extensive repairs, they are able to consult highly-specialized and individual teams when necessary, and also at short notice. This way, fixed costs for permanent staff turn into variable costs. Usually, this results in savings of 20 percent and more.

This, however, is not the only reason for Fortum to cooperate with Bilfinger in future explains Risto Andsten, Vice-President of Renewable Energy at Fortum: "In addition to efficiency and flexibility, we care about a long-term cooperation with high quality standards. Bilfinger impressed us with their professional concept and their years of experience."

The Untra hydroelectric power plant, with its cast-iron staircase and brick facade, has been producing clean energy for nearly a century. Technicians from Bilfinger ensure that the turbines and generators will continue to turn reliably in the future.



The Francis Turbines were manufactured in Kristinehamn in Central Sweden. Bilfinger Industrial Services looks after the power plant with state-of-the-art maintenance software – and sometimes also with more traditional tools.

The core of the service contract, which has a term of three years, is based on the 'Bilfinger Maintenance Concept'. It combines the knowledge of more than 400 successfully executed maintenance analyses and optimization processes for clients, geared towards international standards. More than 30 methods and tools can be adapted to meet the client's individual needs. The challenge varies from order to order. In sparsely populated Sweden, it's all about logistics: How can all of the tasks be merged in a reasonable way; how can work schedules be planned when there are hundreds of kilometers between the power plants? The solution is called 'Bilfinger Mobile Solutions'. The concept combines digital data management and classical maintenance. Apart from wrenches and torches, smart phones will become one of the technician's standard devices in the future. The mobile information system provides knowledge in real time. This way, maintenance teams can access instructions and checklists around the clock online, or they can contact the Maintenance Center when necessary. 40 specialists at Bilfinger are networked on this digital platform. Technicians working on site at the client can consult them for advice anytime.

Sweden is a country of lakes and rivers and nearly half of the country's electricity is produced with their help.

125 hydroelectric power plants

are managed by Bilfinger for energy provider Fortum in the vast forests: a logistical challenge for efficient maintenance.

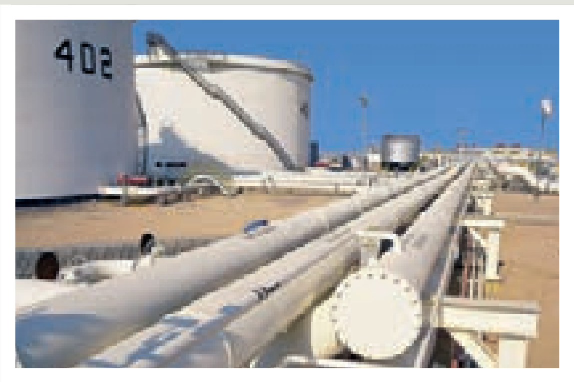
In the case of abnormalities, maintenance will be carried out more frequently. However, if the wheels turn as reliably as the Francis turbines in Untra, there is no reason for permanent checks: The magic word is Dynamic Repair. "All information on plants, clients and our own resources is available in digital form," says Olsen, explaining the Mobile Solutions concept. "It enables us to react quickly and as a network anytime."

Instead of having a fixed area of responsibility, employees travel throughout the country and, when necessary, also support other customers. "From small service offers to turnkey projects, we provide a comprehensive range of industrial services," says David Hellström. As Head of Bilfinger Industrial Services in Sweden, he is responsible for almost 1,200 specialists who work for customers throughout Sweden and Norway. With the acquisition of Fortum's employees, his unit has increased by almost 20 percent. Hellström is pleased: "The new partnership has given us the opportunity to enter the field of renewable energies in Sweden." At the same time, Bilfinger aims to accompany its new partner Fortum on the path to global business in renewable energies: "a strong competitive position for further growth."

WE MAKE OIL AND GAS WORK

*“We rely on new production technologies and train local staff.
This strengthens the country’s economy.”*

Salim Al Kindy, Managing Director
of Bilfinger subsidiary Tebodin in Oman



Oil and gas have to be transported to the surface from ever greater depths. Along with the raw materials, an increasing amount of water is also being pumped. Bilfinger engineers are coming up with solutions to these challenges.

ENGINEERING FOR THE FUTURE OF THE OIL BUSINESS IN OMAN

HIGH-TECH IN THE DESERT

For the past 45 years, the Yibal Oil Field has been one of the most important crude oil production sites in Oman. In 2014 it had to be fully modernized – without interrupting production. The complex task was awarded to an experienced team: together with a local partner, Bilfinger has been successfully carrying out projects for the oil and gas industry since 2011.

2014 began with a challenge for Tebodin in Oman. On January 1, the Bilfinger subsidiary was given the nod for an order that is among the most complex the company has implemented since the opening of its first office in Oman in June 2002. The Yibal Oil Field, one of the country's most important crude oil production sites, was to be made fit for the future. 140,000 man-hours and a period of about one year were scheduled for the Front-End Engineering Design (FEED) project, the planning phase during which the technical details and costs of a major construction project are defined in advance. The client, Petroleum Development Oman LLC (PDO), is responsible for around 70 percent of the country's crude oil production and nearly all of its natural gas production.

The Yibal Field has been producing oil since 1969. To this day, it makes an important contribution to PDO's production volumes. Recently, however, its facilities have reached their limits as their technology has become outdated. In addition, the liquid composition increasingly led to integrity issues. It is possible to pump oil and gas with a limited amount of pressure over periods covering many years. But because many facilities are getting old and because an increasing amount of water is also coming to the surface, they have to be replaced. In light of the technological developments and the objective of reducing operating costs, this does not mean simply exchanging the facilities: in the Yibal Field, new designs and materials had to be developed and implemented in order to meet the technical challenges, optimize the production processes and guarantee cost efficiency.

The FEED project was to be completed for the entire field within 12 months and had to meet a broad range of technical requirements. "In the course of the renewal, we shut down and bypassed three facilities. Fluids were therefore directed directly to a main facility," recalls Tebodin Project Manager Rafaat Soliman. A total of 300 kilometers of flow lines as well as a large number of valves, pumps and compressors were designed and installed. At the same time, it was necessary to ensure that the production interruptions were kept to a minimum.

In 2011, PDO was looking for a competent partner to carry out engineering, maintenance and construction works at all oil production facilities in Northern Oman. The contract was awarded to STST, a joint venture between Tebodin and Special Technical Services (STS). The contract covers a period of seven years and includes at least 500 man-years for Tebodin, which is responsible for engineering works, as well as about 4,500 man-years for STS, which is responsible for construction and maintenance. "The close cooperation between Tebodin and STS within the framework of this joint venture is the foundation of this project's success," says Kumar Shanmugam, Office Director for the Engineering and Maintenance Contract (EMC). For the renewal of the Yibal Field, the partner companies founded a design task force consisting of 66 core staff members and 32 support staff who worked together closely.

"The engineers and builders in the joint venture together find solutions for the problems that present themselves, which accelerates many processes," according to Shanmugam. As part of the EMC contract, PDO also commissioned Tebodin with studies for additional projects such as the "Rahab Harweel Project", the "Budour Sour Oil and Gas Project" and the "Khuloud Project".

For the Bilfinger subsidiary Tebodin, whose work began in 2002 with a "Local Design Services Contract" (LDSC), the EMC contract is a giant step forward after 12 years of growing success in Oman. "We started off with a small office and about 40 employees," says Salim Al Kindy, Tebodin Managing Director in Oman. Today, the company employs approximately 1,000 people and is thus one of PDO's main partners for engineering works. "The orders mainly consist of developing new facilities and modernizing existing ones in order to optimize their operational capabilities and their efficiency," says Al Kindy.

The Sultanate of Oman generates 82 percent of its budget with oil and gas exports. Petroleum Development Oman LLC (PDO) is the largest producer with

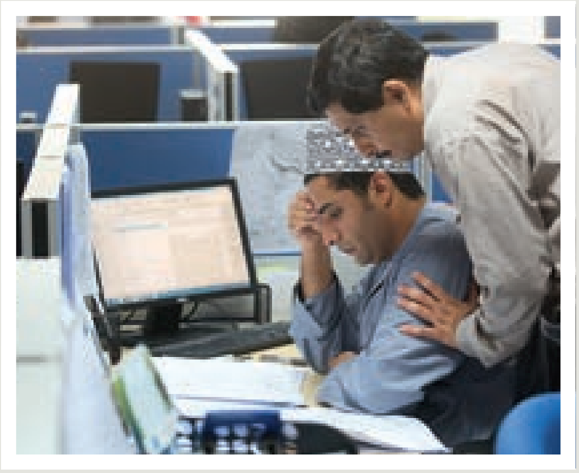
125 oil and gas fields

and a production volume of about 600,000 barrels per day.

A further example of the successful partnership between Tebodin and PDO is the Alkaline Surfactant Polymer (ASP) pilot project in the Al-Khalata reservoir in Marmul. Here, innovative new production technologies are being tested in order to increase production volumes. In addition to ASP, plans call for polymers and water to be pumped into the oil field to gain access to the oil remaining in the reservoir – a technique that will be tested soon. Tebodin is responsible for the design of the facilities. Detailed planning and control, procurement and execution of the construction and fitting works will be assumed by French contract partner SNF Floerger. If the tests are successful, the technique will be used in a number of PDO fields. "It is important for the country's economy that these new technologies be tested," says Salim Al Kindy, who is proud to be able to make a contribution to shaping the future of Oman.

The oil and gas industry is extremely important for the Sultanate of Oman. The country's economy is largely dependent on these fossil resources. The efficient production of oil and gas is therefore a key economic factor, especially in light of the fact that many reservoirs are facing a fundamental transformation: oil and gas have to be transported to the surface from ever greater depths. The production methods have also become more complex because an increasing amount of substances like water is also being pumped.

At the same time, many of the country's young people – more than 60 percent of Omanis are under the age of 30 – are eager to enter the job market. In order to meet government requirements and to support the sustainable growth of the country's economy, Bilfinger is focusing on promoting young talent in the country. The company has, for example, established a four-year training program for university graduates and junior engineers – with tremendous success: prior to 2014, about 340 Omanis worked for Bilfinger. In 2014 alone, a further 100 Omanis were hired. "We found a way to strengthen both: our success as a company in a challenging market and, at the same time, the development of the country itself," says Salim Al Kindy.



Fresh ideas and many years of experience:
young talent and managers benefit from one another.
Bilfinger has established a four-year training program
for university graduates and junior engineers.

WE MAKE INDUSTRY WORK

"Together we extend the service life of our client's plants by many years."

Murray Strachan, Head of Strategic & Business Development, Bilfinger SE Oil & Gas division, (right) and Bernd Hammer, Global Market Development Manager Oil & Gas – Refinery at Henkel

STRATEGIC PARTNERSHIP BETWEEN BILFINGER AND HENKEL

STICKING TOGETHER

Bilfinger is one of Europe's most important service providers of engineering and services for the process industry. Henkel Adhesive Technologies is the global market leader in adhesives, sealants and functional coatings. Both companies want to stick together closely in the future: they are developing innovative solutions for their clients as part of a strategic partnership.

The conference room at Bilfinger and Henkel's Innovation Day looks out onto the gray sea where half a dozen freighters with bright red and light blue hulls are moored. The supply vessels are waiting for permission to enter the narrow harbor where they will quickly take on new material: supplies for the oil platforms in the expanses of the North Sea. A constant humming can be heard. Helicopters are constantly taking off and landing from the town's three heli ports, bringing 30,000 offshore professionals to work and back: that's the sound of Aberdeen, the "Oil Capital of Europe".

The city of 280,000 people in northeast Scotland is the base from which international companies such as Shell and BP operate their facilities in the North Sea. There are 900 companies in the city, both small and large, that support them in their work. One of the major players is Bilfinger Salamis with its 2,500 employees. They look after the maintenance of facilities which have to withstand frost and aggressive salt water. In the UK oil and gas industry, Bilfinger Salamis has a one third market share for maintenance services at production facilities, including scaffolding, insulation and protective coatings.

There are 22 billion barrels of oil still lying below the seabed in UK waters – approximately another three decades worth can be extracted. The fact that the output is slowly declining does not frighten the oil and gas companies in Aberdeen. They now make half of their turnover selling their expertise all over the world: Aberdeen is also the innovation capital of the petroleum industry.

It is therefore no coincidence that Bilfinger invited its new partner Henkel to a joint Innovation Day at the "Exhibition and Conference Centre" in Aberdeen at the end of November 2014. Half of the two dozen participants are managers from Bilfinger and half are from Henkel. They come from Germany, Dubai, England, India, Italy, the Netherlands, Norway and Scotland. On the agenda: the needs of customers in the process industries, especially those operating in the oil and gas business, and what innovations Bilfinger and Henkel can develop and offer together.

"We are actively seeking new solutions to extend the service life of plants, to reduce maintenance costs and to set ourselves apart from the competition with premium services," explains Murray Strachan, Head of Strategic & Business Development, Bilfinger SE Oil & Gas Division. "Some of the facilities are now 40 years old – it is very important for our customers to keep them operating safely and, at the same time, to keep maintenance costs low and downtimes to a minimum." As part of the partnership with Henkel, Bilfinger could develop "cost-effective high-tech solutions and thus assert itself as a leader in the oil and gas industry".

Developments in the pipeline: in Aberdeen, employees from Bilfinger and Henkel came together for an Innovation Day. In future, the two companies want to jointly offer their clients efficient and durable solutions for the maintenance of processing facilities.

Bilfinger specialists will in future repair pipelines in the process industry with composite materials from Henkel that have demonstrated their durability in extensive certification procedures: a unique selling proposition in the market. The method is cheaper than traditional repair procedures. Production downtimes for plant operators are either non-existent or minimized.

"We have vast product knowledge when it comes to the service and maintenance of pipelines, pumps, gears and other components," explains Bernd Hammer, Global Market Development Manager Oil & Gas – Refinery at Henkel. "But Bilfinger is aware of the specific problems its local customers face – and of what is needed in the future. We are now bringing together this knowledge and thereby creating tremendous potential for both partners."

The presentation by Bilfinger consultant Simon Hope shows what such innovative solutions look like. At the Grangemouth refinery in Scotland, Bilfinger was tasked with ensuring that there was no climate-damaging gas leaking from a large cooling system. A total of 700 flanged connections had to be sealed. "The client was prepared for the worst and had already budgeted five million pounds," says Simon Hope, who indeed lived up to his name. He developed a concept that brought hope to the customer: a Henkel epoxy resin was injected into the flange with a special gun. With the aid of a rubber ring and a steel strip on each connection, hydraulic pressure was then applied, pressing the sealant into the smallest gaps in the flanges. The client demanded complex tests at pressures of 30 bar which confirmed that the solution worked. Only tiny amounts of gas escaped, just one-tenth of the permitted limit values. Four skilled workers carried out the work in a period of four weeks during a turnaround in July 2014: "The total cost was less than half a million pounds," says Simon Hope with engineering pride. "The customer saved about 90 percent of the costs originally expected."

But the joint effort in the oil and gas sector is only a first step, stresses Kai Vogt from Corporate Business Development at Bilfinger. "Both companies are globally-positioned. This is another reason why Bilfinger and Henkel fit together so well: we can offer our services and solutions for local and international clients throughout the process industry as well as in the power plant sector." The safe repair of piping components is the first priority for the partners. When there is a threat of a leak, pipelines no longer need to be painstakingly replaced; they can be mended using high-quality composite materials. "The safety and sustainability of this solution, which extends the service life of pipes by up to 20 years, is confirmed by our complex ISO/TS 24816 certification," says Sebastian Reiff, Market Developer for Industrial Maintenance at Henkel: "This is a unique selling proposition."

Overall, the collaboration is "marked by mutual respect based on the partners' performance," says Bernd Hammer from Henkel. "And by the fact that we both think alike," adds his Bilfinger counterpart Murray Strachan. "What else can we do for the customer? How do we create value?" These are the questions that determine both companies' actions: "that's the only way we can retain our customers and maintain market leadership over the long term."

The process industry fears repairs mainly because of the loss of production. In the Wytch Farm refinery in southern England, a pipe was showing signs of corrosion damage. For a conventional weld repair, the operator would have had to shut down the facility for two days, meaning a loss in production of

320,000 liters of oil.

Bilfinger specialists, however, avoided the shutdown by mending the piping while it was in operation using composite materials from Henkel.

WE MAKE LIFECYCLE WORK

“For the client it means cost security – that includes operation of the building for decades to come.”

Joris Vankeirsbilck, Major Project Manager at Bilfinger Hochbau, Mark Weller, Pfalz Site Manager at Bilfinger HSG Facility Management GmbH, and Johannes Michels, Project Development at Bilfinger Hochbau (from left) built the new BASF office building on the south bank of the Rhine River in Ludwigshafen on the basis of Bilfinger One.

"In terms of its functionality and its architecture, the building is subtly modern," says Ludwighafen's Mayor Dr. Eva Lohse of BASF's new office building. The fact that it was built in just 15 months is an "impressive achievement". Dr. Lohse opened the building in November 2014, with a symbolic push of a button together with BASF Plant Manager Dr. Friedrich Seitz and Dr. Jochen Keysberg, member of the Executive Board at Bilfinger. "Bilfinger implemented the project quickly, safely and cleanly and completed it on time," said Friedrich Seitz. The building's modern space concept enables easy, flexible and effective cooperation and therefore satisfies the needs of BASF employees. "We are pleased to have been able to bring this modern office building into being based on an integrated concept together with BASF," says Jochen Keysberg. The fast, high quality and at the same time cost effective implementation of the project demonstrates what is possible with cooperative interaction. "In keeping with Bilfinger One, our integrated approach for design, construction and operation, we will now focus on long-term facility management."

NEW OFFICE BUILDING FOR BASF WITH BILFINGER ONE

BUILDING COOPERATION

A new office building for BASF was built in Ludwigshafen in line with the principles of Bilfinger One. With this brand, Bilfinger offers private customers a comprehensive package that includes needs-oriented development, design, construction and operation. As a result, a high level of budget security is established early on and the costs for property use are reduced for decades to come.

It is mid-October 2014 and the engineers in the office containers on the south banks of the Rhine River in Ludwigshafen are in the final stages of a major project. In just 15 months, they have built an office building for BASF with 38,000 square meters of gross floor space for 1,500 employees and a parking garage with 900 parking spaces.

Everyone present agrees that the project is a change of perspective for those involved: “In construction projects, you generally tend to see only your own area,” says Joris Vankeirsbilck, Major Project Manager at Bilfinger Hochbau. “The approach to construction generally follows one pattern: An investor commissions architects and the focus is on design. But often too little attention is paid to what impact this has on the cost of construction and long-term operation,” adds Johannes Michels, who was responsible for the development and coordination of planning. This short-term thinking which is ultimately detrimental to the owner of the building can now be resolved by Bilfinger One, says Bernhard Gramlich, Project Manager for Lifecycle Projects at Bilfinger HSG Facility Management GmbH: “We can only succeed if we engage in real cooperation. Everyone needs to look beyond their horizons and see themselves as a team player.” With Bilfinger One, success means ensuring cost security not only in the construction phase, but also ensuring optimization of the building’s functionality while minimizing operating and maintenance expenses for decades to come. It is precisely these costs which are often underestimated.

Bilfinger Bauperformance assumed responsibility for support structure planning and structural physics. Bilfinger Fassadentechnik and Bilfinger R & M Ausbau provided expertise for the interior fittings, and Bilfinger Wolfferts Gebäudetechnik advised on the best solutions for building technology. “Because so many Bilfinger companies are involved as early as the bidding phase, no time is lost on orientation and the organization of interfaces during construction. This was the reason for the short construction time,” says Senior Site Manager Harald Schmitt. Above all, the integrated approach with many experts from the Group allows for alternative solutions to be compared: it may be that construction costs are planned slightly higher, but an owner achieves cost benefits of up to 20 percent with subsequent services.

Façades in the courtyards are one example: In order to ensure that the maintenance, repair and cleaning of the interior courtyards can be conducted as cost-efficiently as possible, it was necessary to involve operating specialists at an early stage. The passageway was thus designed with the floor structure and the size of the doors in a way that makes it possible to reach the courtyards with modern work platforms. Cleaning and any repair work can be carried out without expensive access from above.

Another example is the cooling system. If cooling panels, which are mounted as a suspended ceiling below the solid ceiling, had been used, the building would have had to be about 1.5 meters higher in order to preserve the ceiling height. "This, however, would have increased the requirements of the urban development plan and the construction and operating costs over the entire life-cycle," says Michels: "The increased height would have led to higher construction costs due to the increased wall surface and higher cleaning costs. And the additional volume of the building would have had to be heated and cooled." After determining the actual cooling requirement and the flexibility necessary, BASF followed the suggestion of the Bilfinger experts of fitting the building with a concrete core and the cooling pipes now lie directly in the solid ceiling.

The company's real-estate competences are brought together in Bilfinger One. Property owners can thus achieve

savings of up to 20 percent.

The objective of this integrated planning is sustainable and efficient solutions for decades to come.

Concrete ceilings, however, are not good for acoustics. Bilfinger structural physicists therefore calculated a concept with baffles – vertical absorber elements on the ceilings that absorb sound. Just three months after completing the structural work, Bilfinger completely fitted an enclosed office area of 600 square meters. 50 BASF employees simulated an office situation there as part of a practical test to check all of the well-being factors – the acoustics in particular. When the assessment from the BASF employees turned out to be positive, Bilfinger was able to apply the sound concept to the various functional units in the building.

"We have experienced a tremendous level of cooperation from all parties and an open, fair and constructive work environment in all phases of the project," says Peter Platzer, Project Manager at BASF. The fact that project developers, construction specialists, facility managers and the client are equally impressed by the work process and the result is due to the "cooperative atmosphere, the likes of which I had never experienced before in 25 years on the job," Major Project Manager Vankeirsbilck is certain. Project Developer Michels adds: "We have the wonderful feeling of everyone coming together for the same goal.''

Together with the development and construction order, BASF concluded a consulting contract with Bilfinger for facility management (FM) which accompanied the design and construction process. Impressed with the level of cooperation, in the summer of 2014 the client decided to award the entire FM for the office building and the parking garage to Bilfinger for a period of five years. During the final building inspection, Mark Weller, the Project Manager responsible for subsequent operation, paid very close attention to any potential access issues that in future could make work more difficult for his people – a matter of self-interest. And he asked a lot of critical questions: are all of the building technology access points where the plan says they should be? Does the interaction between fire detection technology and ventilation technology work? No detail is too small to check. "In other projects I only have one client," says Major Project Manager Vankeirsbilck. "But here I am satisfying two demanding and quality conscious companies: BASF and colleagues from Bilfinger Facility Management".

The work of art in the new BASF building reminds observers of the value of cooperation. Bringing together the various competences was and is also a critical success factor in the development, planning and future operation of the property with Bilfinger One.

WE MAKE SHOPPING WORK

“Delivering a great shopping experience: that’s our focus. Busy shopping centres full of happy people are testament to our success.”

Brian Boundy, Managing Director of Intu Retail Services, a joint venture between Bilfinger Europa and Intu Properties plc


SIDE

Customer service staff are ready with a smile to help shoppers. A team of 230 Intu Retail Services experts at the Intu Lakeside shopping centre help to provide customers with a positive and memorable experience.

FACILITIES MANAGEMENT FOR SHOPPING CENTRES IN THE UNITED KINGDOM

TRANSFORMING THE CUSTOMER EXPERIENCE

Intu Lakeside, located just east of London, is one of the UK's preeminent shopping malls. Employees compare it with a small city. In a joint venture between Bilfinger Europa and shopping centre owner and operator, Intu Properties plc, a dedicated team makes sure nothing is left to chance. The name of the joint venture is Intu Retail Services.

During first aid training with Bilfinger Europa, Maureen Holland, a security officer, learned how to help a woman giving birth. She didn't think she would ever have to put this knowledge into practice. One January morning in 2014, a customer unexpectedly went into labor in a retail store. Her colleagues hurried to get towels and blankets from nearby shops while Maureen Holland took care of the customer. "A few minutes later, the baby was there," she says. Even though several months have passed, she still tells the story with excitement in her voice and not without a sense of pride. When the ambulance arrived, the newborn girl was contentedly in her mother's arms.

Maureen Holland works at the Intu Lakeside shopping centre in Thurrock, east of London. Some 25 million people each year visit the three floors of the huge mall. Intu Chief Executive David Fischel says he wants every customer, when they leave any of the Intu centres, to be happier than when they arrived and to have had a great experience. Both front-of-house and behind-the-scenes, Intu Retail Services has an important part to play in achieving this goal. Every hour of every day, the facilities management team – numbering 230 in all at Intu Lakeside – works diligently to deliver this positive shopping experience.

Intu – under its previous name Capital Shopping Centres (CSC) – had worked with Bilfinger Europa for several years. To deliver the promises made with its new brand an alliance with Bilfinger Europa was formed and the joint venture, Intu Retail Services, was created.

"We were looking for a partner to work with on a long-term basis. And we wanted this important aspect of the customer experience to be an integrated part of the Intu family," says Brian Boundy, Managing Director of Intu Retail Services. "Intu's values are Creative. Bold. Genuine. In Bilfinger Europa, we've found a business culture that reflects ours."

In the UK, Bilfinger Europa has a reputation for excellence when it comes to facilities management (FM) within shopping centres. 2,900 of its 5,500 employees are active in this field. In addition, Bilfinger Europa works for banks, insurance companies, big energy suppliers and public administration.

When Intu Retail Services was formed, some 1,600 employees of Bilfinger Europa transferred to the new company. Since then, the Intu Retail Services team has grown to 2,100 employees as new shopping centres have joined the Intu portfolio. As well as a single, united team, this change has created career advancement opportunities for staff. To progress, employees can stay and advance within the company, benefiting from training and understanding. With Intu acquiring four new centres in 2014, its portfolio now covers 19 locations in the UK, including nine of the top 20.

Intu Lakeside shopping centre has 25 million visitors each year. The facilities management is excellent: Bilfinger Europa and Intu received a coveted industry award for their partnership in November 2014.

Before the rebranding, several companies delivered Intu Lakeside's maintenance tasks. Today, a single in-house team manages it all. Staff surveys conducted since the joint venture was formed have shown that job satisfaction is very high.

"The world-class service training given to all members of the team means anyone working on the malls understands and is willing to help shoppers, whether with an issue to resolve or directions and guidance. Helping customers is the responsibility of everyone, not only customer service staff, and that has created a real team spirit," says Mick Redfearn, Operations Manager at Intu Lakeside. Staff are empowered to step in and help customers without being asked.

Members of security staff are not dressed in uniforms – they wear suits, making them more approachable for the public and look more like someone who is willing to help. Customers recognize from their friendly outward appearance that they are approachable and there to help.

As well as front-of-house, there are experts operating behind the scenes, too. The control & communications centre is staffed 24 / 7 by Intu Retail Services. Across the shops and restaurants, much waste is generated, from packaging to empty drinks bottles. Considerable recycling ensures the amount sent to landfill is minimal and the amount that can be reused is maximized. Indeed, Intu Retail Services has recently won an award for carbon reduction through investment in LED lights and careful scheduling tasks using more energy-efficient methodologies.

The company carries out most of the maintenance work itself. Technicians repair air-conditioning systems and install roof panels. This is one of the special qualities of this joint venture – and of Bilfinger Europa in general. "In contrast to a lot of our competitors, we operate with a very small number of sub contractors," says Mark Longley, Shared Services Director at Bilfinger Europa and Intu Retail Services board member. Over 90 percent of all maintenance and repair work is carried out by the team. External experts are called in only when it comes to specialist tasks such as elevator repairs or work involving high-powered currents.

Intu Retail Services – through its relationship with Bilfinger Europa – provides experts for human resources, payroll, security and training in facilities management. "The joint venture is a win-win situation for both sides," says Brian Boundy. Its success was demonstrated at the presentation of a major industry award in November 2014. On behalf of Intu Retail Services, Brian Boundy accepted an award in the category "Partners in Facility Management – Retail Facilities" from the facility management magazine, Premises & Facilities Management or PFM.

Across 133,000 square metres, the Intu Lakeside shopping centre has a total of

200 stores and
50 restaurants.

Further expansion is ongoing: Altogether around €340 million is being invested for new restaurants, family entertainment and fitness attractions and further 40 retail units.

Mark Longley sees greater opportunities on the horizon for the joint venture: "Intu is looking to expand its portfolio both in the UK and overseas. As this happens, Intu Retail Services can be fully involved."

Brian Boundy believes there is further potential for cooperation beyond big shopping centres: "The joint venture is very flexible. We could also take on facility management for big public buildings, for example airports." It's clear to him that, as partners, Bilfinger Europa and Intu will successfully manage many projects together in the future.

WE MAKE CLEAN ENERGY WORK

"Work on the mountain is grueling. Although we have to deal with many extra orders, we manage to stay on schedule."

Clemens Keplinger, Project Manager
at Bilfinger VAM Anlagentechnik GmbH,
during the modernization of the Malgovert power plant

MODERNIZATION OF PRESSURE PIPES IN MALGOVERT

REJUVENATION IN THE ALPS

The Malgovert hydroelectric power plant has been a reliable source of electricity in France for the past six decades. The man-sized high-pressure pipelines, however, needed to be modernized. The task on the steep mountain slopes was demanding in terms of construction, logistics and the fitness of the Bilfinger specialists.

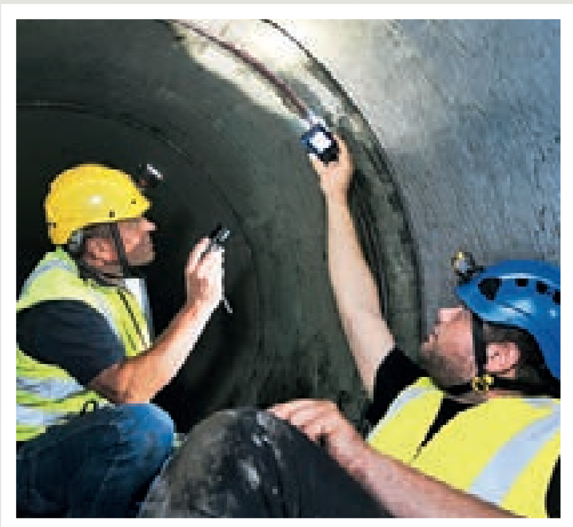
The mountain peaks surrounding the town of Tignes glow in the sunset. The glaciers, snowfields and springs rolling down the slopes feed Lac du Chevril, a deep blue lake 1,800 meters above sea level. The Alpine idyll in the Savoie is man-made: a huge wall blocks the high valley's canyon-shaped mouth and unlocks the river Isère. At a height of 181 meters, the highest dam in France ensures that 235 million cubic meters of water is accumulated in the lake.

The water flows through 15 kilometers of tunnels in the mountain before suddenly crashing down a steep slope in two one-and-a-half kilometer long pipes at 50,000 liters per second. The water shoots out of the larger than man-sized pipes onto the eight turbines in Malgovert's power plant in Bourg-Saint-Maurice. For the utility provider Électricité de France SA (EDF) the facility, together with a number of connected hydroelectric power plants, is "a key component of the electric power system in France," primarily because of its flexibility and rapid operational readiness: thanks to the water masses from the Tignes Valley, EDF can feed nearly 360 MW of electricity into the French power grid within minutes – enough to supply 340,000 people with electricity.

But now, at the beginning of October, turbines and generators are at a standstill. Steel construction specialists from Bilfinger VAM Anlagentechnik in Wels, Upper Austria, spent the summer months carrying out both heavy and precision work on the two pressure pipes. The pipes have been doing their job for 60 years and time has left its mark on the "grand old dame," as the engineers on site like to call the dualpipe. It needed a radical rejuvenation.

Mainly because there is no rest on the mountain. Every year, the ground shifts – in some places up to five centimeters toward the valley. The slope pushes and pulls the concrete foundations of the pipes with it, leading to tension in the steel. In many places the ground has dipped due to the geological motion. The concrete casing of the pressure pipes had to be lined and secured with rigid steel structures.

Ultimately, however, this was no longer enough. The pressure pipes required a sustainable modernization. While consortium partner Spie Batignolles took care of the concrete work, Bilfinger completely replaced both dual pipes on the lower slope over a length of 260 meters in two stages during the summers of 2013 and 2014. In addition to replacing some major components used to distribute the water to the various turbines, the fitters also replaced 108 rigid concrete casings along the entire length of the pressure pipe with innovative, specially designed steel structure casings. These flexible casings now allow the pipes to adapt to the geological movements of the slope. In addition, the fitters installed pipe elements that can be used to automatically



50,000 liters of water per second will rush through the modernized pressure pipes into the Malgovert power plant. Before the handover, client representatives from EDF check all the pipe connections meticulously. Innovative casings from Bilfinger ensure that the pipes will work for decades to come despite geological motion on the slope.

extend the line, much like a telescope. For the installation of the up to 30-ton pieces of pipe, access roads and stands for huge cranes had to be built into the slope. Some components were also flown to the slope with a Super Puma, a huge transport helicopter.

The list of technical specifications for Bilfinger was long. The Group was responsible for the engineering of the pipelines, for their structural design, assembly planning, manufacturing of the components in the workshops in Linz and Wels around 1,000 kilometers away, the installation, corrosion protection and the documentation. But of all the activities, Project Manager Clemens Keplinger singles out the work of the fitters for special praise: "their commitment is admirable." Keplinger should know, coming from a practical background himself. He was just 15 years old when he began an apprenticeship as a steel fitter with the company. He then spent four years attending night school after work and trained as an engineer. Over time, he took on increasingly large installation and project management for complex power plant projects in the Alps. "When the sun beats down onto the black steel pipes at noon, they turn into an oven," explains Keplinger. Temperatures can easily reach above 60 degrees Celsius, which is a strain on the fitters who perform welding work in the pipes because the welding equipment drives the temperatures even higher. "Only one thing helps, and that's to keep coming back out for fresh air and to drink a lot," says engineer Harald Cermak, 46. "Seven and a half liters of water during one shift is standard."

The fitters work extremely hard. On hot summer days the heat in the pipes is tremendous.

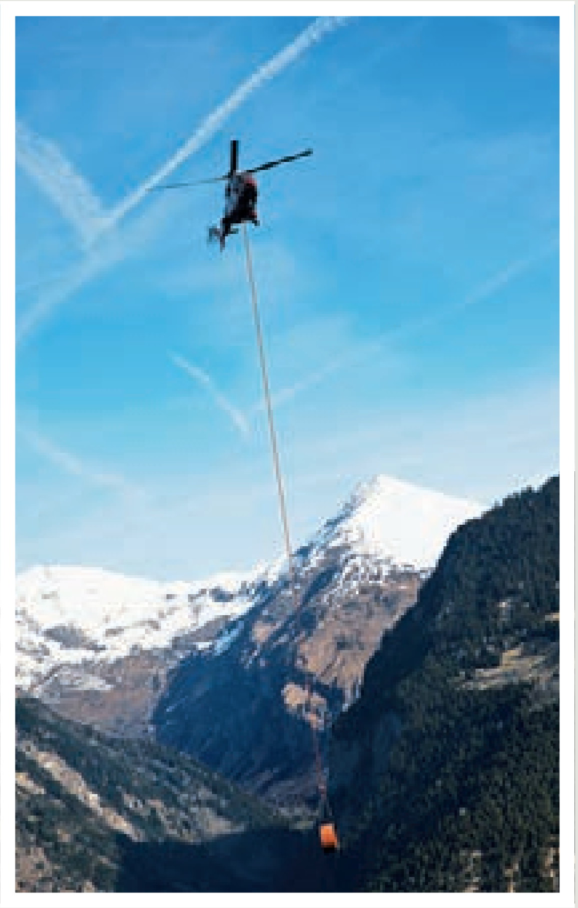
7.5 liters of drinking water

per shift is standard for the specialists who come to the French Alps from all over Europe.

Cermak then climbs back into the pressure pipes through a manhole. Secured with climbing harnesses, the fitters take on the final part of the work: they lay ropes so that an independent auditor can later also safely descend and use X-ray tests to ascertain whether the welding seams are perfect.

"Renovation is a difficult task in particular because we place such high demands on the quality and safety of new equipment," says engineer Bertrand Brenac who monitors the mechanical part of the project for EDF. When you open the pipes, you suddenly find things that you weren't aware of during the tender: "More components have to be renewed than expected." The order volume and thus the effort increase by about 20 percent for Bilfinger. These additional orders have to be managed without extending the schedule: during the winter months the weather makes work impossible, and from the beginning of November, EDF wants to start producing electricity again in Malgovert. "We deal with the extra orders and keep to the schedules, because we can request back-up from anywhere in Europe at any time," explains Project Manager Keplinger. "Bilfinger Personnel Service provides us with the exact professionals we need at short notice."

In addition to the core Austrian personnel from Bilfinger VAM, there are also Germans, Croats, Poles and Portuguese on the building site. ''We are able to do something special," says fitter Harald Cermak. "I feel proud every time I see our pipes from a distance as I'm driving up to the building site.''



The man-sized pipes, which were made by Bilfinger in Austria, weigh up to 30 tons. Before they could be installed, paths and stands for mobile cranes had to be built into the slope. A heavy transport helicopter was also used for some parts.

Combined management report

Overview of financial year 2014 and outlook 2015

Unsatisfying financial year 2014

Dividend of €2.00 per share proposed

Cautious expectations for 2015

Results of operations

- Output volume increased slightly to €7,690 million as a result of acquisitions
- The figures for orders received of €6,600 million and order backlog of €5,461 million were well below the prior year due to development in the Industrial and Power business segments
- Adjusted EBITA fell by 35 percent to €270 million primarily due to the negative development in the Power business segment
- Adjusted EBITA margin was 3.5 percent
- Adjusted net profit from continuing operations amounted to €175 million
- Dividend of €2.00 per share proposed

Financial position and net assets

- Cash flow from operating activities, mainly due to the negative result, decreased to €65 million
- Investments in financial assets of €140 million primarily for the acquisition of GVA
- Net investment in property, plant and equipment of €122 million was once again at a comparatively low level
- Disposals of financial assets resulted in total proceeds of €172 million, primarily from the sale of Concessions, the reduction of investments in Julius Berger Nigeria as well as the sale of shares in the BBGI investment fund
- Free cash flow decreased to €115 million
- Cash and cash equivalents at the end of the year were €403 million, financial debt nearly unchanged at €544 million

Outlook 2015

- Our markets remain challenging in 2015
- Because a considerable share of sales is currently generated in difficult industries such as energy as well as oil and gas, we generally anticipate a reserved development in our business
- Output volume for the Group will decline to a magnitude of €7.5 billion. In this regard, a decline is anticipated in the Industrial and Power business segments; in the Building and Facility business segment, on the other hand, organic growth and the acquisition of GVA will contribute to an increase
- Adjusted EBITA will increase slightly with a higher margin. The basis for this is significantly improved earnings in the Power business segment as well as a higher earnings contribution in the Building and Facility business segment
- Adjusted net profit will be slightly below the 2014 figure due to the lower interest result and higher minority interest

The Bilfinger Group

Legal form and organization

Bilfinger 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 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. (For further information, please see the Declaration of Corporate Governance on the company's Internet site – www.bilfinger.com – under 'Investor Relations / Corporate Governance')

Organization

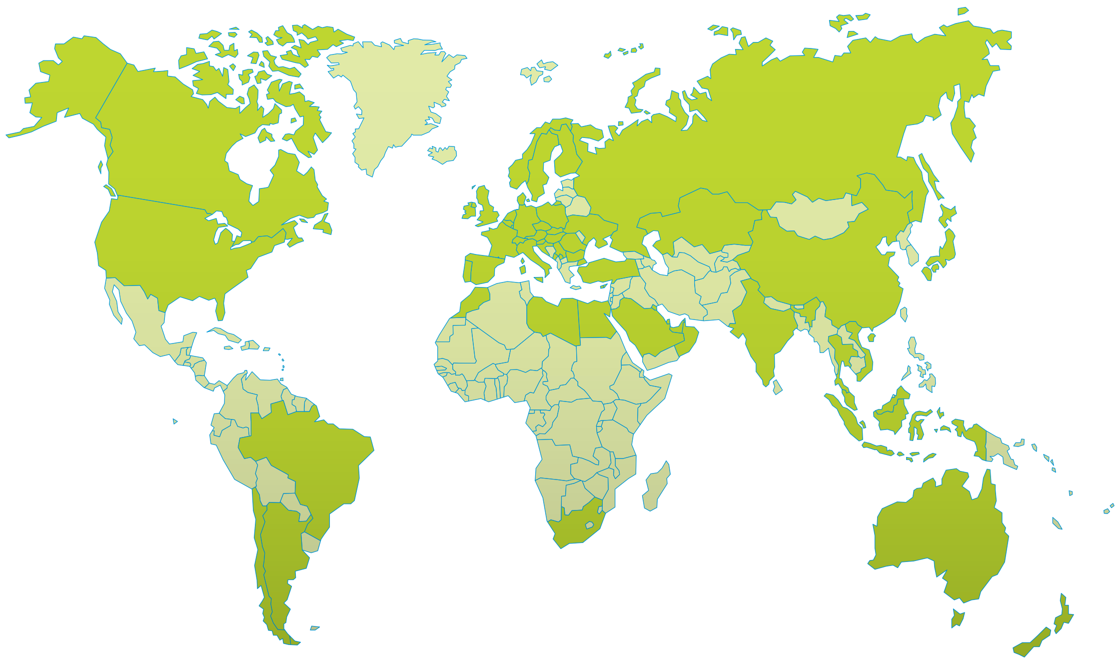
The Bilfinger Group is organized decentrally. Bilfinger SE is a holding without its own business activities. The operating activities are carried out through subsidiaries which act on the market as independent profit centers. Since January 1, 2014, they are divided into divisions which in turn are each a part of our three business segments – Industrial, Power and Building and Facility.

With the agreed sale of the Construction division at the end of the reporting year to Swiss construction company Implenia, we have parted with significant portions of the former Construction business segment. The relevant key figures are disclosed in the reporting year under 'discontinued operations'.

BUSINESS SEGMENT STRUCTURE

Industrial	Power	Building and Facility
Divisions:	Divisions:	Divisions:
Industrial Maintenance	Power Systems	Building
Insulation, Scaffolding and Painting	Piping Systems	Facility Services
Oil and Gas		Real Estate
Industrial Fabrication and Installation		Water Technologies
Engineering, Automation and Control		
Support Services		
see page 76	see page 82	see page 88

REGIONS



Business model

As an engineering and services group, Bilfinger develops, builds, maintains and operates facilities and structures for the industrial, energy and real-estate sectors. The Group operates internationally with a broad range of subsidiaries. With our expertise, the outstanding performance of our more than 70,000 employees and a comprehensive range of services, we enable our customers to concentrate on the core of their entrepreneurial activities.

Objectives and strategy

Following the successful transformation to an engineering and services group, Bilfinger has entered a new phase in its corporate development.

Bilfinger Excellence

With the Bilfinger Excellence program we enhance our efficiency and sustainably improve our competitiveness. Key elements include:

- Promoting organic growth through a lean and efficient corporate structure and by intensifying cooperation among all Group units
- Acceleration of decisions and avoiding redundant efforts in the Group by reducing decision-making levels
- An increase in profitability through a reduction of general administrative expenses

We are also optimizing structures and processes in the company and repositioning ourselves from an organizational perspective: after disposing of the former subgroup structure, customer-group oriented divisions have been heading the operating units since the beginning of 2014. Administrative functions formerly located at Group headquarters and in the subgroups have been streamlined in terms of their processes and merged.

Administrative functions from finance and accounting as well as human resources management are being integrated into a shared services organization. These specialized internal Group services create an infrastructure with which redundant work can be avoided in the future. In addition, heterogeneous structures and processes that have arisen in previous years in the course of the intensive acquisition activities, are being harmonized and accelerated. The first multi-functional centers have already taken up their work.

These structural improvements are key components in the achievement of the objectives of the Excellence program. Overall, €80 million in personnel expenses will be saved as a result of the elimination of 1,250 jobs around the world. This is in addition to a reduction in non-personnel costs in the low double-digit million amount.

The high number of corporate acquisitions in recent years have led to a very decentralized IT structure with a wide range of locations and systems. With the establishment of a global IT organization, Bilfinger intends to harmonize the IT landscape in the Group, bundle applications and reduce costs. This will ensure high-quality and cost-efficient services for all users in the Group. 'Global IT' launched its operations in the summer of 2014 and will be fully functional by the end of financial year 2015.

Key points of mid-term corporate development

Following the disappointing year 2014, we intend to once again continually improve our profitability, to increase the value of the Bilfinger Group and to regain lost confidence in the capital markets.

Improving the Group's operating performance

Measures taken to improve the Group's operating performance are of key importance. These measures apply above all to the Power business segment, which requires a fundamental realignment of its activities in view of market developments, and to various areas of the Industrial business segment.

Development of service offering, internationalization of business activities

Now that the development into a services group has been largely completed, decisions have to be made on the focus of our business operations with regard to the sectors and regional markets that offer Bilfinger the best prospects for the future. Through the targeted adjustment of its service range, Bilfinger will develop itself into a provider of premium services. In light of the weakness of several European core markets, the internationalization of the company will also play a key role. We see growth opportunities above all in North America, but also in markets such as India, Turkey and the Middle East. At this time, the focus is on strengthening our current business but, in the future, business development will once again receive impetus from acquisitions. New activities must demonstrate significant synergy potential with the existing range of services.

Financial management system

Our key financial management metrics include figures for growth, profitability, capital efficiency, cash-flow generation and capital structure.

Output volume In addition to the Group's revenue, the figure for output volume also includes our proportion of the goods and services supplied by joint ventures and consortiums. Their planning is conducted on the basis of orders received and order backlog. Profitable organic growth in output volume forms a cornerstone of our strategy for increasing Bilfinger's enterprise value. In addition, targeted acquisitions will contribute to the growth in output volume.

EBITA and return on 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 of intangible assets from acquisitions (EBITA). When performing such an analysis, the focus is on the profit margin – calculated as operating profit as a percentage of output volume. For better comparability over the course of time, we also consider 'adjusted EBITA' with adjustments made for exceptional items such as for one-time capital gains or restructuring expenses.

Net profit / dividend policy 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 we make reference to an 'adjusted net profit' with adjustments made for the above-mentioned exceptional items as well as for amortization of intangible assets from acquisitions. We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. With regard to the dividend, we intend to pay out to shareholders approximately 50 percent of net profit.

Return on capital employed (ROCE), value added Another important financial management system at the Bilfinger Group is the system of return-on-capital-employed controlling. With this method, we measure the value added by our business segments and by the Group. We employ our capital specifically where high value added is achieved. The main idea behind this concept is that positive value added can only be achieved for the Group if the return on the average capital employed is higher than the weighted average cost of capital (WACC).

The parameters upon which this calculation is based are determined as long-term average values, are regularly reviewed, and are adjusted for any relevant changes in the market environment. The calculation of the value added achieved by the business segments and by the Group is presented in the chapter on return-on-capital-employed controlling with appropriate explanations.

Free cash flow from operating activities / cash conversion / net working capital Key financial metrics for managing liquidity include free cash flow from operating activities and cash conversion. They measure the extent to which earnings are reflected by cash inflows. A major factor to be considered 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. Free cash flow from operating activities is calculated from the cash flow from operating activities minus net investment in property, plant and equipment. We calculate cash conversion as a quotient from the net of EBITA plus depreciation minus net investments in property, plant and equipment as well as the change in net working capital and EBITA.

Investments / acquisitions Although compared with some industries our business is not very capital intensive, planned additions to property, plant and equipment are subject to intensive investment controlling. The planned investment ratio in relation to output volume is approximately 1.5 to 2 percent.

We have defined minimum requirements for corporate acquisitions. For example, acquisitions should make a positive contribution to net profit in the first full financial year after being acquired, and should make a positive contribution to value added with a return on capital employed above the respective cost of capital.

Further key figures On the basis of our strategic corporate planning, we regularly review the effects on our financial risk profile of various scenarios for the business and financial development of the Group. Key figures include the dynamic debt-equity ratio (quotient of adjusted net debt and adjusted EBITDA), gearing (quotient of financial debt and total equity) as well as cash-flow protection (quotient of cash inflow from operating activities before change in working capital and adjusted net debt). In line with our targets, their levels should reflect a financial standing comparable with our investment-grade rating (BBB).

Research and development

- Practical, economic and sustainable solutions for energy, real estate and industry
- Innovations: building blocks of growth and success

Innovations on the basis of efficient and targeted research and development activities are the building blocks of growth and success in our Group. At the same time, we help our clients to achieve practical and economic solutions. In the reporting year, innovation management was aligned with the new structure of Bilfinger's operational business. Issues that are important for the future should be identified in the divisions at an early stage and targeted activities should be pursued which both sustainably support our business and move it forward. These range from technologies to the intelligent handling of energy and networked maintenance concepts in the context of Industry 4.0 and also including highly-complex virtual design models. At Group level, those responsible for innovation in the divisions together with the Corporate Technology & Development department at headquarters form a network for the exchange of information and ideas on current and future projects.

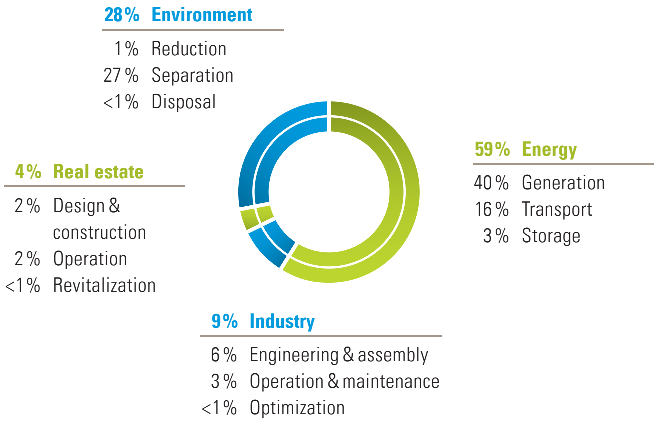
In the reporting year, Bilfinger pursued about 200 research and development projects with a total expense of approximately €15 million. The focus of these activities was on the search for advanced, environmentally-friendly solutions for energy, real estate and industry. In addition to internal developments, we also enter into cooperations with leading universities and research institutes. Our efforts lead to improvements in products, service concepts, processes and procedures.

In 2014, the Association for the Promotion of German Science recognized Bilfinger with the 'Innovative through Research' award for ongoing research and development activities as well as for the company's cooperation in the collection of statistical data.

Energy

The energy transformation leads to a shift in energy production from a few major power plants to a large number of smaller power plants which generate renewable energy. In the future, a considerable share of the energy produced in this manner will be fed into the distribution grids (medium and high voltage). The current network will not be able to handle this task. For this reason, Bilfinger, together with industrial partners and research facilities, has developed iNes, the intelligent network management system. iNES is a smart grid system solution for the decentralized management of network capacities within a low-voltage network which can react to changing requirements in real time and which thus avoids over-voltage and under-voltage. The system has

RESEARCH AND DEVELOPMENT EXPENSES 2014 BY INNOVATION AREA



received a number of national awards. Particularly noteworthy is the Hermes Award for innovative solutions from the Hannover Messe. Under the project name NEmo, this solution is currently being funded as a flagship project by the Federal Ministry for the Environment, Nature Conservation, Construction and Nuclear Safety. Here, the objective is to lead electric vehicles to charging stations which have sufficient network capacity as a result of their regenerative input sources.

In many facilities such as hospitals or data centers, a reliable electricity supply is absolutely essential. A super-conducting flywheel generator is particularly well-suited for securing an interruption-free supply of electricity as a result of its high power density. Among the advantages from the use of this energy storage are quick availability of the energy output and the level of efficiency in standby operation. With the super-conducting technology, the rotating centrifugal mass can be stored suspended so that it is contact and therefore also friction-free. Bilfinger successfully demonstrated the feasibility of this innovative storage technology with the construction and testing of a 'Technology Demonstrator'. A first prototype is currently being developed. It will be built and subsequently tested in 2015.

Industry

In order to constantly reduce the inspection intervals of plants, we are developing a modular concept which evaluates measured data on the aggregate status and the intensity of its use. This application can be used for all production facilities and the technical building equipment which, depending on their status and their utilization, must be inspected and maintained. It is thus possible to considerably reduce the cost of inspection and maintenance without cutting corners when it comes to the safety and quality of the plants.

Our 'Hot Work Habitat' product makes it possible to conduct hot works in production areas where there is a danger of explosion while the production facility remains in operation. A protective tent operated with negative pressure prevents flammable gases from entering the work area where sparks could occur. In order to ensure a safe work environment, the air in the tent is also continuously analyzed for dangerous gases. The energy supply is automatically switched off when a critical value is reached. Hot Work Habitat can be used especially in offshore and onshore oil production plants and petrochemical facilities. The protective area formed by the tent can also be used to create a temperature- or humidity-controlled environment, for maintenance works for example.

Real estate

With the virtual 3D modeling of a building, so-called Building Information Modeling (BIM), construction projects can be fully planned before construction is carried out. Bilfinger has further developed an external basis software for this purpose and is thus in a position to depict and optimize nearly all procedures and interconnections in the highly complex process for the design and construction of a building. All specialist engineers and designers involved in the project work on the digital model of the building and enter there – accessible for all participants at all times – their planning status and specialist information. Errors that could occur with a data transfer that would otherwise be necessary in other program systems are thus eliminated. From the content of the Building Information Modeling system, calculations and bid preparation can also be developed directly. There are also considerable advantages to this system for the client: the effects of design changes can be evaluated quickly and comprehensively. This offers flexibility, a sound basis for decision-making and protects against unforeseen expenses. In addition, using the 3D model, the client can also virtually view his future structure in each stage of the planning process.

Bilfinger Hochbau is already using Building Information Modeling in a broad range of projects including, for example, the office buildings HumboldtHafenEins in Berlin and the BASF Rheinufer Süd building in Ludwigshafen.

A major share of energy consumption and CO_2 emissions in industrial countries is attributable to the real-estate sector, in Germany, for example, the figure is one third. Savings and efficiency improvements can be achieved not only through technical modernization, but also by influencing user behavior and through active operational management. We support these endeavors with our energy monitoring system Enerlutec. With this web-based tool, savings potential can be quickly identified and energy efficiency optimized. Enerlutec uses detailed analytical and reporting functions to lay the foundation for the sustainable and future-oriented operation of real-estate properties. Our system allows for the processing and evaluation of large volumes of data in nearly real-time. The collected data can be evaluated according to various criteria such as energy, environmental factors or costs. Enerlutec also makes advance planning of desired settings possible by means of the direct reaction to changes and failure notices.

Environment

The extractive industry's requirements for plants with regard to efficient sludge dewatering under difficult conditions are constantly growing. Within the scope of a project funded by the Emilia-Romagna region, Bilfinger, together with Italian universities, has developed a new chamber filter press which can efficiently dewater large volumes of raw materials in a short period of time, for example in enrichment facilities or mines. The limited amount of moisture remaining in the filter cake makes it possible, with the use of these new presses, to save energy and to reuse the water needed for production. The new development thus serves not only the requirements of the producer, but also helps to protect the environment.

In water resource management, innovative sanitary systems are ushering in the transformation from wastewater disposal to wastewater utilization. The utilization approach, which is oriented toward the sustainability principle, comprises the reuse of water as well as the recovery of energy and nutrients. The separate drainage of grey water (feces-free, only slightly dirty wastewater) and black water (wastewater that contains feces) as well as the integration of bio-waste treatment are at the core of this approach. Bilfinger has the competence and the technologies necessary to assume a leading role in this new market.

Following an orientation phase, two demonstration projects have been carried out with funding from the Federal Ministry of Education and Research. In both cases the research partner is the Technical University of Darmstadt. Within the scope of the project 'CuveWaters' in Namibia, a concept for the provision of water in dry regions was explored. For this purpose, Bilfinger developed and built a system for wastewater collection and treatment by means of vacuum sewer systems and subsequent mechanical cleaning. The biogenic waste material is fermented and the biogas used for the production of electricity. A nutrient rich humus fertilizer is also a by-product of the fermentation. The treated water is used to irrigate agricultural areas.

Economic report

Business developments in 2014

2014 was an unsatisfactory year for Bilfinger. While output volume increased as a result of acquisitions, orders received declined significantly due to developments in the Industrial and Power business segments. In contrast, the Building and Facility business segment met expectations.

Adjusted EBITA for the Group was within the scope of the forecast issued in September 2014. The decrease as compared with the prior year was primarily the result of the negative development in the Power business segment. In this segment the earnings outlook for subsequent financial years also had to be corrected. In the end, the resulting goodwill impairments led to a net profit loss.

Bilfinger intends to continue to pursue a dividend policy that is geared toward continuity. For financial year 2014, investors should receive a dividend of €2.00 per share.

OUTPUT VOLUME, ORDERS RECEIVED, ORDER BACKLOG / ADJUSTED EARNINGS
€ million

	2014	2013	Δ in %
Output volume	7.690	7.552	+2
Orders received	6.600	7.513	-12
Order backlog	5.461	6.476	-16
EBITA adjusted [1]	270	415	-35
EBITA margin adjusted (in percent) [1]	3,5	5,5	
Adjusted net profit from continuing operations [2]	175	251	-30
Adjusted earnings per share from continuing operations (in €) [2]	3,96	5,69	-30

1 Adjusted in 2014 for one-time expenses in connection with the Bilfinger Excellence efficiency-enhancement program, restructuring expenses and for the capital gain on the reduction of the investment in Julius Berger Nigeria totaling €72 million before taxes (previous year: €66 million) and €48 million after taxes (previous year: €40 million).

2 Adjusted for the special effects on EBITA referred to under 1) and for the amortization of intangible assets from acquisitions and goodwill impairments (2014: €177 million (previous year: €35 million) after taxes). In addition, with income taxes, adjustment for the reduction by €13 million of deferred tax assets on tax-loss carryforwards in accordance with Section 8c of the German Corporate Income Tax Act (KStG).

PLAN / ACTUAL COMPARISON

	Actual 2014	Outlook Interim report Q3 2014	Outlook Interim report H1 2014	Outlook Interim report Q1 2014	Outlook Annual report Year-end 2013[1]	Actual 2013[2]
Output volume						
Group	€7.7 billion	magnitude of €7.7 billion	about €7.8 billion	at least €8 billion	at least €9 billion	€8.5 billion
Industrial	€3,705 million	nearly €3.7 billion	about €3.7 billion	organic growth	noticeable increase	€3,721 million
Power	€1,445 million	about €1.5 billion	about €1.5 billion	increase in output volume	noticeable increase	€1,577 million
Building and Facility	€2,659 million	nearly €2.7 billion	about €2.7 billion	significant increase	significant increase	€2,346 million
EBITA margin						
Industrial	5.1%	below 5.8%	increase to a good 6%	between 6 and 6.5%	magnitude of 6%	5.8%
Power	0.6%	positive contribution to earnings	between 4 and 5%	slightly below the target corridor of 8.5 to 9%	between 8 and 8.5%	9.4%
Building and Facility	5.1%	about 5%	about 5%	at upper end of target corridor of 4.5 to 5%	at upper end of target corridor of 4.5 to 5%	4.9%
EBITA adjusted	€270 million	at least €270 million	between €340-360 million	significant increase	significant increase with higher margin	€409 million
Adjusted net profit from continuing operations	€175 million	at least €160 million	between €205-220 million	significant increase	significant increase with higher margin	€249 million
Cash flow from operating activities	€65 million				noticeable increase	€162 million
Return on capital employed (ROCE)	9.5%				ROCE > 15%	13.6%

[1] The outlook in the Annual Report 2013 included the Construction business segment for the last time.
[2] The actual figures 2013 for the Group relate to the figures published in the Annual Report 2013. The actual figures 2013 for the business segments have been adapted for the new structure.

OUTPUT VOLUME BY BUSINESS SEGMENT

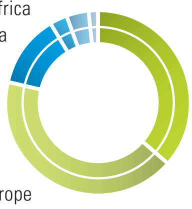
€ million

	2014	2013	Δ in %
Industrial	3,705	3,721	0
Power	1,445	1,577	-8
Building and Facility	2,659	2,346	+13
Consolidation, other	-119	-92	–
	7,690	7,552	+2

OUTPUT VOLUME BY REGION

€ million

	2014	2013	Δ in %
Germany	2,840	2,855	-1
Rest of Europe	3,340	3,204	4
America	994	904	10
Africa	195	244	-20
Asia	307	332	-8
Australia	14	13	9
	7,690	7,552	2



CONSOLIDATED INCOME STATEMENT (ABRIDGED)
€ million

	2014	2013
Output volume from continuing operations (for information only)	7,690	7,552
Revenue	**7,697**	**7,560**
Cost of sales	-6,774	-6,508
Gross profit	**923**	**1,052**
Selling and administrative expenses	-806	-757
Other operating income and expense	-150	-38
Income from investments accounted for using the equity method	40	41
Earnings before interest and taxes (EBIT)	**7**	**298**
Net interest result	-36	-45
Earnings before taxes	**-29**	**253**
Income tax expenses	-46	-73
Earnings after taxes from continuing operations	**-75**	**180**
Earnings after taxes from discontinued operations	**-27**	**-4**
Earnings after taxes	-102	176
thereof minority interest	-31	3
Net profit	**-71**	**173**
Average number of shares (in thousands)	44,168	44,149
Earnings per share (in €)*	-1.62	3.91
thereof from continuing operations	-1.00	4.01
thereof from discontinued operations	-0.62	-0.10

* Basic earnings per share are equal to diluted earnings per share.

Bilfinger's business development in 2014 was affected by a difficult situation in the European power-plant sector and a general hesitation on the part of customers in the process industry. While output volume increased slightly to €7,690 million, orders received declined due to the development in the Industrial and Power business segments by 12 percent to €6,600 million. The order backlog of €5,461 million was 16 percent lower than a year earlier.

The key figures of the activities of the former Construction and Concessions business segments as well as Offshore Systems that have been sold or are now in the process of sale are no longer presented in our business segments, but under 'discontinued operations'. All of the figures presented in this report relate, unless otherwise stated, to the Group's continuing operations; the figures for the prior-year period have been adjusted accordingly. Despite strong earnings in the fourth quarter, adjusted EBITA for the full year of €270 million was significantly lower than the figure of €415 million achieved in the prior-year period. This was primarily the result of the very negative development in the Power business segment.

Adjusted net profit from continuing operations amounted to €175 million (previous year: €251 million); adjusted earnings per share from continuing operations amounted to €3.96 (previous year: €5.69). The adjustments relate to the amortization of intangible assets from acquisitions and goodwill impairment, the exceptional items in EBITA and the write-down of deferred tax assets from tax-loss carryforwards by €13 million due to the increase to more than 25 percent in the equity interest held by Cevian Capital.

Results of operations

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.

The exceptional items in EBITA of €43 million (previous year: €85 million) are the result of one-time expenses for our efficiency-enhancement program Bilfinger Excellence. These relate to consulting expenses included in administrative expenses in the amount of €19 million (previous year: €16 million) as well as restructuring costs in the amount of €24 million (previous year: €69 million) which are presented in other operating expense. For 2014, this item also includes restructuring costs of €38 million, especially in the Industrial and Power business segments. The opposite effect came from extraordinary income of €9 million (previous year: €19 million) from the reduction of our investment in Julius Berger Nigeria.

Of the amortization of intangible assets from acquisitions and goodwill impairments totaling €191 million, goodwill impairments account for €148 million and amortization of intangible assets from acquisitions account for €43 million; the latter result from purchase-price allocation following acquisitions and are therefore of a temporary nature.

CALCULATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

€ million

	2014	2013
Earnings before taxes	-29	253
Exceptional items in EBITA	72	66
Amortization of intangible assets from acquisitions	191	51
Adjusted earnings before taxes	**234**	370
Adjusted income tax expense	-71	-115
Adjusted earnings after taxes from continuing operations	**163**	255
thereof minority interest	-12	4
Adjusted net profit from continuing operations	**175**	251
Average number of shares (in thousands)	44,168	44,149
Adjusted earnings per share from continuing operations (in €)	**3.96**	5.69

The adjustments to income tax expense take into account the tax effects of the exceptional items in EBITA and the amortization of intangible assets from acquisitions, as well due to the increase to more than 25 percent in the equity interest held by Cevian Capital, the reduction of deferred tax assets pursuant to Section 8c of the German Corporate Income Tax Act (KStG) by €13 million. Adjusted earnings figures are metrics that are not defined under IFRSs. Their disclosure is to be regarded as supplementary information.

Revenue / output volume

Revenue increased by 2 percent to €7,697 million (previous year: €7,560 million) as did output volume to €7,690 million (previous year: €7,552 million). Revenue primarily comprises revenue from the rendering of services and construction contracts, but also from goods and services supplied to joint ventures. Revenue does not include our share of the output volume generated by joint ventures. For the presentation of output volume generated by the Group, we report on output volume rather than revenue in the management report. For the reconciliation of revenue to output volume, goods and services supplied to joint ventures have to be deducted and our proportionate share of the revenue generated by joint ventures has to be added.

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 intangible assets from acquisitions, and other costs directly allocable to the sales 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.

In absolute terms, cost of sales increased by 4 percent to €6,774 million (previous year: €6,508 million), and in relation to revenue increased to 88.0 percent (previous year: 86.1 percent). Of that total, material and personnel expenses accounted for 78.0 percentage points (previous year: 75.6 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions which was at €43 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 was almost unchanged at €116 million (previous year: €114 million), of which €90 million was allocated to cost of sales (previous year: €88 million). The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

Gross profit decreased to €923 million (previous year: €1,052 million) and the gross margin fell to 12.0 percent (previous year: 13.9 percent).

Selling and administrative expense

Selling and administrative expenses, which include one-time expenses for Bilfinger Excellence of €19 million (previous year: €16 million) increased to €806 million (previous year: €757 million) as a result of first-time consolidation. Due to lower organic output volume, selling and administrative expenses adjusted for one-time expenses amounted to 10.2 percent of revenue (previous year: 9.8 percent).

Other operating income and expense

The balance of other operating income and expenses was negative at minus €150 million (previous year: minus €38 million). It should be taken into consideration here that in the reporting year an impairment test of goodwill in the divisions of the Power business segment resulted in an impairment loss of €148 million which is included here. An analysis of the business situation of each division in the third quarter of 2014 necessitated a fundamental reassessment of the situation in this business segment. Because of the considerably worsened market environment – especially in Germany and other European countries – not only has the earnings forecast for 2014 had to be reduced, but the earnings outlook for the subsequent years has also had to be significantly adjusted. Restructuring expenses in the amount of €24 million (previous year: €69 million) in connection with our efficiency enhancement program Bilfinger Excellence were also incurred. For 2014, this item also includes further restructuring costs of €38 million, especially in the Industrial and Power business segments. A gain of €9 million was realized from the sale of shares in Julius Berger Nigeria after a gain of €19 million in the previous year.

Income from investments accounted for using the equity method

Income from investments accounted for using the equity method is composed of the income and expenses from associates and joint ventures and amounts to €40 million (previous year: €41 million).

EBITA / adjusted EBITA / EBIT

Adjusted EBITA of €270 million was significantly lower than the figure of €415 million achieved in the prior-year period. In relation to output volume, the adjusted EBITA margin was 3.5 percent (previous year: 5.5 percent).

In the Industrial business segment, EBITA declined to €190 million (previous year: €214 million) due especially to the difficult situation in the European process industry and the impact from a lack of power plant projects. The EBITA margin decreased to 5.1 percent (previous year: 5.8 percent).

In the Power business segment, to the underutilization of capacities in a number of areas as well as burdens from various projects, EBITA collapsed to €8 million (previous year: €148 million). The EBITA margin was only 0.6 percent following the unusually high figure of 9.4 percent that was achieved in the prior year.

In the Building and Facility business segment, EBITA, due to acquisitions and organic growth, increased to €136 million (previous year: €116 million). The EBITA margin again increased slightly to 5.1 percent (previous year: 4.9 percent).

Adjusted EBITA not allocated to the business segments was nearly unchanged at minus €64 million (previous year: minus €63 million). It includes, in addition to headquarters costs, at-equity earnings of the investment in Julius Berger Nigeria as well as the earnings contributions from two concession projects. Including the exceptional items described under 'Adjusted earnings per share' on pages 66 f., EBITA totaled €198 million (previous year: €349 million). After deducting amortization of intangible assets from acquisitions, which amount to €43 million (previous year: €51 million) as well as goodwill impairments

ADJUSTED EBITA BY BUSINESS SEGMENT
€ million

	2014	2013
Industrial	190	214
Power	8	148
Building and Facility	136	116
Consolidation, other	-64	-63
Continuing operations	270	415

in the Power business segment in the amount of €148 million, an only slightly positive EBIT of €7 million remains (previous year: €298 million).

Net interest result

Net interest expense decreased to €36 million (previous year: €45 million). Interest income declined due to the lower interest rates on investments to €4 million (previous year: €6 million). Current interest expense decreased to €27 million due to repayment of a promissory note loan in the middle of 2013 (previous year: €32 million). Interest expense from additions to the retirement benefit obligation – offset against the income from plan assets – amounted to €14 million, as in 2013. Income from securities in the reporting year was €6 million from the sale of shares in the BBGI investment fund (previous year: €2 million).

Interest expense for minority interest was €5 million (previous year: €7 million).

Earnings before and after taxes

Earnings before taxes of continuing operations amount to minus €29 million (previous year: €253 million) and earnings after taxes amount to minus €75 million (previous year: €180 million). The effective tax rate, adjusted for non-deductible goodwill impairments, for tax-free capital gains and for the effect from the reduction of deferred tax assets pursuant to Section 8c of the German Corporate Income Tax Act (KStG), was 31 percent, as in the prior year.

Earnings after taxes from discontinued operations relate to the former Concessions and Construction business segments as well as Offshore Systems and amount to minus €27 million (previous year: minus €4 million). Included in this amount is a write-down on investments in a Polish production location for steel foundations for offshore wind turbines in the amount of €48 million (Bilfinger share: €30 million). Capital gains of €18 million were realized from the sale of concession projects (previous year: €46 million). In the prior-year period, this was countered by the devaluation of a concession project of €34 million. Costs to sell and expenses for the winding up of the discontinued Concessions activities amounted to €4 million (previous year: €10 million).

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed € million		Return € million		ROCE %		Cost of capital %		Value added € million	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Industrial	1,295	1,367	189	214	14.7	15.7	10.50	8.75	54	95
Power	653	658	8	148	1.2	22.4	12.25	8.75	-72	90
Building and Facility	767	666	140	122	18.2	18.4	9.25	8.75	69	64
Consolidation, other	231	347	-57	-61	–	–	–	–	-87	-92
Continuing operations	2,946	3,038	280	423	9.5	13.9	10.75	8.75	-36	157

Overall, earnings after taxes decreased to minus €102 million (previous year: €176 million).

Minority interest

A loss of €31 million attributable to minority interest in the reporting period is unusually negative (previous year: profit of €3 million). This includes in particular the proportionate share of the write-down of investments in the production site in Poland and of South African companies in the Power business segment.

Net profit / earnings per share

Net profit for the year amounts to minus €71 million (previous year: €173 million). Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the exceptional items described above declined to €175 million (previous year: €251 million); adjusted earnings per share from continuing operations amount to €3.96 (previous year: €5.69).

Dividend of €2.00 per share proposed

It will be proposed that a dividend for financial year 2014 of €2.00 be paid out (previous year: €3.00). This represents a total dividend payout of €88 million (previous year: €132 million) in relation to the number of shares entitled to a dividend as of March 12, 2015. Bilfinger thus follows its dividend policy geared toward continuity with a distribution ratio of about 50 percent of adjusted net profit, despite high negative exceptional items. In relation to the share price at the end of 2014, this represents a dividend yield of 4.3 percent.

Value added

Value added – the difference between return on capital employed (ROCE) and the cost of capital – is an important key figure for measuring profitability of capital employed and for the efficient controlling of the capital employed. We focus on continuing operations in order to provide better comparability over time in the consideration of return on capital employed. Adjusted EBITA serves as a basis for the calculation of the return. The weighted average cost of capital (WACC) for the Group amounts to 10.75 percent before taxes (previous year 8.75 percent). ROCE of the business segments is compared with segment-specific cost-of-capital rates which we – in order to reflect their now very different risk profiles – have further differentiated. For the Industrial business segment, this amounted to 10.50 percent, for Power to 12.25 percent and for Building and Facility to 9.25 percent. In the previous year, it was 8.75 percent for all three segments. Further details can be found in the chapter 'Return-on-capital-employed controlling' (see pages 198 f.).

The average capital employed of continuing operations decreased to €2,946 million in the reporting year (previous year: €3,038 million). ROCE from continuing operations nevertheless fell to 9.5 percent due to the significantly lower return (previous year: 13.9 percent). Absolute value added, impacted by the simultaneous increase in cost of capital, was minus €36 million. This is attributable primarily to development in the Power business segment. In the previous year, value added was positive at €157 million.

In the Industrial business segment, with a lower EBITA, ROCE decreased slightly to 14.7 percent (previous year: 15.7 percent). Value added decreased to €54 million (previous year: €95 million) with an increase in cost of capital.

In the Power business segment, ROCE declined significantly to 1.2 percent (previous year: 22.4 percent) due to the drop in earnings. With an increased cost of capital, value added was negative at minus €72 million. In the previous year, a higher positive value added of €90 million was achieved.

In the Building and Facility business segment, despite the acquisition-related increase in capital employed, ROCE was nearly unchanged as compared to the previous year at 18.2 percent (previous year: 18.4 percent) due to the higher return. Value added increased to €69 million (previous year: €64 million).

The value added by headquarters and consolidation was negative at minus €87 million (previous year: minus €92 million).

Net assets

For the analysis of net assets, in order to gain better comparability with the figures as of December 31, 2014, the assets and liabilities of discontinued operations of the former Construction business segment and Offshore Systems together with the figures from the former Concessions business segment are shown separately in an item on the assets side and an item on the liabilities side of the pro-forma balance sheet as of December 31, 2013.

Total assets decreased due to the sale of concession projects to €6.0 billion (previous year: €6.5 billion). This is evident from the decrease of assets and liabilities classified as held for sale.

On the assets side, non-current assets were nearly unchanged at €3,027 million (previous year: €3,012 million).

Intangible assets of €2,015 were at the same level as in the prior year. Goodwill of €1,871 million (previous year: €1,880 million) and intangible assets from acquisitions of €109 million (previous year: €106 million) were countered by scheduled amortization (€43 million) and impairments (€148 million) totaling €191 million, compared with additions of €158 million, primarily reflecting the acquisition of GVA.

Property, plant and equipment increased only slightly to €650 million (previous year: €629 million).

Other non-current assets of €362 million (previous year: €368 million) were nearly unchanged from the prior year. The increase in deferred taxes was compensated by a decrease in securities as a result of the sale of shares in the BBGI investment fund.

Receivables and other current assets of €2,216 million (previous year: €2,213 million) were also nearly unchanged.

Cash and cash equivalents at the end of the year amounted to €403 million (previous year: €647 million). Current and non-current financial liabilities – excluding project debt on a non-recourse basis – were at €544 million (previous year: €545 million). Net liquidity amounts to minus €141 million as of the balance sheet date (previous year: €102 million).

Non-recourse debt in the amount of €40 million (previous year: €41 million) reflects project financing, which is granted without any liability for the Group.

Provisions for pensions and similar obligations increased to €524 million (previous year: €417 million), due to a substantial decrease in the relevant discount rate – in the Eurozone from 3.5 percent to 2.0 percent.

Other non-current liabilities decreased as a result of lower purchase-price liabilities to €168 million (previous year: €199 million). The balance relates primarily to deferred tax assets and non-current provisions.

CONSOLIDATED BALANCE SHEET (ABRIDGED)

€ million

	Dec. 31, 2014	Dec. 31, 2013 pro forma
Assets		
Non-current assets		
Intangible assets	2,015	2,015
Property, plant and equipment	650	629
Other non-current assets	362	368
	3,027	**3,012**
Current assets		
Receivables and other current assets	2,216	2,213
Cash and cash equivalents	403	647
Assets classified as held for sale	316	660
	2,935	**3,520**
	5,962	**6,532**
Equity and liabilities		
Equity	**1,917**	**2,165**
Financial debt, non-recourse	**40**	**41**
Non-current liabilities		
Provisions for pensions and similar obligations	524	417
Non-current financial debt, recourse	516	517
Other non-current liabilities	168	199
	1,208	**1,133**
Current liabilities		
Current financial debt, recourse	28	28
Other current liabilities	2,397	2,504
Liabilities classified as held for sale	372	661
	2,797	**3,193**
	5,962	**6,532**

Other current liabilities decreased to €2,397 million (previous year: €2,504 million), and advance payments received included here fell to €240 million (previous year: €310 million).

The negative working capital decreased to minus €181 million (previous year: minus €291 million).

Equity decreased to €1,917 million (previous year: €2,165 million). The negative earnings after taxes of €102 million and dividend payments of €137 million contributed to the decline. Gains and losses not affecting profit and loss decreased equity by another €9 million. A remeasurement of defined-benefit pension plans was necessary due to a decrease in the relevant discount rate. This led to losses in the amount of €79 million which were largely offset by positive exchange rate effects in the amount of €62 million. The equity ratio on the balance sheet date was nearly unchanged at 32 percent (previous year: 33 percent).

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 on a recourse basis for the entire Bilfinger Group are managed and executed by Corporate Treasury.

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 in detail on our management of financial risk in the opportunity and risk report on pages 102 ff. and in the notes to the consolidated financial statements under note 27 (see pages 187 ff.) 'Risks related to financial instruments, financial risk management and hedging transactions'.

Financing

The main source of funds for corporate financing are 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, our main banks have provided a firmly committed, syndicated credit facility of €500 million, available until 2016, which had not been utilized at the balance sheet date. We also have additional short-term bilateral credit commitments of approximately €170 million.

We have credit by way of bank guarantees of over €2.5 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized.

GROUP FINANCIAL STATUS, RECOURSE LIABILITIES
€ million

	Available credit	Amount utilized	Available credit	Amount utilized
		2014		2013
Bank guarantees	**2,552**	**1,807**	2,974	2,001
thereof with residual term < 1 year	2,552	1,807	2,974	2,001
Syndicated credit facility	**667**	**38**	670	28
thereof with residual term < 1 year	167	31	170	24
Corporate bond	**500**	**500**	500	500
thereof with residual term < 1 year	–	–	–	–
Finance leases	**14**	**17**	17	17
thereof with residual term < 1 year	2	4	4	4

Detailed information on existing financial debt is provided in the notes to the consolidated financial statements under note 23 'Financial debt.'

Financial debt – excluding non-recourse debt – totaled €544 million on the balance sheet date (previous year: €545 million). Of that total, €516 million is non-current (previous year: €517 million) and, as in the previous year, €28 million is current. It includes finance leases of €14 million (previous year: €17 million).

We do not utilize off-balance-sheet financing instruments.

Approved capital of €69 million is available for future capital increases.

Bilfinger also has conditional capital of €14 million to be used to grant conversion and/or warrant rights in the case of convertible bonds being issued.

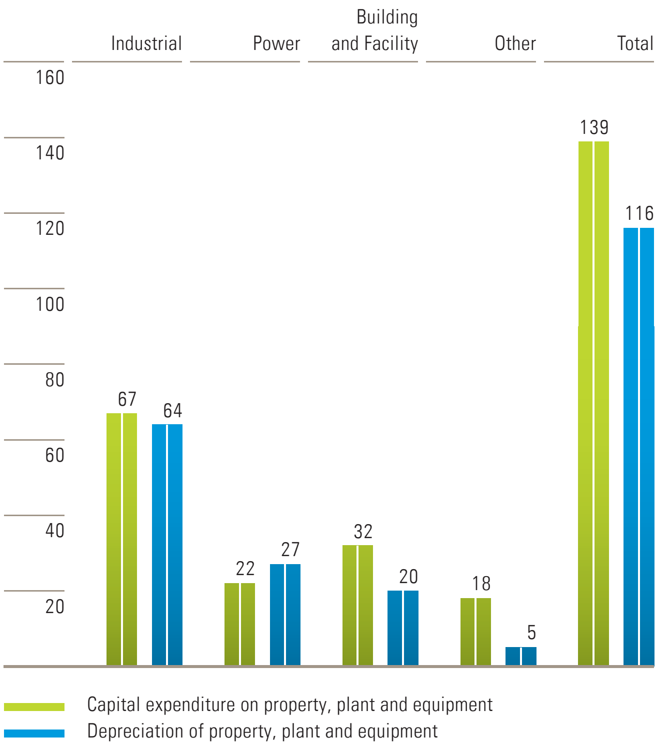
We report in detail on the existing authorizations of the Executive Board to raise capital in the management report on pages 113 ff., as part of the disclosures pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 of the German Commercial Code (HGB).

Investments

Capital expenditure on property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – amounted to €139 million (previous year: €140 million). €56 million of the total was invested in operating equipment and office equipment, €37 million in technical equipment and machinery, €31 million in land and buildings and €15 million in intangible assets. Depreciation and amortization amounted to €116 million (previous year: €114 million).

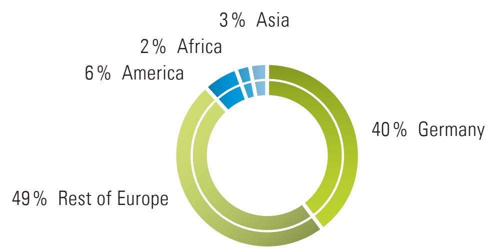
Investments accounted for by the Industrial business segment were €67 million (previous year: €74 million) or 48 percent. €29 million was invested in operating equipment and office equipment, of which scaf-

CAPITAL EXPENDITURE / DEPRECIATION BY BUSINESS SEGMENT
€ million



CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT BY REGION
€ million

	2014	2013
Germany	56	64
Rest of Europe	68	63
America	8	6
Africa	3	4
Asia	4	3
	139	140



folding accounted for €14 million. A further €21 million was invested in technical equipment and machinery and €13 million in real estate.

Capital expenditure in the Power business segment totaled €22 million (previous year: €34 million), with €7 million invested in operating equipment and office equipment and €6 million invested in both technical equipment and machinery and real estate.

The Building and Facility business segment invested a total of €32 million (previous year: €21 million), with €20 million invested in operating equipment and office equipment, €3 million in technical equipment and machinery and €8 million in intangible assets.

The regional focus of investment was again on Europe, which accounted for 89 percent of the total (previous year: 91 percent). Germany accounted for 40 percent of total investment (previous year: 46 percent).

Payments in the amount of €140 million (previous year: €251 million) were made for investments in financial assets, corporate acquisitions, increases in equity interests and earn-out obligations. The most important acquisition in 2014 was GVA, a company specialized in real-estate consulting services in the UK. In the prior-year period, it were American water technology specialists Johnson Screens and British real-estate services provider Europa Support Services Ltd. Further information on corporate acquisitions can be found in the notes to the consolidated financial statements on pages 152 f. under 'Consolidated group.'

Statement of cash flows

Cash earnings declined to €163 million (previous year: €276 million) due to the lower level of earnings after taxes. The reduction in negative working capital had an effect here of minus €78 million (previous year: minus €33 million).

The gains on disposals of non-current assets, which are to be deducted from operating cash flow, decreased to €20 million (previous year: €33 million). They relate primarily to gains from the sale of shares in Julius Berger Nigeria and in the BBGI investment fund. The cash flow from operating activities of continuing operations decreased to €65 million (previous year: €210 million).

Capital expenditure on property, plant and equipment and intangible assets of €139 million (previous year: €140 million) was once again at a comparatively low level. These cash outflows were reduced by a cash inflow of €17 million (previous year: €16 million).

Disposals of financial assets resulted in total proceeds of

STATEMENT OF CASH FLOWS (ABRIDGED)
€ million

	2014	2013
Cash earnings from continuing operations	163	276
Changes in working capital	-78	-33
Gains on the disposal of non-current assets	-20	-33
Cash flow from operating activities of continuing operations	65	210
Capital expenditure on P, P & E and intangible assets	-139	-140
Proceeds from the disposal of property, plant and equipment	17	16
Cash outflow for P, P & E and intangible assets	-122	-124
Proceeds from the disposal of financial assets	172	208
Free cash flow from continuing operations	115	294
Investments in financial assets	-140	-251
Cash flow from financing activities of continuing operations	-165	-304
Issue of treasury shares as part of the employee share program	1	1
Dividends	-139	-138
Payments from changes in ownership without change in control	0	-4
Repayment of debt / borrowing	-27	-163
Change in cash and cash equivalents of continuing operations	-190	-261
Change in cash and cash equivalents of discontinued operations	-61	-115
Change in value of cash and cash equivalents due to changes in foreign exchange rates	8	-13
Change in cash and cash equivalents	-243	-389
Cash and cash equivalents at January 1	669	1,087
Cash and cash equivalents classified as assets held for sale (Concessions) at January 1 (+)	22	0
Disposal of cash and cash equivalents Concessions	-32	-7
Cash and cash equivalents classified as assets held for sale (Concessions / Construction) at December 31 (-)	13	22
Cash and cash equivalents at December 31	403	669

€172 million (previous year: €208 million); of that amount, €103 million was accounted for by the sale of concession projects (previous year: €171 million), €13 million by the reduction of investments in Julius Berger Nigeria (previous year: €25 million) as well as €50 million from the sale of our shares in the BBGI investment fund (previous year: €0 million). This led to a free cash flow of €115 million (previous year: €294 million). €140 million (previous year: €251 million) was applied to investments in financial assets. This primarily reflects the acquisition of GVA, a company specialized in real-estate consulting services in the UK. Of the net cash outflow from financing activities of €165 million (previous year: €304 million), €132 million represents the dividend payment to shareholders of Bilfinger SE for the past financial year. In the prior-year period, the repayment of a promissory-note loan led to an additional cash outflow of €166 million. Continuing operations resulted in a net cash outflow of €190 million (previous year: €261 million). The cash outflow from discontinued operations amounts to €61 million (previous year: €115 million).

Exchange-rate changes led to an arithmetical increase in cash and cash equivalents of €8 million, after a decrease of €13 million in the previous year.

Cash and cash equivalents of activities classified as held for sale amount to €13 million on the balance sheet date; €32 million were disposed of in the course of the sale of concession projects.

In total, cash and cash equivalents at the end of the year decreased to €403 million (previous year: €669 million).

Information on the results of operations, net assets and financial position of Bilfinger SE (company financial statements in accordance with the German Commercial Code)

In the course of the reorganization of the Bilfinger Group as part of the efficiency enhancement program Bilfinger Excellence, the former subgroup holdings Bilfinger Industrial Services GmbH, Bilfinger Power Systems GmbH, Bilfinger Industrial Technologies GmbH and Bilfinger Facility Services GmbH were merged with Bilfinger SE with effect from January 1, 2014. This transaction had a significant impact on numerous items in the balance sheet and income statement. Particular notice should be taken with regard to the related increase in financial assets of €868 million as well as the merger loss of €194 million reported as extraordinary income. In addition, in comparison to previous years, there were significant increases in other items on the income statement such as personnel expenses or other operating expenses, for example.

Results of operations

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €127 million (previous year: €110 million) and resulted almost solely from output volume charged to companies of the Group.

Other operating income of €52 million (previous year: €7 million) is primarily the result of currency translation and hedging.

The increase in personnel expenses resulted from the merger of the former subgroup holdings and the associated takeover of the employees.

Other operating expense primarily consist of non-personnel administrative expenses, rents and leases, insurance premiums, legal and consulting expenses, expenses from currency translation and hedging, other service and personnel expenses as well as additions to provisions.

Financial income of €121 million (previous year: €206 million) mainly comprises income from profit-and-loss-transfer agreements as well as other investment income from companies of the Group. Income and expenses from profit-and-loss-transfer agreements are subject to fluctuations relating to the accounting of contracts in accordance with the realization principle of the German Commercial Code (HGB). In addition, there were not-insignificant write-downs on individual financial investments and loans to subsidiaries, especially those in the energy sector, due to reduced future earnings expectations.

The net interest result improved due to higher interest received (+€2.0 million) from Group financing taken over as part of the merger of the subgroup holdings as well as higher income from the plan assets for pension provisions (+€2.0 million). Earnings from ordinary activities decreased to -€80 million (previous year: €120 million). The decline is primarily attributable to amortization of financial assets. In addition, the activities of Bilfinger SE as Group holding increased significantly as a result of the merger of the subgroup holdings, which is reflected in the increase in personnel expenses and other operating expenses.

The merger of the subgroup holdings led to a total merger loss in the amount of €194 million, which is reported as extraordinary income.

As was the case in the previous year, there were no taxes in the reporting year. It should be kept in mind here that both the merger loss and the amortization on financial assets are tax neutral.

Net loss after taxes amounts to €274 million (previous year: net profit after taxes of €120 million). The release of retained earnings in the amount of €360 million results in distributable earnings of €92 million (previous year: €138 million) including profit carried forward of €6 million (previous year: €63 million).

INCOME STATEMENT OF BILFINGER SE (HGB)

€ million

	2014	2013
Revenue	127	110
Other operating income	52	7
Personnel expenses	-107	-61
Amortization of intangible assets / depreciation of property, plant & equipment	-2	-1
Other operating expenses	-263	-129
Earnings from financial assets	121	206
Net interest result	-8	-12
Earnings from ordinary business activities	**-80**	**120**
Extraordinary income	-194	0
Income tax expense	0	0
Net profit	**-274**	**120**
Profit carryforward	6	63
Release / allocation to other retained earnings	360	-45
Unappropriated retained earnings	**92**	**138**

Net assets and financial position

The financial position of Bilfinger SE is governed by its function as a holding company.

Total assets of €3,423 million (previous year: €2,956 million) primarily comprise financial assets of €2,227 million (previous year: €1,538 million), receivables of €913 million (previous year: €961 million), and cash, cash equivalents and securities of €251 million (previous year: €430 million).

Financial assets increased by €689 million to €2,227 million. This increase is primarily attributable to the merger of the subgroup holdings, whereby the previous subsidiaries of the subgroup holdings became direct subsidiaries of Bilfinger SE. This means that shares in associates increased by €1,176 million, while loans decreased by €313 million. There was an opposing effect from write-downs on financial assets of €153 million.

Receivables and other assets of €852 million (previous year: €917 million) mainly comprise receivables from subsidiaries in connection with the Group's centralized corporate financing.

On the other side of the balance sheet, equity amounts to €1,096 million (previous year: €1,500 million), provisions amount to €214 million (previous year: €195 million) and liabilities amount to €2,113 million (previous year: €1,261 million).

Provisions include defined benefit obligations in the amount of €21 million (previous year: €0 million), tax provisions of €33 million (previous year: €44 million) and other provisions of €160 million (previous year: €150 million).

BALANCE SHEET OF BILFINGER SE (HGB, ABRIDGED)

€ million

	Dec. 31, 2014	Dec. 31, 2013
Assets		
Non-current assets		
Intangible assets and P, P & E	8	4
Financial assets	2,227	1,538
	2,235	1,542
Current assets		
Receivables and other assets	913	961
Cash and cash equivalents	251	430
	1,164	1,391
Excess of plan assets over pension liabilities	24	23
Assets	3,423	2,956
Equity and liabilities		
Equity	1,096	1,500
Provisions	214	195
Liabilities	2,113	1,261
Equity and liabilities	3,423	2,956

The pension provisions assumed in the course of the merger of the subgroup holdings are, in part, not fully funded by plan assets, which resulted in a presentation of pension provisions.

The previous retirement benefit obligation of Bilfinger SE continue to be fully netted with plan assets, whereby the surplus funding of €24 million (previous year: €23 million) is presented as a net asset after offsetting.

Liabilities in the amount of €1,505 million (previous year: €637 million) include liabilities to associates from deposits in connection with centralized cash pooling. These changes again result primarily from the merger of the subgroup holdings. They also include financial debt in the amount of €500 million (previous year: €500 million) for a primary unsecured bond issued in December 2012 with a term until December 2019.

The equity ratio was 32 percent at the balance sheet date (previous year: 51 percent). The decrease is attributable to the decline in equity due to the annual net loss. On the other hand, total assets increased due to the merger of the subgroup holdings.

Opportunities and risks

The business development of Bilfinger SE 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. Because financial year 2014 was impacted by one-time expenses from amortization of financial assets and a substantial merger loss, we anticipate significantly improved earnings for financial year 2015. We assume that we will continue to achieve net profit sufficient for our shareholders to participate in the company's success with an attractive dividend.

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

The declaration of corporate governance pursuant to Section 289a of the German Commercial Code (HGB) has been made available on the company's website (www.bilfinger.com) under the heading 'Investor Relations / Corporate Governance.'

INDUSTRIAL

photo pages 76 / 77

WE LOOK AFTER THE TURBINES, SWITCHGEAR AND GENERATORS AT ALL 125 HYDROELECTRIC POWER PLANTS FROM FINNISH UTILITY FORTUM IN SWEDEN, INCLUDING THE HISTORICAL LOCATION IN UNTRA. THROUGH THE TAKEOVER OF MAINTENANCE ACTIVITIES AT INDUSTRIAL FACILITIES AS PART OF AN OUTSOURCING AGREEMENT, WE ACHIEVE CONSIDERABLE EFFICIENCY ENHANCEMENTS AND COST SAVINGS FOR OUR CLIENT.

Economic environment

The economy in the Eurozone disappointed once again in the reporting year and thus failed to provide any momentum to the industrial services market. Despite historically low interest rates and the efforts of the European Central Bank to stimulate the economy, companies' investments in equipment stagnated at a low level. In large European countries such as Italy and France, there was even a further slight decrease, while crisis countries Ireland, Portugal and Spain experienced a recovery. In Germany, companies' investing activities weakened over the course of the year as a result of geopolitical uncertainty. Energy costs, which are high in international comparison, were increasingly seen as an obstacle to investment in energy-intensive industries. The United Kingdom, on the other hand, had a lively economy with a strong rise in investments in equipment.

The dynamic investment development in the USA was once again in strong contrast to the situation in the Eurzone. In addition to the recovery in the US economy, a steady increase in gas and oil production again drove the willingness to invest until well into the reporting year. The shale gas boom buoyed not only the extraction industry, its suppliers and the processing sector; it also aided all energy-dependent industries. The USA has increasingly become the preferred location for all energy-intensive companies due to energy costs which, in a global comparison, are low. This applies for example to the chemical industry, where there is a noticeable shift in investment budgets from Europe to the USA.

The oil and gas boom in the United States also had an impact on other traditional oil regions, which are increasingly suffering as a result of the North American competition. The USA has not only already become the world's largest producer of natural gas; in 2015 it will also likely be a net exporter of liquid gas as a result of the investments being made in the export infrastructure. This growing competitive pressure has contributed to a noticeable hesitation on the part of traditional exporters such as Norway when it comes to their investments.

The development in the USA, however, did not continue over the course of the reporting year. The strong drop in the price of crude oil since the summer of 2014 had a considerable impact on the framework conditions for the process industry. The intermittent halving of the price as compared to the middle of the year makes cost-intensive fracking technologies in the extraction of oil and gas as well as deep-sea extraction unprofitable. As a consequence, a decrease in investments in the North American upstream sector could be observed already in the last quarter of 2014. Similarly, companies involved in North Sea oil production have already cut back investments to a significant degree and have initiated cost reduction programs. In addition, projects for the exploration of new oil and gas fields are currently being put on hold. The extent of the investment cutbacks in the upstream as well as carry-over effects in the midstream and downstream sectors will largely depend on the duration of the low-price phase. Producers are generally protected from the consequences of the oil price crash for a transitional period through hedging. Adjustments will thus probably accelerate if the low price phase lasts longer than one year. For US fracking companies, an often higher rate of borrowed capital and, in light of falling prices, resulting financing problems could further increase the pressure to reduce production.

The losers in the oil and gas industry are offset by winners from the low price of oil in the chemicals industry, whose raw materials are now significantly cheaper. Here, however, only a moderately rising willingness to invest is anticipated.

Against this backdrop, development of the German market for industrial services was restrained in the reporting year. As compared to 2013, 2014 saw a slight revival with an increase in growth from 2 to approximately 3 percent. The double-digit growth rates of the years 2010/2011 were thus a thing of the distant past. For German providers of industrial services, the international business gained importance due to improved market development in the USA. The trend toward the awarding of multiple-country projects, especially in the chemicals and oil/gas sectors, is continuing and is also driving the further internationalization of the industry in general.

Sources:
European Commission, Directorate-General for Economic and Financial Affairs, European Economic Forecast, Autumn 2014, European Economy 7/2014.
International Monetary Fund, World Economic Outlook, Legacies, Clouds, Uncertainties, Washington, October 2014.
Lünendonk Study 2014, Leading Industrial Services Companies in Germany, August 2014.
WVIS Industry Monitor 2014: Survey of Industrial Service in Germany Report on Results, 2014.

Market position and strategic success factors

We are partner of choice for our clients especially in the process industry and the energy sector, and set standards for solutions covering the entire lifecycle of their plants. Our good market position is based on the special way in which we combine technical expertise and a focus on services.

The services we provide range from consulting, engineering and project management to manufacturing and assembly as well as solutions for far-reaching maintenance concepts and complex projects. We combine our expertise to create optimal, sustainable solutions for our clients. Our goal is to increase plant efficiency and availability for our clients, thus improving plant productivity, reducing relative maintenance costs, and optimizing lifecycle costs.

With a focus on long-term partnerships, we combine our local presence and the service orientation of our highly qualified employees with the expertise of an international group for the benefit of our clients.

An important part of our operational activities relates to the general overhaul of large plants in the process industry, also known as turnarounds. They serve to perform regular inspections of large-scale industrial plants and are used to carry out alterations or expansions. Turnarounds require up to 100,000 individual tasks, which have to be performed by a large number of involved companies within a very short time in order to keep the production shortfall as small as possible. Industrial companies are increasingly outsourcing their turnarounds to managing contractors, which assume responsibility for the planning, coordination and execution of all work, and are the sole point of contact for the client. With our deep understanding of technical correlations and the expertise of our specialists, we are ideally placed to perform these tasks. Our clients for turnaround services include BASF, Borealis, BP, Esso, Kuwait Petroleum, Neste Oil, Total and Yara.

The intelligent control and networking of local energy producers has a key role to play in the context of the energy transformation. With our automation specialists, we find the right solution for this task. Bilfinger technology controls the operation of natural-gas storage units, monitors the operation of pipelines, adjusts the electricity feed into the network to current consumption and optimizes the use of local energy sources.

Prospects

- Geographic focus, targeted expansion into selected foreign markets, for example the gradual expansion of activities in the US process industry
- Growth in core markets through the consistent utilization of existing client potential
- Organic expansion of higher-margin service offerings
- Growth of integrated service packages

Performance

In the Industrial business segment, output volume in 2014 of €3,705 million was stable; EBITA decreased to €190 million with a margin of 5.1 percent. The reticence to invest on the part of the European process industry, reduced maintenance budgets especially from oil and gas customers as well as increasing competitive pressure as a result of the situation in the energy sector have negatively impacted new business. Orders received decreased significantly to €3,276 million while order backlog fell to €2,404 million. The number of employees declined to 33,016.

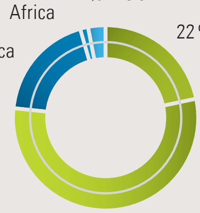
The German market accounted for 22 percent of output volume; 56 percent was achieved in other European countries, especially in Scandinavia, the Benelux countries, Eastern Europe and Austria. 19 percent of output volume was generated in the American market.

KEY FIGURES INDUSTRIAL
€ million

	2014	2013	Δ in %
Output volume	3,705	3,721	0
Orders received	3,276	3,986	-18
Order backlog	2,404	2,791	-14
Capital expenditure on P, P & E	67	73	-8
Depreciation	64	64	0
EBITA / EBITA adjusted	190	214	-11
EBITA margin (%)	5,1	5,8	
Employees (at December 31)	33,016	35,018	-6

INDUSTRIAL: OUTPUT VOLUME BY REGION
€ million

	2014	2013	Δ in %
Germany	815	790	+3
Rest of Europe	2,088	2,186	-4
America	701	645	+9
Africa	10	7	+47
Asia	91	93	-2
	3,705	**3,721**	**0**



Market trend

Development in the maintenance business was generally stable, although weak demand from European power plant operators and primary energy suppliers as a consequence of energy policy uncertainties and the changes on the energy market also had an impact on the industrial maintenance business and led to ongoing margin pressure. The decline in Norwegian production volumes resulted in weaker demand for services in the oil and gas industry.

In the project business, we continue to observe a reticence to invest on the part of our clients in many markets. Projects for inspections of major production plants in European markets are declining in terms of volume and are being postponed. In the consulting and engineering business, the markets of the Middle East offer particularly good prospects. We are supporting international clients' strong investment activity with feasibility studies, engineering services and project management. In Eastern Europe, on the other hand, investment activities have come to a virtual standstill. The market for onshore services in the United Kingdom is developing well.

In the USA, the boom in the oil and gas industry generated dynamic demand until well into the reporting year, a development that Bilfinger was able to participate in. The strong drop in the price of crude oil since the summer of 2014 had a dampening impact on investing activities in the upstream area. In the medium term, this will have an impact on mid- and downstream activities in which Bilfinger is involved. The extent of the investment cutbacks will largely depend on the duration of the low-price phase.

Areas of activity

Industrial Maintenance

- Maintenance and repair services for industrial plants
- Conversion, expansion and modernization of plants

Insulation, Scaffolding and Painting

- Insulation solutions (thermal, cold, soundproofing, fire protection)
- Scaffolding (industrial and specialist solutions)
- Painting and coating (surfaces / corrosion protection)

Oil and Gas

- (Offshore) maintenance and repair services
- Specialist services: insulation, scaffolding and corrosion protection
- Training (e.g., industrial climbers)

Industrial Fabrication and Installation

- Assembly and installation of plant components (e.g., apparatus engineering)
- Construction of industrial plants
- Manufacturing and installation of piping systems and components

Engineering, Automation and Control

- Design and development of industrial facilities including power plants
- Project management and construction management
- Design, manufacture and installation of industrial automation solutions (electrical, instrumentation and control technology)

Support Services

- Placement of own personnel
- Provision, repair and logistics for machines and equipment

Clients

Industrial companies in the core markets of oil and gas, refineries and petrochemicals, chemicals and agrochemicals, pharmaceuticals, food and beverages, power generation, steel and aluminum

Major competitors

In addition to important mid-sized companies, at an international level: Cape, Fluor Industrial Services, Hertel, Jacobs, Kaefer, Remondis, Stork, Voith Industrial Services, Wood Group

Important events in 2014

From 2015, Bilfinger will maintain 125 hydroelectric power plants including the associated weir systems with 220 turbines and generators all belonging to Swedish energy supplier Fortum. The power plants generate a total output of 3,400 MW. In order to successfully execute the project, our company will take over about 200 specialists from Fortum and integrate them into our own operations. With this order, Bilfinger grows substantially in Sweden and will be able to leverage this project for others in Scandinavia. Norway, for example, relies on hydroelectric power for nearly 100 percent of its needs.

In Romania, we are delivering two complete plants as part of a joint venture for the production of natural gas for oil and gas group OMV Petrom at the Madulari and Burcioaia locations. Bilfinger will be responsible for engineering and procurement of the plant components while joint venture partner Max Streicher will carry out the accompanying construction work.

With our longstanding client Bayer CropScience we are continuing the cooperation at the Frankfurt location. There the company produces seeds as well as crop protection and pest control products. Research facilities for agricultural products are also located in Frankfurt. Bilfinger is responsible for the ongoing inspection and maintenance of the facilities. This includes conversions as well as the manufacture and installation of components.

Our company was also able to extend its longstanding partnership with chemicals group Huntsman. According to the most recent agreement, Bilfinger will continue to provide consulting, planning and procurement services as well as project management at the site in Rotterdam for the next five years.

In 2015, we will deliver a cell-culture fermentation system to a Chinese pharmaceutical company that is building a new production line at its location in Beijing. The order includes design, construction and commissioning. The fermentation system consists of a media application tank in which a culture solution is produced. The cultivation of sensitive mammalian cells is carried out in seed, intermediate and production bioreactors. A cleaning in place (CIP) system ensures the automatic cleaning of all system components without the need for the operator to intervene.

In Oman, we are responsible for the modernization of the Yibal oil production facility within the scope of a joint venture. The existing facility, one of the country's oldest and largest, will be completely renewed. We undertake the engineering services while our joint venture partner, Special Technical Services (STS), is responsible for the construction and assembly work and for maintenance. The project is part of a larger order that oil and gas producer Petroleum Development Oman (PDO) awarded to the joint venture STS-Tebodin in 2011. In comprises the modernization of all of PDO's production facilities in northern Oman.

Outlook

We have summarized details of the expected development of Industrial and our other business segments in the Outlook section on pages 111 ff.

POWER

photo pages 82 / 83

THE MODERNIZATION OF AN ENORMOUS PRESSURE-PIPING SYSTEM FOR A HYDROELECTRIC POWER PLANT HIGH UP IN THE FRENCH ALPS IS A TASK THAT ONLY A SMALL NUMBER OF COMPANIES COULD TAKE ON. OUR SPECIALISTS MASTER THE TREMENDOUS CHALLENGES FOR MAN, MACHINE AND MATERIAL.

Economic environment

The German market for services in the areas of energy production and energy distribution was negatively impacted in the reporting year by uncertainties brought about as a result of the energy transformation. The gradual withdrawal from nuclear energy, which will be completed by 2022, and the increasing integration of renewable energies have brought with them adjustment processes, the consequences of which for energy prices and power plant needs are difficult to foresee. This uncertainty led to considerable restraint not only in the construction of new power plants, but also in modernization measures. Investments in fossil fuel power plants are not feasible in the current situation. At the same time, due to declining utilization and low exchange prices for electricity, the viability of gas and coal-burning power plants currently in operation has also declined which has led to hesitant demand for services in this sector. Expenditures for power plant maintenance plunged by 40-45 percent in the reporting year. The political groundwork necessary to secure sufficient reserve capacities has not yet materialized. Uncertainty about the future shape of the market further intensified investment bottlenecks. In addition, the controversial political debate on the expansion of the distribution grid led to further delays and additional investment risks.

The impact of the energy transformation was also felt in countries neighboring Germany: the rising net exports of heavily subsidized German electricity to countries such as Poland and Austria dragged down prices and willingness to invest there, too. Furthermore, the European power generation market suffered from economic pressure on energy prices. Although there is a consistently high need for efficiency enhancement measures for older power plant capacity and for grid expansion in Europe, this structural need was overlapped in the reporting year by the combination of economic weakness and the German energy transformation. This is all reflected in the substantial decline in volume on the European market for power services.

Market development in the United Kingdom, on the other hand, was comparatively positive. The country views the construction of new nuclear power plants positively, though the final decision on the erection of two reactors on the southwest coast (Hinkley Point) has not yet been taken. Finland also continues to invest in nuclear energy. Here, however, the construction of the third block in the Olkiluoto nuclear power plant has been delayed which means that construction of further reactors has also been protracted.

The Arabian Gulf States, primarily Saudi Arabia, are pursuing ambitious goals with regard to the transformation of their energy systems: with massive investments in more efficient power plants, solar energy and nuclear power, the one-sided fossil fuel positioning of the previous energy and electricity supply will be revamped. Development of these ambitious plans, however, is proceeding at a slower rate than expected. At existing power plants, on the other hand, efficiency and modernization measures will also be carried out in the future, as will service life extensions. In South Africa, important coal-burning power plant projects are nearing completion. In addition, further comprehensive investments in energy production have been made in order to overcome the acute bottlenecks and problems related to nationwide power outages.

Sources:
International Energy Agency, World Energy Investment Outlook, Special Report, 2014.
Strategic Reserve 2013: Report on the Results of the Strategic Reserve Dialogue, May 2013.
U.S. Energy Information Administration, Annual Energy Outlook 2014 with Projections to 2040, 2014.

Market position and strategic success factors

Bilfinger offers a broad range of products and services for power plants. We cover the entire lifecycle of plants from construction through to maintenance, efficiency enhancements and service life extensions all the way to demolition. Quality and on-time delivery through special expertise and a high degree of internal value creation all combine to give Bilfinger an outstanding market position in the power plant business.

In light of the growing need for energy, the aging of many power plants and public resistance to new locations, modernization and service-life extensions of existing power plants are highly important. We are specialists for efficiency enhancements, environmental technology and service life extensions. We plan and execute the measures that are necessary. We optimize the downtimes that are necessary for the maintenance and modernization of facilities and reliably adhere to deadlines that have been set.

Bilfinger Power's competitive advantage is its broad portfolio. For us, it is not important whether the plant uses lignite, coal, oil, natural gas, biomass, nuclear power or waste as a source of primary power. Our specialists plan, produce, supply and install all boiler components for power plants. By optimizing combustion systems, we achieve higher efficiency, reduce CO_2 emissions and extend plant lifetimes. Combustion technology is the key to steam generation, because efficiently controlled combustion improves a power plant's efficiency and reduces CO_2 emissions. In order to increase power-plant efficiency, higher temperatures and higher pressures are required. We have special expertise in the highly critical processing of the special materials needed in these processes. Together with our services for turbines and generators as well as our own manufacturing of associated components, we can provide our customers with demanding, complex maintenance for their power plants from a single source.

Our engineers are constantly developing new sustainable and resource-conserving solutions to meet the steadily growing demands of power plant processes. We cooperate with the universities of BTU Cottbus, TU Darmstadt, Wuppertal and Duisburg-Essen on individual development projects.

As a European market leader for high-pressure piping systems, Bilfinger has decades of experience in the engineering, pre-production and assembly of piping systems. We specialize in the exact bending of pipes made of special materials and with up to 12 centimeters material thickness in powerful inductive pipe-bending systems. This allows us to guarantee that our products will withstand the extreme temperatures and extremely high pressures inside modern power plants.

Bilfinger's machine and apparatus engineering has specialist knowledge in the combination of welding technology and mechanical processing as well as in the assembly of large, heavy and complex steel components. Services provided include reactor containers weighing several tons for the chemical industry, core containers for nuclear power plants as well as impellers for hydroelectric power plants. Engineers in the Nuclear and Environmental Technology business units deliver pioneering new solutions for highly complex facilities. These include, for example, flue gas purification systems for power plants, superconducting magnets for research facilities and containment structures for nuclear power plants. A broad spectrum of specialized knowledge and decades of experience in environmental technology, magnet technology as well as nuclear technology and service mean that our experts are sought-after partners for the operators of power plants and major research facilities.

Prospects

- Concentration on improving operating performance
- South Africa: focus on services and modernization projects
- India: focus on component production
- Middle East: expansion of activities, especially in Saudi Arabia
- Further internationalization, in particular positioning of the business in markets with a high share of coal in the energy mix

Performance

The Power business segment has been hurt by ongoing weakness in demand. This is the result of the energy transformation in Germany and its negative impact on investment behavior also in other Central European countries. Output volume, which was generated almost completely organically, decreased to €1,445 million in 2014. Orders received of €1,090 million were also below the prior-year figure, as was the order backlog of €1,060 million on the balance sheet date. Due to the under-utilization of capacities in a number of areas as well as burdens from various projects, EBITA collapsed to €8 million; the EBITA margin was only 0.6 percent. Germany accounted for about 34 percent of output volume. 38 percent of volume was generated in European countries outside Germany with a focus on Eastern Europe and Poland in particular, Austria and the Benelux countries. South Africa as well as the Middle East are also important international markets.

Market trend

Population growth and increasing industrialization are leading to further increases in global demand for energy. In addition to the modernization of older power plants, the construction of new power plants is needed in order to meet the need for energy. Our expertise for conventional power plants and nuclear technology is in demand for modernizations, efficiency enhancements and service life extensions as well as for new construction.

In Germany and Europe, intensified competition, a changed market environment for energy suppliers, open political questions with regard to network stability and supply security and, not least, the Ukraine-Russia conflict are all limiting the predictability of future development. In Germany in particular, the future structure of the power plant market remains unclear, major investments in conventional power plants are not to be expected. Whereas to date, the focus has been on the rehabilitation and service life extensions of individual fossil fuel power plants, the question now is which conventional power plants will stay in opera-

KEY FIGURES POWER

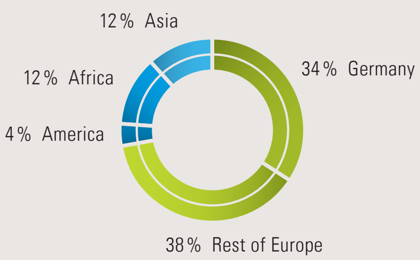
€ million

	2014	2013	Δ in %
Output volume	1,445	1,577	-8
Orders received	1,090	1,434	-24
Order backlog	1,060	1,404	-25
Capital expenditure on P, P & E	22	34	-35
Depreciation	27	26	+4
EBITA / EBITA adjusted	8	148	-95
EBITA margin (%)	0,6	9,4	
Employees (at December 31)	11,561	13,479	-14

POWER: OUTPUT VOLUME BY REGION

€ million

	2014	2013	Δ in %
Germany	490	518	-6
Rest of Europe	555	603	-8
America	56	38	+47
Africa	178	227	-21
Asia	166	191	-13
	1,445	**1,577**	**-8**



tion. On the other hand, opportunities are still available in the rehabilitation and modernization of the power plant pool in Eastern Europe.

In the absence of secure framework conditions and in light of the difficult economic situation, energy utilities are also reducing their demand for services. Once the relevant political groundwork has been laid, however, urgently necessary modernization projects for conventional power plants could revive demand. Our German and European business is also supported by the increasing use of renewable energies and expansion of the grid. Energy storage is also becoming more important as a result of the intensified application of regenerative energies. The storage media required for a continuous supply of power in the form of heat or water storage systems are manufactured by our specialists for highly-demanding piping systems and tank construction. We are participating in the urgently necessary expansion of the electricity grid for the distribution of alternative energies with our overhead power lines business which designs and builds high- and maximum-voltage overhead lines.

We continue to see lively international demand for desulfurization and denitrification systems which, in addition to the power plant sector, are also needed in a broad range of industrial production processes.

Especially countries outside of Europe with growing economies rely on the use of coal as a source of energy with a high degree of supply security. Here, in selected regions, we see good opportunities for the use of our efficient and environmentally friendly power plant technology. South African energy utilities, for example, are planning extensive modernization measures to relieve energy bottlenecks. Turkey, Vietnam and Thailand are also relying on modern coal fired power plants.

Areas of activity

Power Systems

- Full lifecycle services for power plants (assembly, maintenance and deconstruction)
- Efficiency enhancements, protection against wear and tear and service-life extensions at existing power plants
- Design, manufacture and assembly of components for power plant construction
- Environmental protection (DENOX, desulfurization, denitrification, dust removal)
- Electrical, instrumentation and control technology (EI&C) as well as control centers
- Overhead power lines

Piping Systems

- Development, design, production as well as assembly and commissioning of piping-related system parts and components for power plants and industry
- Pipelines, district heating and storage technology
- Maintenance, repair and rehabilitation of these systems
- Retrofit in hydroelectric power plants

Clients

Energy utilities, industrial companies, plant manufacturers and research institutes

Major competitors

Alpiq, Alstom Power, Balcke-Dürr, Doosan Babcock, Mitsubishi-Hitachi, Shaw

Important events in 2014

Bilfinger will adjust its capacities in piping construction to declining demand and will cut up to 400 jobs in this area in Germany.

In the first half of the year, we took an important step forward in the expansion of our position on the French power plant market: Bilfinger won an order from French utility Electricité de France SA (EDF) for the modernization of the piping systems in a number of nuclear power plants. The basis for this success is the close internal collaboration among the divisions in the Power and Industrial business segments which allows us to offer our clients design, delivery, installation and maintenance of piping systems from a single source.

Bilfinger has positioned itself in the energy market as a leading provider in the design and construction of district heating storage facilities which allow for the temporary intermediate storage of heat energy for heating and combined cycle power plants. In Bruneck, Italy, we have been building such a plant for a biomass heating plant since May 2014 and are also currently executing projects in Bochum, Ulm, Nuremberg and the Dutch city of Diemen.

In connection with the rehabilitation need of Eastern European power plants, Bilfinger has received a major order to modernize a heating power plant for the client Dalkia in Lodz, Poland. With the installation of two steam generators with low-emission firing systems, it will be possible in future to comply with the stipulated EU emission limits and to reduce nitrogen emissions. In addition to design and engineering, services also include delivery, assembly and commissioning of the plant components. As a result of the upgrade, plant availability increases and the service life again reaches the level of a newly-constructed power plant.

Outlook

Summarized details of the expected development of the Power business segment and of our other business segments are provided in the Outlook section on pages 111 ff.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BUILDING AND FACILITY

photo pages 88 / 89

WITH THE RIGHT APPROACH, REAL-ESTATE PROPERTIES CAN BE BUILT AND OPERATED QUICKLY, AT HIGH QUALITY AND AT SUSTAINABLY LOW PRICES. THE NEW OFFICE BUILDING FOR BASF IN LUDWIGSHAFEN IS A PRIME EXAMPLE OF THE ADVANTAGES OFFERED BY BILFINGER ONE.

Economic environment

Development in the market for externally sourced real-estate services in Germany was stable but demonstrated little momentum. With growth of approximately 4 percent, it was not able to keep pace with the high growth rates of previous years. The absolute volume of externally sourced facility services in Germany is now estimated at €62 billion. The provider structure remains well-divided with the 25 largest providers covering a mere 22 percent of the market. The trend that shows the industry's larger providers growing faster than the smaller companies is continuing. Market leaders benefit from their professional and regional service depth with regard to two stable trends: firstly, demand for multi-service providers that offer comprehensive management services for real-estate properties is growing. Secondly, it is globally active industrial companies in the chemicals and pharmaceuticals sectors in particular that are increasingly awarding service orders for multiple countries. The most important sector for demand in Germany remains industry while the public sector and the banking segment have declined somewhat in terms of importance.

Only the major providers are active in international markets to a significant extent. The top 25 German real-estate services providers generate an average of about 16 percent of their sales internationally. At the top of the list is the European business with Switzerland and Austria; Central and Eastern Europe as well as the United Kingdom are gaining in importance. In the United Kingdom, the strong economic recovery and the renewed strong increase in real-estate prices in Greater London had a positive impact on market volumes. Higher values for real-estate portfolios increase the need for professional administration.

The German building construction market developed well in full year 2014; public sector construction investment increased by 4.3 percent. Here, the improved financial situation of many municipalities had an especially positive impact. In commercial construction, too, a clear increase of 2.7 percent was achieved for the full year. Order backlog, however, has reduced considerably since the summer months, thus reflecting the noticeably weaker willingness to invest on the part of companies.

Sources:
Joint Diagnosis, Fall 2014, German Economy Stagnating – Strengthen Growth Drivers Now.
Lünendonk Study 2014, Leading Facility Service Companies in Germany, July 2014.

Market position and strategic success factors

Real-estate services

We think comprehensively and look after the properties entrusted to us from beginning to end, from top to bottom: from development to construction, from operation to management, from consulting to marketing. Energy efficiency is of particular importance for us. Depending on their needs, our clients receive reliable full-service solutions or individual services – over the entire lifecycle, for all types of buildings.

With roughly 20,000 qualified employees including real-estate experts, facility managers, building and system technicians as well as sustainability specialists, Bilfinger offers the entire spectrum of real-estate services. Our structure also enables us to advise clients across national borders and to manage real-estate portfolios internationally. This means 360° real-estate competence with comprehensive and sustainable solutions, oriented toward client wishes, efficient and economical.

With 53 million square meters of managed space and assets under management with a value of over €54 billion, Bilfinger is one of the leading European providers of real-estate solutions. With the 'one-stop-shop' approach, we increase the property value for investors and owners through consulting, evaluation, management and cost optimization from a single source. Our interdisciplinary teams provide advice to national and international clients for the purchase, utilization, cost optimization, rental and sale of real-estate properties.

The exceptionally broad range of services ensures a comprehensive view to managing your property. We advise our clients when it comes to development, design or management; for turnkey construction, operation, modernization or rehabilitation; for construction logistics or construction site waste management.

Depending on the requirements, we deliver individual services or put them together in a customized package. With our long-term, strategic approach and our sustainable lifecycle concept Bilfinger One, we secure optimized operation in the early phases of development, then in design and construction and can guarantee future energy consumption and other operating expenses. We thus create an extensive degree of security for our clients' investments.

An office complex in London, a data center in Düsseldorf or a shopping center in Istanbul – we manage properties of all kinds in every phase of the lifecycle. This comprises complete facility management with innovative technical approaches such as in the area of electrical instrumentation and control engineering. We achieve value retention and efficiency improvements for properties through the constant development of processes, the implementation of optimization potential and the modernization of systems within the scope of comprehensive energy management.

Above all else, this means one thing for our clients: Bilfinger is the competent partner for all topics related to real-estate investment.

Water Technologies

Bilfinger Water Technologies is a leading global specialist supplier of facilities, components and services in the area of water and wastewater technology. The key to our success is the comprehensive range of competencies in water and waste treatment, the separation of solids from liquids and gases as well as vacuum technology, which we combine into complete solutions for municipal and industrial clients.

As a specialist for environmental, water and separation technologies, Bilfinger Water Technologies has locations in Europe, North

America, South America, Africa, Southeast and East Asia as well as Australia. We combine the expertise developed over decades by traditional brands such as Passavant and Johnson Screens under a single umbrella. With our products and services we are in a position to offer comprehensive and highly-efficient solutions to our clients around the world.

Prospects

- Taking advantage of the outsourcing trend for real-estate services
- Expansion of business with premium services, for example real-estate valuation or transaction consulting
- Increased management of international real-estate portfolios in Europe
- Further expansion of facility management services for IT companies
- In the building business, increased focus on consulting, design, logistics and lifecycle considerations

Performance

The positive development of the Building and Facility business segment continued in 2014. Output volume rose to €2,659 million as a result of acquisitions while orders received increased to €2,298 million. The Facility Services and Real Estate divisions posted growth; the lower volume of new business at the Building division is due to the typical volatility of that business. Order backlog at the end of the year amounted to €2,004 million. EBITA increased to €136 million and the EBITA margin improved to 5.1 percent.

60 percent of output volume was generated in Germany. Important international markets in Europe, with a focus on the United Kingdom and Switzerland, had a share of 29 percent, and North America a share of 9 percent.

Market trend

Demand for facility management services is generally very stable across all our markets. As a result of the political situation, however, markets in several Eastern European countries are stagnating.

On the client side, the trend is moving away from individual services provided locally and toward providing multinational clients with integrated services. Energy efficiency, resource conservation and sustainability are becoming increasingly important topics. Through the application of intelligent electrical instrumentation and control technology as well as the comprehensive planning of technical building equipment, we optimize energy management and achieve significant energy savings for our clients.

More and more internationally active companies are outsourcing their corporate real-estate management to external specialists. According to a recent study on the macroeconomic importance of corporate real-estate management in Germany from Prof. Dr. Andreas Pfnür, about two thirds of services for large companies are provided by external suppliers, particularly in the area of infrastructural and technical facility management. But in this sector, too, and above all at medium-sized companies according to the study, there remains substantial potential for quality improvement and cost reductions. We assume that the trend toward a professionalization of real-estate management and toward the outsourcing of real-estate management services will continue.

Thanks to the unusually good weather conditions in the first quarter, the German construction business started well in 2014 and the positive development was maintained over the course of the year. Above all, the new construction of apartments and investment in energy-saving alterations to real-estate properties will continue to ensure stable capacity utilization in 2015. This trend relates primarily to consulting services and key trades such as fitting, building technology and facade.

KEY FIGURES BUILDING AND FACILITY

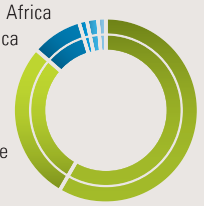
€ million

	2014	2013	Δ in %
Output volume	2,659	2,346	+13
Orders received	2,298	2,181	+5
Order backlog	2,004	2,304	-13
Capital expenditure on P, P & E	32	21	+52
Depreciation	20	18	+11
EBITA / EBITA adjusted	136	116	+17
EBITA margin (%)	5,1	4,9	
Employees (at December 31)	23,712	22,069	+7

BUILDING AND FACILITY: OUTPUT VOLUME BY REGION

€ million

	2014	2013	Δ in %
Germany	1,586	1,598	-1
Rest of Europe	764	454	+68
America	237	221	+8
Africa	7	11	-32
Asia	51	49	+4
Australia	14	13	+10
	2,659	2,346	+13



Global demand for water supply and disposal as well as for water treatment for industrial and municipal purposes will continue to increase. This development and stricter requirements with regard to quality and energy efficiency mean that growing investments in water infrastructure are to be expected.

Areas of activity

Building

- Development, design, consulting and management of construction services
- Turnkey construction, rehabilitation, portfolio optimization, expansion, facade engineering, cold storage construction
- Design, installation and maintenance of building technology
- Construction-related services (e.g., construction site logistics, disposal)

Integrated facility management

- Commercial, technical and infrastructural facility management
- Center management
- Energy management, energy efficiency and contracting
- Healthcare services
- Events and catering

Real estate

- Real estate consulting services
- Investment/transaction consulting (purchase, rental and sale of real-estate properties)
- Real-estate management (funds, asset and property management)

Water technologies

- Industrial / municipal water treatment systems
- Components for water treatment systems (e.g., filters)
- Vacuum sewer and sanitation systems
- Sludge treatment / drying

Clients

Public and private clients, private investors as well as companies with extensive real-estate portfolios, institutional investors

Major competitors

Johnson Controls, Strabag, Wisag, CBRE, Züblin, Savills, Hans Huber

Important events in 2014

In the United Kingdom, the world's third largest real-estate market, we have significantly expanded our position through the acquisition of two companies: Europa Support Services, which was acquired at the end of 2013, is a leading provider of technical, infrastructural and integrated facility management services and has long-term client relationships with well-known companies. With the purchase of GVA in the reporting year, Bilfinger has added complex real-estate consulting services to its portfolio in the important British market. These services include analysis, valuation, reorientation and restructuring of entire portfolios through to processing of the relevant transactions. Because many large international companies have their headquarters in the United Kingdom, our acquisition of market leader GVA opens up excellent prospects for these premium services – also beyond the country's borders.

In Berlin's downtown core close to the main railway station, Bilfinger is building the HumboldtHafenEins office and commercial complex. Berlin's 'greenest' office building was pre-certified with the gold seal from the German Sustainable Building Association (DGNB). HumboldtHafenEins reaches extraordinary levels of efficiency in particular by bringing together an integrated combined heat and power system and dual-gas condensing boiler, ventilation systems with 75 percent heat recovery, energy optimized cooling systems, a facade with the best insulation values as well as three-pane windows.

Outlook

Summarized details of the expected development of the Building and Facility business segment and of our other business segments are provided in the Outlook section on pages 111 ff.

Discontinued operations: Construction and Offshore activities

As announced, Bilfinger has parted with significant portions of its civil engineering business: leading Swiss construction and construction services company Implenia acquired the Construction division which is active in Germany and other European countries. Nearly 1,900 people generated an output volume of about €600 million in 2014. The transaction was completed at the beginning of March 2015.

Net proceeds from the sale, after deducting transaction-related expenses, are about €220 million. As a result, additional liquidity of over €80 million flowed to Bilfinger in the first quarter of 2015. Taking into account a risk provision, a capital gain in the low double-digit million range remained and also took effect in the first quarter of 2015.

With regard to the remaining Polish construction business, which will be sold in the course of 2015, Bilfinger is in contact with other interested parties.

Activities related to foundations for offshore wind turbines and in marine construction along with the Polish production facility have been put up for sale by Bilfinger. This major project business no longer complies with Bilfinger's risk profile. The companies active in these areas with about 190 employees expect an output volume for 2015 of approximately €140 million.

In this context, the Offshore Systems and Grids division was disbanded. Bilfinger's overhead power lines business, which was also a part of this division, was allocated to the Power Systems division.

Output volume for the discontinued operations of the former Construction business segment and from Offshore Systems reached €815 million (previous year: €957 million). Orders received in 2014 in the amount of €639 million was impacted by the major order for construction of the Eiganes Tunnel in Stavanger, Norway. In addition, the offshore business received an order for the construction of 72 foundations at the Sandbank offshore wind farm in the North Sea. EBITA amounted to minus €39 million (previous year: minus €10 million). Included in this amount is a write-down on investments in a Polish production location for steel foundations for offshore wind turbines in the amount of €48 million (Bilfinger share: €30 million).

KEY FIGURES DISCONTINUED OPERATIONS: CONSTRUCTION AND OFFSHORE ACTIVITIES
€ million

	2014	2013	Δ in %
Output volume	815	957	-15
Orders received	639	780	-18
Order backlog	775	936	-17
Capital expenditure on P, P & E	61	30	+103
EBITA	-39	-10	
Employees (at December 31)	2,934	3,149	-7

Sustainability

Bilfinger's company policy is geared toward being successful over the medium and long term. It is our view that business success is only possible when economic challenges are balanced with ecological and social considerations.

Our understanding of sustainability is integrated into the Vision Statement and the Code of Conduct. We are also a member of the UN Global Compact and follow the rules of the German Corporate Governance Code and the German Sustainability Code.

We work on the continuous improvement of our sustainability record and constantly expand our offerings as a sustainability services provider. We maintain an ongoing dialog with our customers, employees and other societal stakeholders. In 2015, within the scope of a materiality assessment to identify relevant sustainability issues, we want to conduct a comprehensive stakeholder survey.

Sustainability reporting An increasing number of companies are expanding their voluntary commitment to responsible corporate governance along the entire value chain. Our international customers and strategic partners also provide us with comprehensive catalogues of questions and look into data and facts on sustainability at Bilfinger. With the audit of their supply chain they meet the requirements of rating agencies and sustainability indices such as GRI, EFFAS/DVFA, EIRIS, Sustainalytics and RobecoSam, which also provide orientation for our activities.

In order to document Bilfinger's sustainability activities, we are gradually developing our reporting. This includes the expansion of management systems and the systematic inclusion of relevant key figures in the reporting. We publish an annual sustainability report in line with the requirements of the international standard, the Global Reporting Initiative (GRI).

In 2014, Bilfinger also participated for the first time in CDP (formerly Carbon Disclosure Project), the most important benchmark for climate protection and sustainable business operations. Each year, the investor initiative evaluates the largest publicly listed companies and organizations in terms of transparency of emission data, climate strategies and the responsible handling of environmental risks.

Ecology We also gear our internal processes toward ecological benchmarks. We reduce the negative environmental impact of our business activities and expand our sustainability requirements across the entire value chain. Areas of action particularly include the careful selection of materials as well as the reduction of CO_2 emissions, water consumption and waste levels.

When purchasing materials we pay attention to health aspects, local availability, serviceability, durability and recyclability. We calculate CO_2 emissions on the basis of the Greenhouse Gas Protocol. In order to reduce CO_2 emissions, we encourage the use of low-emission vehicles and recommend using the train for business trips. For the energy optimization of our real-estate properties, we rely on our own experts.

To measure and reduce the impact of our activities on the environment, the business units have management systems in the areas of environmental, quality and energy management. Many of them are certified in accordance with DIN EN ISO 14001, 9001 or 50001. In the coming years we will gradually introduce a Group-wide system for recording environmental key figures and expand reporting on CO_2 emissions.

Employees The commitment of its employees is what makes Bilfinger successful. Everyone has the same opportunities in the Group with regard to their personal development. We pay particular attention to development opportunities for women. In order to increase their share in the total workforce and to have 15 to 20 percent women in management positions by 2020, Bilfinger has initiated a number of support programs and defined the compatibility of career and family as a general goal of the company.

The topic of occupational safety takes on a central role for Bilfinger. In 2013, we introduced the SAFETYWORKS! program which builds on the existing occupational safety standards in the Group units and further strengthens awareness of safe behavior. We present the 'Bilfinger Safety Awards' each year and recognize Group companies that show particular commitment to safety at work. Our initiatives have made a significant contribution to the occupational safety culture.

Society In all of our markets, we promote and support charitable projects and initiatives that correspond to our sustainability requirements. In emerging and developing countries, one of our focuses is the training and education of local workers. In South Africa, we offer training programs for skilled workers that is among the best in the country. In other countries such as Bosnia and Herzegovina, Vietnam or Ghana we equip technical training centers and provide support in the development of curricula.

In Germany, we are especially involved in supporting higher education. These efforts include scholarships for students at about 20 universities as well as the financing of professorships. In 2014, we also supported the staging of the Special Olympics in Düsseldorf, both financially and with a team of 90 helpers. The Special Olympics are the world's largest sports movement for people with intellectual and multiple disabilities.

Products and services Bilfinger sees sustainability not only as a social obligation but also as an economic opportunity. Our particular areas of expertise are renewable energies, energy efficiency, sustainable buildings and environmental engineering. We pursue the lifecycle approach when providing services, which means that we consider all phases in the lifecycle of industrial facilities, power plants and real estate in an integrated manner. We thus achieve not only substantial cost savings for our customers, but also help them to achieve their own sustainability objectives. Our research and development activities contribute significantly to this. We want to increasingly underscore the sustainability services that we provide for our customers with relevant key figures.

We constantly engage in direct dialogue with our customers. We ensure the quality of our services with management systems. Our processes and units are regularly audited and certified by external institutions.

Bilfinger's Sustainability Report is available in the Internet at www.sustainability.bilfinger.com

Procurement

- New purchasing organization establishes clear responsibilities
- Lead buyers bundle purchasing activities and leverage potential
- E-procurement streamlines processes and concentrates purchasing volumes on focus suppliers

Procurement was given a new structure in the reporting year – one that has been adapted to the new Group organization. At the same time, responsibilities have been bundled. Group headquarters now assumes responsibility for all management duties and overall commodity group management. Lead buyers have been established in the divisions and operating units for the targeted bundling of purchasing volumes. As a result of the continuous adjustment and improvement of our purchasing network, procurement processes have been further optimized and purchasing potential taken advantage of.

Uniformly defined purchasing processes are the basis for being able to select the best suppliers, subcontractors and service providers for Bilfinger. In addition to monetary aspects, criteria for selection include quality, adherence to schedules, risk/security, experience, environmental aspects and compliance questions. Through a uniform supplier management system and the regular measurement of performance at our business partners, we identify the strength of our suppliers, subcontractors and service providers. In general, we seek to concentrate our procurement volumes on selected focus suppliers.

	2014	2013
Purchasing volume absolute (€ million)	3,249	3,062
Purchasing volume as a percent of output volume (in %)	42	41
thereof subcontractor services (in %)	59	60
thereof materials purchased (in %)	41	40

Purchasing at Bilfinger relies on digital networking: through a newly-developed Group wide e-procurement platform, goods and services will be procured electronically in the future. This IT tool will be used especially for the purchasing of so-called c-materials, such as tools and office materials. Costs and efforts are reduced by simplifying the order procedure and pooling demand.

In addition, the Purchasing department brings together all purchase-relevant documents in a standardized form database. This creates transparency and forms the working foundation for defined purchasing processes. In the expanded 'Purchasing Cockpit' in the Bilfinger intranet, the information portal of the Purchasing department, all employees have the opportunity to access all procurement information.

Clearly defined purchasing targets and defined key performance indicators to review the achievement of targets increases the transparency and effectiveness of purchasing in all Group units. The consistent data and information generated with the uniform functional reporting allow us to manage procurement processes in the Group in a targeted manner.

For the purchase of subcontractor services, materials and services, we have available a broad basis of internal and external suppliers as well as a number of procurement markets. There is no general dependence on individual business partners.

Communication and marketing

In the reporting year, a total of €9.1 million was invested in corporate communication (previous year: €17.3 million). We spent €1.8 million on publications (previous year: €2.6 million), €2.3 million on trade fairs and exhibitions (previous year: €3.1 million), €1.0 million on new media (previous year: €1.7 million) and €4.0 million on other activities (previous year: €9.9 million).

Corporate identity / corporate branding One of our core communication goals is the strengthening of the Bilfinger brand. The uniform market appearance with a corporate design that is valid throughout the world establishes a close link between the subsidiaries and the Group brand. Apart from a few strategic exceptions, all the operating companies have 'Bilfinger' as an element of their company's name. Our companies also use advertisements, brochures and flyers with the recognizable Bilfinger look. Our internal and external online presence has, for the most part, also been converted to the Bilfinger format.

The magazine Absatzwirtschaft (Industrial Marketing) and the German Marketing Association, within the scope of the Brand Awards for its pioneering change process from a construction company to an engineering and services group, presented Bilfinger with a special prize for the rebranding and new brand architecture.

A new corporate design manual 'Trade fairs and exhibitions' was developed in order to ensure the implementation of the new corporate design at trade fairs. The modular 3D concept can be adapted flexibly to fit various stand sizes. It allows for uniform, economical and sustainable trade fair appearances. We avoid the use of paper at such fairs: a majority of all information material, presentations and meeting protocols is accessible via an interactive communication platform at the trade fair terminals.

Direct dialog with clients In 2014, we used international trade fairs as well as regional events in order to present our Group in a way that is in line with the needs of our target group. The focus is on relationship management with existing customers as well as contact to new customers. For the Industrial and the Building and Facility business segments, the most important events were IFAT, which focuses on water, wastewater, waste and the raw materials industry, Maintain for the maintenance of industrial facilities as well as ExpoReal, a trade fair for real estate and investment. The Power business segment was represented at several PowerGen trade fairs as well as at the VGB Congress.

Internet With a broad reach, distribution and speed, Bilfinger online media is ideally suited for positioning and raising awareness of the Group and the brand. The corporate website, www.bilfinger.com, alone is visited by an average of 55,000 people each month.

The central Bilfinger web environment strengthens the recognition value of the brand through the uniform appearance of the websites. A further 30 companies converted their websites in the reporting year, so that now more than 100 companies are at home in the Bilfinger environment.

On the social web, the platforms actively used by Bilfinger have rising user numbers. The Group received the most attention on the business network Linkedin (www.linkedin.com/company/bilfinger) with more than 12,000 followers.

Press In order to provide the public with information about Bilfinger in a timely manner, we maintain close contacts with the business editors of news agencies, daily and weekly newspapers, magazines and online publications. In our quarterly and annual reports, press releases, conference calls and press conferences, we provide regular and comprehensive information on the Bilfinger Group's business situation. In the reporting year, changed earnings expectations and a change in the Chairmanship of the Supervisory Board and the Executive Board led to intensified press work.

Information for employees We have achieved an initial milestone in the process to develop a Group Vision Statement, which was begun in 2013: we have prepared a value statement with three core messages: We trust. We understand. We support. This values compass will serve as a central component of internal communication.

The employee magazine Bilfinger World appears twice a year in the languages German, English and Polish with a circulation of 60,000 copies, and is distributed to the employees of all entities of the Group worldwide. With the magazine, the Group is pursuing its goal of supporting cooperation and networking in the Group and of giving employees an overview of strategic goals as well as the broad range of services offered by their company.

Employees are kept up to date on what's happening in the Group on a daily basis via the intranet. Thousands of employees make use of this vast resource each day. The intranet portal offers information and news from the entire Group. With the new intranet structure, content from the divisions is also presented in a networked environment. The dialog with the workforce is also promoted with online transmissions, so-called live streams, in which employees can directly submit questions to the Executive Board. The Group's senior executives are informed about important new developments with a newsletter and in live phone and online conferences. Networking in the Group is also driven forward by means of specialist, cross-divisional events.

Human resources

Principles of our human resources work Our company's success is our employees' success. We develop their skills, motivate them and feel bound by the principles of respect, fairness and loyalty in the way we treat each other.

Bilfinger is an attractive employer. Surveys and rankings attest to the above-average image ratings we enjoy among students and employees. We want to improve even further in order to ensure we are successful in the competition for the best talent internationally.

Occupational safety The health of our employees is the number one priority for Bilfinger. 'Zero harm' is the objective of our measures initiated to increase occupational safety.

Our HSEQ department is responsible for health, safety, environmental and quality issues. It develops the HSEQ management system, monitors its compliance within the Group, implements and monitors the HSEQ systems in the operating units, and conducts a range of training courses. In HSEQ reporting, reports from the Group units are summarized in quarterly reports for the Executive Board. The Executive Board is immediately informed of any serious accidents at work.

Responsibility for compliance with our occupational safety standards lies with the divisions and operating units and the employees entrusted with this function there report to Corporate HSEQ. In the implementation of Group standards at the operating level, the specific working conditions are taken into consideration. A Group occupational safety officer and a network of occupational safety officers in the operating units support the operating units in complying with the rules.

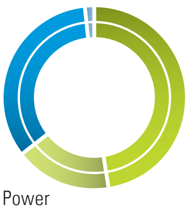
Accidents can only be prevented if employees are repeatedly made aware of the importance of occupational safety. In order to further strengthen the safety culture at Bilfinger, we have successfully established the SAFETYWORKS! program in all divisions. The program lays out a methodical approach for continuous optimization for the individual units in our decentralized Group. On the basis of a self-evaluation, objectives are defined and measures implemented, the success of which is, in turn, evaluated. A comparison of the Group units results in best practice examples and corresponding control possibilities. Plans for improvement are in place for all operating units and adapted to their specific situation.

The effectiveness of our systems for occupational safety is verified by certifications in accordance with the standards OHSAS 18001 and SCC, whereby approximately 60 percent of our units have at least one of these certificates.

We conduct audits on all levels through internal and external agencies in order to analyze and improve our occupational safety measures.

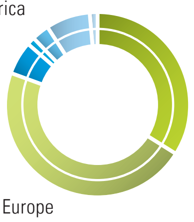
NUMBER OF EMPLOYEES BY BUSINESS SEGMENT*

	2014	2013	Δ in %
Industrial	33,016	35,018	-6
Power	11,561	13,479	-14
Building and Facility	23,712	22,069	+7
Headquarters & other units	843	561	+50
	69,132	71,127	-3



NUMBER OF EMPLOYEES BY REGION*

	2014	2013	Δ in %
Germany	24,408	25,015	-2
Rest of Europe	32,864	32,908	0
North America	3,963	3,820	+4
South America	155	174	-11
Africa	1,777	2,246	-21
Asia	5,800	6,816	-15
Australia	165	148	+11
	69,132	71,127	-3



* Figures do not include discontinued units

NUMBER OF EMPLOYEES BY GENDER*	Total	Male	Female	Total	Male	Female
			2014			2013
Industrial	33,016	29,941	3,075	35,018	31,605	3,413
Power	11,561	10,514	1,047	13,479	12,338	1,141
Building and Facility	23,712	14,219	9,493	22,069	13,208	8,861
Headquarters & other units	843	451	392	561	334	227
	69,132	**55,125**	**14,007**	71,127	57,485	13,642

Health promotion Our concept for the promotion of health and performance among our employees comprises various areas of action. These include sports and exercise, physical and psychological health as well as the optimization of workplace conditions. Through a framework agreement with a national fitness provider, our employees have the opportunity to visit fitness studios throughout Germany and Austria at reasonable conditions – an offering that is used extensively.

We promote the sporting activities of our workforce in a number of disciplines. These include running, football, basketball, cycling, skiing, squash, inline skating and yoga. We send large teams to corporate running events held at the Hockenheimring, in Frankfurt and in other cities as well as to bike races and dragon boat races. 36 teams from throughout the Group took part in the Bilfinger Football Cup, the Group's largest internal sporting event which was held for the first time in the impressive atmosphere of Frankfurt's Commerzbank Arena.

We offer special seminars for dealing with stress and for sustainably maintaining performance. We look closely at how we can optimize workplaces in administrative and industrial areas in terms of the health of our employees. If necessary, technical or organizational measures are taken.

Health Days in various units offered employees the opportunity to find out about healthy lifestyles. These events will take place on a regular basis in the future in order to promote health awareness.

Equal opportunity At Bilfinger, employees around the world are offered equal opportunities. There can be no discrimination based on ethnicity, gender, sexual orientation, religion, ideology, disability or age. The defining factor for the hiring and development of employees is the quality of their performance. Increasing the share of women in management positions is an important issue for us. At the end of the reporting year, the share of women in the workforce was 20.3 percent worldwide; the share of women in management positions at the end of the reporting year was 8.6 percent worldwide. In order to increase this figure, we have been using a specific support program since 2011. Our objective is to fill 15 to 20 percent of management positions at Bilfinger with women by 2020.

The measures we apply to promote female employees include training opportunities and cross-mentoring programs. The objective of the X-Company mentoring program is to support women in their desired career paths as managers. Experienced managers from participating companies pass on their knowledge and experience to talented female employees from other companies. The mentors and mentees thus have the opportunity to get to know other corporate cultures. Through an in-house network that was founded by women in 2012, female employees can stay abreast of career topics and exchange experiences with other participants.

We also provide targeted support to female talent: we are active as an exhibitor at special career fairs, in the context of which especially women with professional experience can establish contact with potential employers. Many Bilfinger companies also participate in the nationwide 'Girls' Day' event where female pupils are invited into companies in order to encourage their interest in technical careers.

Professional and private life Our goal, within the scope of our possibilities, is to adapt the workplace to the individual situation of the employee. This is often possible with part-time contracts, the details of which are worked out individually between the employee and his or her supervisor. Models for flexible working hours and home-office arrangements are implemented in the individual companies in line with both local operational and individual situations.

Options available to facilitate the work-life balance also include childcare options or care for relatives with special needs. If needed, employees in the DACH region can get in touch with a family service; Bilfinger assumes the cost of the consulting and agency services as well as certain care-related costs.

Recruiting The objective of our intensive university marketing program is to identify highly qualified graduates and arouse their interest in working for Bilfinger. Bilfinger is now sponsoring 95 scholars at 20 universities throughout Germany as part of the 'Deutschlandstipendium' (Germany scholarship). We award the 'Bilfinger Prize' at five universities. The contacts gained within the scope of this program often lead to internships and academic papers that are accompanied by our employees. The number of participants in dual study programs has also been increased. In many cases, these students begin their careers with Bilfinger. We will further intensify and internationalize our diverse activities at selected universities in order to meet the future need for highly qualified specialists around the world.

In 2014, the recruitment of industrial staff and skilled workers became increasingly important. Regional campaigns were conducted on a more intensive basis.

Bilfinger Academy – training and personnel development For Bilfinger, professional training and targeted development is an investment in the future for both employees and managers as well as for the entire Group. In 2014, the extensive range of offerings of the Bilfinger Academy was revised and adapted to current needs. In the reporting period, a systematic approach was applied in particular to the qualification of skilled workers and for industrial employees. All business areas bring together their seminars, e-learnings and development offers under a joint virtual umbrella. This gives employees and managers a complete overview of all training events. Annual staff appraisals ensure that management and staff select the right measures from the broad range of offerings from the Bilfinger Academy in dialog with one another and on the basis of need.

A focus of development at the Bilfinger Academy in 2014 was the internationalization of the offerings and the Group-wide positioning of strategically relevant content, such as 'sales performance'. Management development was realigned in order to expand individual support and integration in the Group. The new 'Leadership Performance Program' brings together young managers from across the Group to strengthen their performance and leadership competence and to establish strong international networks. In addition, we added to the existing internal qualification and development program for managers and further internationalized it.

Bonus payment for employees Once again, employees in Germany received a bonus payment (€300 gross) in July 2014 as thanks for their efforts and commitment. For the first time, the bonus payment was also granted to employees in European countries outside Germany who received a gross payment of €150 or the equivalent in their local currency.

E-RECRUITING*
(GERMAN-SPEAKING COUNTRIES)

	2014	2013	Δ in %
Industrial	229	240	-5
Power	50	51	-2
Building and Facility	1,107	1,246	-11
Headquarters & other units	105	43	+144
	1,491	1,580	-6

GROUP APPRENTICES BY BUSINESS SEGMENT*

	2014	2013	Δ in %
Industrial	689	651	+6
Power	421	514	-18
Building and Facility	438	431	+2
Headquarters & other units	20	8	+150
	1,568	1,604	-2

TOP 10 SKILLED OCCUPATIONS AND DUAL STUDY PROGRAMS IN GERMANY*
(APPRENTICESHIPS / NUMBER OF APPRENTICES)

Plant mechanic	166
Electrician	92
Industrial clerk	56
Commercial BA degree	53
Industrial insulator	50
Mechatronic technician	49
Industrial mechanic	48
Construction mechanic	47
Office administrator	40
Technical BA degree	37
	638

* Figures do not include discontinued units

ACQUISITIONS: NUMBER OF EMPLOYEES*

	2014
Bilfinger Real Estate GVA	1,351
included in this figure	
GVA Grimley Limited	1,188
GVA Financial Consulting Limited	4
Second London Wall Proj. Management Ltd.	57
GVA Acuity Limited	96
GVA Planning and Regeneration Limited	6
	1,351

Employee share program The employee share program, which was started in 2012, was continued in the reporting year. Employees who qualified could apply their bonus in the amount of €300 toward the purchase of a share package with five shares. The price of the share package was €318.60, the difference was paid by the employer. In total, employees purchased more than 16,000 shares as part of this campaign. Management staff and all other employees could purchase a share package of five shares each for €418.85.

After the employee share program from 2012-2014, 17.7 percent of the 27,000 employees in Germany who are eligible to participate hold employee shares. About 80 percent of the participants had their voting rights transferred to the association of employee shareholders. The association represents the combined votes of its members at the company's Annual General Meeting. For each share package of five shares purchased in 2012, participants receive one free bonus share after two, four and six years: The condition for this is that on the relevant effective date, the share packages purchased in 2012 have been held in the UBS depot and that all other material and personal requirements in accordance with the plan conditions for the employee share program 2012 are met.

Events after the balance sheet date

Our company has developed according to plan in the current financial year. No events have occurred that are of particular significance for the Group's results of operations, net assets and financial position; our business and economic environment has not changed significantly. In our interim report, which we will publish on May 7, 2015, we will provide a detailed overview of the first quarter of the year.

Opportunity and risk report

Through the management of risks and opportunities, we protect and expand our potential

The Group's collective opportunity and risk management function is exercised by the Executive Board and headquarters and monitored by the Supervisory Board

The divisions and subsidiaries apply risk management instruments that are geared toward their operating business

Group Project Controlling accompanies large volume orders or orders with particular risks from the bid phase through to completion

In terms of the accounting process, the internal control and risk management system ensures that the business situation is properly reflected in the financial statements

Opportunities and risks In the course of its business activities, Bilfinger creates opportunities and takes risks; both must be thoroughly weighed and considered. Business success depends on the principle that the risks taken are managed and that they are outweighed by the opportunities.

Our corporate strategy focuses on identifying the opportunities that present themselves at an early stage, evaluating them through suitable measures for the continued successful development of Bilfinger. Within the scope of strategic corporate planning approved by the Executive Board, detailed three-year planning is being developed. To achieve a greater level of detail, the Executive Board conducts regular strategy workshops with the divisional management at which the analyses and planning of the divisions are discussed, also with a view to their classification in Group strategy. This treatment takes all factors that are relevant for the Group's opportunity management into consideration, including markets, competitive situation, strategic positioning as well as volume and earnings development. The result is the basis for decisions relating to the exploitation of opportunity potential and for the reduction of risks in the Group.

The recognition of opportunities is an integral part of the process management system at our operational units. We define opportunities as favorable and risks as negative deviations from planned framework conditions. Opportunities and risks are therefore treated in the same step of the process. Following an analysis of the deviation, classification as opportunity or risk is undertaken.

Opportunities for Bilfinger

Group We want to secure the economic success of our company by accelerating the organic growth of our operating units.

We want to improve our operational performance and develop ourselves into a provider of premium services through the targeted adjustment of our service range. Intensified cooperation with other Group units, an undertaking for which we have developed a number of instruments, gives our business operations additional momentum. The focus will initially be on strengthening our current business but, in the future, business development will once again receive impetus from acquisitions.

With the program to increase efficiency (Bilfinger Excellence), we will fundamentally improve structures and processes in the sales and administrative areas and secure our competitiveness over the long term. The former subgroup structure was eliminated at the end of 2013. Operational management is now conducted by twelve divisions. The measures we have introduced enhance the operational responsibility of our decentralized units. These measures foster internal cooperation and the joint management of customer relationships. Bilfinger Excellence creates transparent structures, clear lines of responsibility and a competitive cost structure.

Bilfinger is well-positioned in the sustainability and energy efficiency areas. The global trend toward an ever-greater use of renewable energies and toward efficient energy production also from conventional sources and improved utilization of energy offers us good prospects in all segments. The improvement of energy efficiency, for example, is not only a task for energy production, but also for the process industry and the energy sector.

Climate change and regulatory countermeasures such as requirements and standards to increase energy efficiency and reduce pollution as well as the application of environmental technology and regenerative energies all open up opportunities for Bilfinger.

Measures taken in Germany to increase energy efficiency provide opportunities for greater demand for specific products and services from our portfolio. These include certifications awarded to sustainable real estate, CO_2 reductions through the construction of biomass thermal power plants or the modernization of lignite-fired burners and flue gas desulfurization systems.

With our portfolio of sustainable products and services, we position ourselves on the market as a 'sustainable' provider: in light of increasing environmental awareness, this will enhance our reputation and, in the end, our business success.

We also take advantage of opportunities from our technical expertise in the area of water resource management: Increasing levels of pollution as well as the continuously rising need for water as a result of ongoing population growth and increasing industrial consumption ensure that demand for clean water to rise continuously. With our innovative solutions for the purification and treatment of drinking water, wastewater and industrial process water, we serve this growth market.

Our research and development activities are generally oriented toward the lifecycles of the objects and lead to practical, economically feasible solutions for our clients. The focus is on renewable energies and distribution networks, energy efficiency and pollutant reduction in power plants and industrial facilities, sustainable real estate, water supply and sewage systems as well as noise protection.

There are differing specific framework conditions present in our business segments that enable us to take advantage of organic and acquisitional growth.

Industrial In the Industrial business segment, the focus of our activities related to the execution of inspections for major production facilities has to date been in Central and Northern Europe. The internationalization of these business activities in additional European countries, the USA or Asia also offers growth opportunities. Especially with large international clients, we see demand for outsourcing measures in which we also maintain the industrial facilities and take over the customer's existing service personnel.

There are opportunities for growth from portfolio expansion in existing markets as well as from opening up growing international markets. To this end, market potential is regularly evaluated and consistently integrated into the growth strategy. One example is the United States where the share of national gas production from the mining of shale gas reserves is expected to increase to about 50 percent of total consumption in 2035. This requires a considerable expansion of transport and storage capacities. It is to be expected that, as a result of the low energy prices in the USA, the chemical industry will move production facilities there. In the Industrial business segment, this development offers Bilfinger the opportunity to grow or, at the very least, to maintain the current volume levels despite prospectively weaker demand in Europe.

The application of our competences in electrical instrumentation and control technology also opens up growth opportunities. We see particular opportunities in competition primarily from our strong position in engineering.

Power In the Power business segment, we have a sound technological foundation for taking advantage of future opportunities. Our strengths include significant vertical integration in energy technology, a position as European market leader in high-pressure piping systems, competences in nuclear and environmental technology as well as comprehensive expertise and our own manufacturing facilities in heavy steel construction. With the addition to our portfolio of services in the area of turbine services, we are in a position to provide our clients with maintenance services for their entire power plant from a single source. Following the collapse of the market for conventional power generation in Germany and in neighboring countries, we want to expand our activities in regions that continue to rely on the use of coal to generate electricity. With regard to the decision to shut down nuclear power plants in Germany, we intend to participate in the necessary dismantling of reactors.

We see promising opportunities in international markets. There is substantial demand in many countries for the modernization of aged facilities, especially for coal-fired power plants. On this basis, we seek to develop new growth opportunities in selected markets such as Europe, South Africa, the Middle East and Asia.

Building and Facility In the Building and Facility business segment, we have a leading market position in Germany and offer our clients a complete range of real-estate related services. With our product 'one', we offer real-estate investors far-reaching security by guaranteeing not only the design and construction costs, but also future energy consumption and other operating expenses. This offering is generating an increasing amount of interest.

In the building construction business in Germany we see opportunities primarily in the provision of high-margin special services such as consulting, construction logistics and the management of construction projects. We intend to continue our growth in these areas. In construction logistics, we see additional growth opportunities and good development possibilities in European markets outside Germany. As a key function for energy efficient real estate, technical building equipment also represents a promising area of activity.

At Facility Services and Real Estate, there are particular opportunities in the expansion of business activities with key accounts, greater use of our comprehensive competences in the field of consulting and an expansion of our activities in energy management for buildings. Many major international companies have their headquarters in the United Kingdom. With the acquisition of real-estate specialists GVA, we not only considerably strengthened our position in the important home market of this company, but well beyond the national borders as well. We anticipate growth drivers from this expansion into high-margin broker services in asset and property management.

We intend to use our strong position in Germany and the United Kingdom to take advantage of additional opportunities in selected European countries. The Water Technologies division, which includes the activities of Johnson Screens – acquired in 2013 – and the resources that were already in place in the Group, has a strong international position in the attractive water market.

Risk management system

The task of the risk management system is to ensure that risks are controlled. For the timely identification, evaluation and responsible handling of risks, effective management, recording, control, transfer and audit systems must be in place which together form Bilfinger's risk management system. The elements of our risk management system are strategic business planning combined with a detailed and up-to-date reporting system that serves as an internal early-warning and monitoring system. Our risk management system has been designed with the strong international focus of Bilfinger's business activities and the special features of the individual project and service business in mind.

The risk management function comprises the following components in particular:

- General principles of risk awareness and fostering individual risk-conscious behavior
- Specification and control of key performance indicators (output volume, EBITA, cash flow, return on capital employed, etc.)
- Collective controlling by corporate departments (Controlling, Procurement, Treasury, Project Controlling, Internal Auditing, Legal, Compliance, HSEQ)
- Particular risk review and monitoring for major projects and large service orders
- Internal control and risk management system as relates to the accounting process
- Transfer of insurable and insurance-worthy risks to external insurance companies

Risk management at Bilfinger is a continuous and decentralized process, which is monitored and controlled from headquarters. Accordingly, the divisions and subsidiaries, within the scope of the overall system, use instruments of risk management that are customized to their respective businesses. The Group's collective risk management function is exercised by the Executive Board and headquarters and monitored by the Supervisory Board. Effectively avoiding risks requires more than just good instruments and procedures. A highly-developed risk awareness among employees is also indispensable and is a factor that we promote through training sessions and other measures. Group-wide, general principles of risk awareness apply to management and staff at all levels. On this basis, our operating units developed concrete guidelines for dealing with the risks inherent in their particular business.

Each year, the Group sets new targets for all of its subsidiaries in terms of the key performance indicators EBITA and return on capital employed, as well as liquidity targets and limits. These and other key figures are monitored with the use of monthly reporting. The actual situation and the targets set are analyzed at all levels. With the use of marginal values and deviation parameters, relevant risks are identified and monitored, and their effects are limited by taking suitable measures. This provides the Executive Board and other members of the management team with detailed information on the current financial situation. In consultation with the Executive Board, the corporate functions perform a specialist monitoring function throughout the Group. They have wide-ranging obligations to request and receive information, to issue individually defined guidelines, and to be actively involved with their specialist colleagues at the divisions and subsidiaries.

Headquarters are also responsible for controlling tasks of overriding importance. The corporate departments of Controlling, Procurement, Group Treasury, Project Controlling, Internal Auditing, Legal and Insurance, Compliance and HSEQ (Health, Safety, Environment and Quality) report regularly and comprehensively to the Executive Board on possible risks from their respective specialist perspectives. In addition, the Executive Board submits a quarterly risk report to the Audit Committee and the plenum of the Supervisory Board. The Audit Committee is informed on a semi-annual basis by the heads of Project Controlling and Internal Audit on the results of the reviews carried out by their corporate departments.

Orders with large volumes or special risks can only be accepted if they are expressly approved by the Executive Board. Above a specified volume, approval of the Supervisory Board is also required. Projects with greater risks are reviewed more intensively by the Executive Board prior to a bid being submitted and continue to be closely monitored when an order has been received. Risks, particularly those related to major projects, are counteracted by clearly structuring the distribution of tasks within the corporate departments:

- Project Controlling supports these projects from the bidding phase until completion. The technical, financial and timeline-related development of each project – irrespective of the responsible operating unit – is analyzed continually and critically.
- Decisions on financing, internal credit lines and guarantees are made at headquarters by the Executive Board with significant support from Group Treasury.
- Internal Auditing, both on a scheduled and risk-oriented basis as well as ad hoc and incident-related, examines the design and effectiveness of work procedures and processes and internal controls at the levels of the operating units, the business processes and the projects.
- Controlling is responsible for the monthly recording of all performance measures as well as for the active controlling of the subsidiaries.
- With its supplier management system, Group Procurement supports the evaluation and selection of subcontractors, materials suppliers and external service providers.
- The Legal and Insurance department reviews contractual risks, takes the lead with any legal disputes and ensures appropriate levels of insurance coverage.
- The HSEQ department carries out audits in order to analyze risks in connection with health, safety, environment and quality and to review the methods used to control them.
- Compliance subjects each joint venture and each joint venture partner to an integrity review and obligates them to adhere to the Bilfinger compliance standards.

Bilfinger has a modern and efficient compliance system which has been consistently expanded in recent years and which is improved on an ongoing basis. A clear set of rules is in place for the entire Group in order to avoid illegal behavior. The contents are conveyed to employees around the world through on-site training, webinars and e-learning programs. Our Compliance Team is integrated into the operating business, works closely with the Group's Executive Board, the management of our affiliates and with executives; it reviews cases in which compliance is doubtful and assists employees in adhering to internal requirements. The Chief Compliance Officer reports directly to the Chairman of the Executive Board. IT tools are used to support the implementation of the rules, for example the integrity review for subcontractors, suppliers and consultants. Via a communications platform, employees worldwide can ask questions by telephone or intranet. These questions will then be answered by the compliance team. The system is also used to send reports (anonymously if desired).

The Corporate Organization department provides uniform Group-wide standards for the elements of company controlling and continuously develops the Bilfinger governance system.

Our management and controlling tools are interlinked and together form the Group's comprehensive risk management system which is constantly developed. All of the processes and approval procedures that are stipulated by law, the Executive Board or the corporate functions are documented in guidelines, work procedures, manuals and instructions. Via the intranet, employees throughout the Group have quick access to the content of the risk management system. The functionality and effectiveness of key elements of this system, including the operational, non-accounting related internal controlling system and the internal risk systems are reviewed by the Audit Committee of the Supervisory Board and the external auditors. Any recommendations on the optimization of the risk management system resulting from these reviews are implemented immediately.

Internal control and risk management system as relates to the accounting process

The internal control system as relates to the accounting process 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.

Under consideration of standards that are usual for the industry as well as applicable legal requirements, Bilfinger has established an internal control and risk management system for Group accounting processes in order to recognize potential risks and minimize them. This system is being continuously developed.

This internal control and risk management system ensures that entrepreneurial substance is accurately recorded, processed and recognized in the balance sheet and implemented in the accounting system. Accounting at the Bilfinger Group is generally organized in a decentral ized manner. Accounting tasks are mainly undertaken by the consolidated companies on their own responsibility, or they are transferred to one of the Group's shared service centers. Appropriate staffing and equipment, the use of adequate software as well as clear legal and internal company requirements form the basis of an orderly, standardized and consistent accounting process. The clear division of areas of responsibility as well as various control and monitoring mechanisms (especially plausibility controls, the dual control principle and audit treatments from Internal Auditing, ensure proper accounting. In this way, it is ensured that the accounting process is carried out uniformly and in line with legal requirements, the principles of proper bookkeeping, international financial reporting standards and internal Group guidelines. Furthermore, it is ensured that business transactions throughout the Group are recorded and evaluated uniformly and within the scope of accounting publications and that, as a result, accurate and reliable information is made available.

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 the accounting areas are protected from unauthorized access through appropriate security measures.
- Standardized accounting is guaranteed through Group-wide guidelines.
- 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 Internal Auditing.
- On the basis of the reports received from the auditor and from Internal Auditing, the Supervisory Board, through its Audit Committee, reviews the functionality of the internal control and risk management system as relates to the accounting process.

Risks for Bilfinger

The following risks could lead to significant disadvantages for our results of operations, net assets and financial position as well as for our reputation. Within each of the five risk categories they are listed in the order of their important for Bilfinger and relate to all of our business segments.

Risks related to our business environment

Markets The Bilfinger Group depends on the general economic situation and the development of those markets in which the company is active. Due to the international nature of our business activities, we are also exposed to political and other risks. There is a tremendous amount of competition in our markets. Changes in legal requirements, in terms of tax laws for example, could burden our earnings. To manage these risks, we regularly analyze how countries' economies are developing and whether our business segments are competitive. We are actively involved in advisory committees and panels to ensure that the economic effects of new legislation, ordinances and regulations are avoided in good time.

One example for the central risk of market changes is the energy transformation in Germany and the effects that have arisen as a result, such as a stop to investments and cuts in maintenance expenditures for power plants which had a significant impact on our earnings situation in the reporting year.

In addition, the strong decline in the price of crude oil which began last summer is a considerable risk factor for the industrial business. The intermittent halving of the price as compared to the middle of the year makes cost-intensive fracking technologies in the extraction of oil and gas as well as deep-sea extraction unprofitable. The extent of the investment cutbacks in the upstream and carry-over effects in the midstream and downstream sectors as well as reduced maintenance budgets will largely depend on the duration of the low-price phase.

Countries Country risks include uncertainties arising from political developments in our markets. In order to minimize such risks, we operate only in certain specified markets. We see no country risks that are relevant to the Group's earnings.

Climate change and environment Risks related to climate change and regulatory countermeasures affect Bilfinger primarily as a consequence of regulations and standards for product and process efficiency, the decision in Germany to abandon nuclear energy, global funding for the expansion of regenerative energies as well as other drivers such as emissions and energy price mechanisms.

New or changed environmental legislation and regulations such as the potential increase in CO_2 prices in the course of the discussion on the achievement of long-term European climate protection goals in 2050 could lead to a significant cost increase, mostly for our European customers in the energy-intensive process industry. This can mean cutbacks and lower demand for our products and services.

The direct consequences of climate change such as extremely strong rainfall or the lack of precipitation, unusually high or low temperatures could have a negative impact on our production activities. Extreme weather conditions can also affect our customers and lower their demand with subsequent consequences for us.

Through our production processes at production facilities and at construction sites as well as in transport, contamination of air and water is possible. We counter such risks through preventative measures in the selection of materials and products, the course of the processes and work instructions as well as through relevant controls. We are insured against any environmental damage that may occur despite these precautions.

Risks related to our business model

Subsidiaries We carry out business operations through a large number of subsidiaries and affiliates. This includes the risk that undesirable developments that may arise there are not recognized in time at Group headquarters and that countermeasures are taken too late. All the companies of the Group are therefore subject to the regular financial controlling of subsidiaries and associated companies. This is carried out from headquarters as directed by the Executive Board and is outside the reporting hierarchy. By permanently monitoring business developments, especially by means of local reviews, subsidiary controlling creates a complete picture and an independent opinion of the companies' financial situation.

The subsidiary controllers report to the Executive Board once a month and inform it of any unusual developments without delay. In addition, there is a financial controlling department in each division that reports to the respective divisional management and is subject to the functional supervision of Group Controlling.

Acquisitions Company acquisitions can, as a result of the absence of expected economic success, lead to substantial burdens for the Group including potential goodwill impairment. The causes for this could, for example, be related to unexpected business developments, the appearance of unforeseen financial obligations, inadequate integration or increased personnel fluctuation.

We counteract risks relating to acquisitions with the following concept: We generally acquire either a controlling interest or 100 percent ownership of suitable companies. Companies that we regard as candidates for acquisition are valued by our experts with the help of comprehensive due diligence audits. The key criteria for this assessment are strategic relevance, profitability, management quality, future prospects and compliance aspects. We only acquire companies that are active and successful in the market and which can make positive contributions to the Group's earnings from the start. New companies are integrated in accordance with a detailed, centrally defined and monitored process in the Group and its risk management system. Decisions on the acquisitions to be made by the Group are taken in the Executive Board. Approval of the Supervisory Board is also required for larger company acquisitions. The Supervisory Board ensures that it is also informed in detail on the development of newly acquired Group companies.

Risks related to service provision

Project business We face calculation and execution risks in relation to the planning and implementation of complex major projects in particular. Losses in major projects can lead to a substantial burden on earnings. Risks from the project business arise primarily in our Power as well as the Building and Facility business segments.

The management of these risks is one of the main tasks of the units responsible for the individual project and is supported by centralized project controlling. This includes the selection of projects and the subsequent bid preparation, project execution and processing of any guarantee claims. In the selection of projects and the processing of bids, in addition to the actual task of the project, the client's person, conditions in the region the project is to be carried out, the competence and capacity of the Group unit that will potentially do the work, execution risks, the draft contract as well as the payment plan and payment security are all analyzed, critically evaluated and divided into risk classes. Selection of the projects that are to be pursued is made on the basis of these risk classes.

Within the context of this project controlling, principal contracts are subjected to a thorough commercial and legal examination, with technical aspects analyzed separately by experts in that field. Projects above a certain volume or with a high degree of complexity are carefully monitored by a central unit with defined regulations in each phase of the business so that any corrective measures can be taken in good time. 42 major projects were under special observation in 2014. Sufficient provisions have been made in the balance sheet for all identified project risks.

An opportunity and risk index is prepared in the bid phase of a project in which positive or negative deviations from normal, generally expected conditions are listed. In the determination of costs, the calculation initially assumes planned conditions. Subsequently, the positive or negative particularities that are listed in the risk and opportunity index are analyzed, evaluated and decisively taken into account in the final decision on the bid and its formulation.

Following the placing of the order, the project management responsible for the execution of the project uses the risk and opportunity index as an important information and control instrument. The index is updated and re-evaluated on an ongoing basis and serves as a key component of project meetings.

Service business As is the case in the project business, calculation and execution risks also exist in the services business. In general, however, these are limited due to the lesser degree of complexity and the lower volumes of the services to be provided.

The basis for the management of these risks by our services units is a profound understanding of the services being provided and of the contract conditions that have been agreed. For the execution of the work they have their own competent and reliable staff in sufficient numbers. Due to the high degree of involvement in the business processes of the client, particular attention is paid to the appropriate qualifications of the persons assigned. For international activities, knowledge of the local conditions and the reliability of local employees is of particular importance.

In the services business, too, orders from a certain volume upward are monitored by a centralized unit so that corrective measures can be implemented in a timely manner when necessary.

Partner For the execution of our business activities we maintain diverse contractual relationships with a large number of partners. For the most part, these are clients, partners in jointly-owned companies, consortiums and joint ventures, subcontractors, suppliers, financial institutions as well as service providers. If these contract partners are not able to meet their performance and/or payment obligations, if they perform poorly, behind schedule or not at all, it can lead to difficulties for our own performance and to financial losses.

We counter this risk by carefully selecting our partners in terms of reliability and performance and – when necessary – by a collateralization of their contractual obligations. In the execution of projects with consortial and joint venture partners and in the assignment of important subcontractors, all potential breakdowns on the partner side are routinely included in the bid considerations.

We subject all important suppliers, service providers and subcontractors as well as all distribution agents, joint venture partners, consortiums and joint ventures to an integrity audit prior to the conclusion of a contract.

A particular problem is presented by advance performance obligations, an issue that affects us in many ways. Inherent to these obligations is the risk that payments from the client are not made on time or that additional work must be carried out that has not been secured with a price agreement. To avoid such situations we systematically monitor the business conduct and financial situation of our clients.

Human resources We carefully counteract the human-resources risks that might arise due to a shortage of junior managers, high staff turnover, lack of qualifications, low motivation or an excessively old workforce with a range of personnel development measures. In this way, we ensure that highly qualified employees are recruited and retained by the Group over the long term. We therefore maintain close contacts with selected universities, organize internships for students and graduates, and organize specially designed familiarization programs at the beginning of new graduates' careers at Bilfinger. An extensive range of courses and further training is available to our workforce. Career prospects are discussed regularly and individually with our employees. Management positions are mainly occupied from within the workforce. By means of our human resources controlling, we analyze structural changes within the workforce and can thus counteract any negative developments at an early stage. As a result of our farsighted human resources development, no specific risks are recognizable in the personnel sector.

Procurement With a volume of more than €3 billion, purchasing is a decisive factor in our success. Preliminary work from our suppliers, subcontractors or service providers that is lacking, too expensive or inadequate in terms of quality as well as the volatility of prices for energy and raw materials can have a significantly negative impact on us. Procurement risks exist mainly in the Industrial and Power business segments.

We intensively monitor our global procurement markets. The Group-wide monitoring of world market prices of, for example, steel, oil and services facilitates the flexible procurement of materials and subcontractor services for our projects at optimal conditions. We counteract regional procurement risks by cooperating with competitive suppliers and subcontractors. We secure quantities, qualities and prices by means of letters of intent and preliminary agreements. We also protect ourselves against inflation in our bids by means of sliding price clauses.

Quality assurance Inadequate quality of our services can lead to adverse effects on our customer relationships, a loss of orders or contractual penalties and damage claims. Our operating units are responsible for the professional and timely provision of their services. In order to appropriately minimize quality risks and to manage this process, the operating units plan and execute the necessary quality assurance and monitoring measures for their projects, products and services. The are supported in this regard by the Quality Management of the division and by the Corporate HSEQ department. Through management system requirements and internal audits, among other things, divisions and headquarters work toward the ongoing improvement and minimization of quality risks. In a number of areas, management systems, processes, products and services are additionally subject to external monitoring and certification.

The diverse range of quality assurance training and education measures from the operating units are complemented by Group-wide offerings from the Bilfinger Academy.

Financial risks

We monitor financial risks with proven control mechanisms that allow for timely and transparent reporting. The Group's reporting system guarantees regular identification, analysis, assessment and management of financial risks by Group Treasury. All relevant equity interests and joint ventures are included in this monitoring.

On the basis of rolling cash-flow planning, liquidity risks in the Group are monitored and controlled centrally. Within the context of central financing, Bilfinger SE is available to its subsidiaries as a lender of last resort. Notwithstanding economically less relevant regions, the Group's internal equalization of liquidity in Europe and in the USA is supported by cross-border cash pooling.

Investment financing is carried out in consideration of matching maturities. In 2012, a €500 million bond with maturity in 2019 was issued. To finance working capital, we have a €500 million pre-approved credit line at attractive conditions that is in place until 2016.

The sureties available for the execution of our project and services business with a volume of more than €2,500 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 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 pre-approved credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio to a value of < 2.5. The value as of December 31, 2014 is significantly lower. 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. At no time did such a threat exist.

Market-price risks in the finance sector primarily involve exchange rates, interest rates, raw-material prices and the market values of financial investments. Centralized control 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 fluctuations in earnings, valuations and cash flows. We do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges. 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.

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 in the project business for the entire project period immediately after a contract is received. In some cases this is already done during the bidding phase. Risk management takes place with the use of specified risk limits for outstanding foreign exchange items, their value at risk and marked-to-market results.

Whenever possible, hedging against price fluctuations of raw materials is undertaken on the basis of fixed-price agreements for materials purchased or sliding-price clauses for our affected services. If this is not possible, hedging is carried out with the use of commodity swaps, for diesel fuel or bitumen, for example.

We counteract the risks of interest-rate changes by continually reviewing and, when required, adjusting the composition of recourse liabilities subject to fixed and variable interest rates. We assess risks in consideration of future needs for new financing or refinancing on the basis of a cash-flow-at-risk model. The borrowing costs budgeted within the scope of the cost-of-capital model serve as a point of reference. To manage this, we generally apply derivative financial instruments such as interest-rate swaps and swaptions.

Substantial counterparty risks can arise in connection with the investment of liquid funds and the application of derivative financial instruments. To limit such risks, we enter into relevant financial transactions exclusively with banks that are classified as system-relevant by the Financial Stability Board or that have a public rating of at least A-. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place.

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.

Note 27 (see pages 187 ff.) of the Notes to the Consolidated Financial Statements provides quantitative information on the risks from financial instruments and hedging transactions. Further information on financial instruments can also be found in Note 26 of the Notes to the Consolidated Financial Statements (see pages 184 ff.).

Other risks

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

Legal disputes arise almost exclusively from our provision of services, especially in the project business. Controversies with clients mainly relate to our remuneration, claimed defects in our services or delays to the completion of a project. In such cases theres is generally also a similar dispute with the subcontractors that were used. We strive to avoid legal disputes wherever possible. This goal cannot always be achieved, however, with the result that German and international companies are sometimes involved in litigation or arbitration. It is naturally impossible to predict the outcome of such cases with certainty. Nonetheless, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all such disputes.

We have appropriate insurance cover for potential damage cases and liability risks.

Compliance Compliance cases can have a variety of consequences for the company and its employees. These range from damage to the company's competitiveness, loss of assets and third-party damage claims to sanctions from the state. The clarification alone of suspicious cases often causes substantial costs through the involvement of internal and external measures. With our compliance system, which is constantly being developed, we are making targeted efforts to avoid these risks. Suspicious events are actively confronted and investigated. In case of an investigation, we cooperate with the responsible authorities. Any misconduct that is discovered will result in personnel consequences for those involved and will lead to preventive organizational measures.

IT In order to prevent unauthorized access and data loss and to guarantee the permanent availability of our systems, we protect our information technology with numerous technical installations. Our IT structures are highly standardized. We use software products from leading producers such as SAP, Oracle and Microsoft. Applicable security guidelines are regularly adapted to the latest technical developments. IT security is regularly audited in a standardized process by internal and external auditors.

General assessment of the risk situation

The evaluation of the overall risk is the result of a consolidated consideration of all significant individual risks. The most significant risks in each of the five categories 'Risks related to our business environment', 'Risks related to our business model', 'Risks related to service provision', 'Financial risks' and 'Other risks' are described first, whereby the market risks for Bilfinger that are described are currently the most important.

The overall risk situation of the Bilfinger Group has not changed significantly as compared with the prior year. While market risks have, on the one hand, increased as a result of the changes in the power plant business and the potential negative consequences of continuing low oil prices, the sale of significant portions of our civil engineering activities reduces our project risks. We are convinced that the risks associated with our business activities are sustainable for the Group in view of our strong diversification, our financial strength and the instruments that have been put in place to manage these risks.

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 arise, the possibility that they would have an impact on our output volume or earnings cannot be excluded. 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.

Outlook

For the year 2015, we anticipate a generally cautious development of economic conditions in those markets that are relevant for Bilfinger.

Development of the Group

Even though, according to current assessments, the global economy overall is about to enter a period of moderate recovery, our markets remain demanding. Because a considerable share of sales is currently generated in difficult industries such as energy as well as oil and gas, we generally anticipate a reserved development in our business.

Provided that the economy does not fall considerably short of current expectations and the oil and gas sector does not experience a longer-term worsening of framework conditions, we anticipate the following development in 2015, not including future acquisitions:

Industrial

Toward the end of 2014, the economic outlook for the Eurozone and thus also the framework conditions for the industrial services market worsened once again. For 2015, too, we do not anticipate a rapid improvement of the market environment in Germany and the Eurozone.

The oil and gas sector accounts for about 40 percent of our output volume in the business segment. The strong decline in the price of crude oil which began last summer is therefore a considerable risk factor for this business segment. The intermittent halving of the price as compared to the middle of 2014 makes cost-intensive fracking technologies in the extraction of oil and gas unprofitable. Companies involved in North Sea oil production have already cut back investments to a significant degree and have initiated cost reduction programs. In addition, projects for the exploration of new oil and gas fields are currently being postponed. The extent of the expected investment cutbacks in the upstream as well as carry-over effects in the midstream and downstream sectors as well as reduced maintenance budgets will largely depend on the duration of the low-price phase.

It is not currently clear what impact the low oil prices will have on other industries that are relevant for Bilfinger.

In the Industrial business segment, Bilfinger currently expects a significant decrease in output volume and adjusted EBITA for 2015 as compared to the reporting year. Through positive effects from programs for efficiency enhancement and process optimization, we expect an EBITA margin at the level of the reporting year. Estimates relating to the extent of the consequences from the low oil price are subject to considerable uncertainty.

Power

The market for power plant services should revive somewhat around the world in 2015 when growth and thus also the financing capabilities of emerging markets once again rise. Development in individual markets such as Saudi Arabia or also the United Kingdom will depend not least on whether long-planned major investment projects in the nuclear power plant sector, for example, enter the implementation phase or are postponed further.

In Eastern European countries of the EU, uncertainties about European energy policy are inhibiting new construction and modernization of power plants.

In Germany, a renewed increase in investments in urgently needed fossil fuel reserve capacities can only be expected when the state can increase planning security through appropriate provisions. This applies in particular to new investments as well as to maintenance and rehabilitation of existing plants.

In the Power business segment, Bilfinger expects a significant decrease in output volume in 2015 as a result of restrained orders received. Adjusted EBITA was at an unusually low level in 2014. In 2015, it will increase significantly due to positive effects from capacity adjustments and as a result of the elimination of one-time burdens.

Building and Facility

Due to low interest rates in the capital markets, there is a significant pressure in the Eurozone to invest. Especially in Germany and the United Kingdom, this means that demand on the real-estate market will once again be at the level of 2014.

The market for facility services will see slightly positive development despite ongoing strong competitive pressure. Demand will continue to internationalize and shift toward integrated services.

Output volume of the Building and Facility business segment will grow organically in 2015 and will increase significantly as a result of the 2014 acquisition of British real-estate services provider GVA. Adjusted EBITA will show a significant increase in 2015 with a margin at the level of the reporting year.

Group

Output volume Output volume for the Group will decrease to a magnitude of €7.5 billion in 2015 (reporting year: €7.7 billion). Order backlog at December 31, 2014 was €5.5 billion. We expect that €3.9 billion of that total will translate into output volume in 2015.

GENERAL STATEMENT OF THE EXECUTIVE BOARD ON THE EXPECTED DEVELOPMENT OF THE GROUP
€ million

	Output volume		EBITA adjusted	
	2014	Expected 2015	2014	Expected 2015
Industrial	3,705	significant decrease	190	significant decrease
Power	1,445	significant decrease	8	significant increase
Building and Facility	2,659	significant increase	136	significant increase
Other	-119	–	-64	–
Group	7,690	magnitude of €7.5 billion	270	slight increase

Definition for the qualitative comparative forecast: at prior-year level: +/- 0 % slight: 1-5 % significant: > 5 %

Adjusted EBITA / adjusted net profit from continuing operations Adjusted EBITA (reporting year: €270 million) will increase slightly with a higher margin. The basis for this is the significantly improved earnings in the Power business segment as well as a higher earnings contribution in the Building and Facility business segment stemming from the planned volume increase. Adjusted net profit will be slightly below the figure in the reporting year (€175 million) due to the lower interest result and higher minority interest.

Return on capital employed We intend to create substantial value added in each segment with a return on capital employed (ROCE) above our weighted average cost of capital. In 2015, however, we again expect a return on capital employed for continuing operations slightly below the cost of capital of 10.75 percent. The reason for this is earnings in the Power business segment which in 2015 will remain below a sustainable level, whereas the Industrial and the Building and Facility business segments will achieve a return on capital employed that is above their cost of capital.

Dividend policy Our dividend policy, which is geared toward continuity, calls for a payout ratio of approximately 50 percent of adjusted net profit.

Free cash flow from operating activities In 2015 we anticipate a significant increase in free cash flow from operating activities. The basis for this is higher earnings after tax. The change in working capital will again be influenced by payments for restructuring, so that we expect a figure in the magnitude of the previous year.

Capital expenditure on property, plant and equipment Scheduled investments in property, plant and equipment of about 1.5 percent of output volume will be significantly below the level of the reporting year due to our careful spending policy.

Financing structure Cash and cash equivalents amounted to €403 million at the end of 2014. In accordance with our planning, we will finance the dividend distribution in 2015 from free cash flow.

For the financing of intra-year need for working capital, we have a syndicated cash credit line of €500 million available which is due in 2016.

Capital structure With regard to capital structure, we strive for relations in the relevant key figures that are required for our investment-grade rating.

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

Following a difficult financial year 2014, we will concentrate first on improving operating performance. On the basis of our strengths as an engineering and services group, we intend to simultaneously create a foundation for organic growth again. In the medium term, acquisitions in high-margin areas will once again contribute to the growth of the company. Further effects from our efficiency enhancement program Bilfinger Excellence and from capacity adjustment measures will also contribute to increased earnings despite the fact that markets will remain challenging. Although business development was unsatisfactory in the reporting year, Bilfinger believes that it is well-positioned for the future with its three pillars Industrial, Power as well as Building and Facility.

Additional disclosures pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 of the German Commercial Code (HGB)

Structure of subscribed capital

The subscribed capital of (unchanged) €138,072,381 is divided into 46,024,127 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 71 b of the German Stock Corporation Act (AktG).

Shareholdings in Bilfinger exceeding 10 percent of the voting rights

Investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, notified us on September 29, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 25 percent of the voting rights and amounted to 25.62 percent. In accordance with Section 22 Subsection 1 Sentence 1 Number 1 of the German Securities Trading Act (WpHG), these voting rights were assigned to Cevian Capital II GP Limited through Cevian Capital II Master Fund LP, Cevian Capital Partners Limited and Cevian Capital II Co-Investment Fund LP.

Investment company Cevian Capital II Master Fund LP, Camana Bay, Cayman Islands, notified us on September 2, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 20 percent of the voting rights and amounted to 20.02 percent. In accordance with Section 22 Subsection 1 Sentence 1 Number 1 of the German Securities Trading Act (WpHG), these voting rights were assigned to Cevian Capital II Master Fund through Cevian Capital Partners Limited.

Investment company Cevian Capital Partners Limited, Floriana, Malta, notified us on September 2, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 20 percent of the voting rights and amounted to 20.02 percent.

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 in Bilfinger that 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 102,366 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 Regulations, 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, the Chairman of the Supervisory Board has a casting vote; if the Chairman does not participate, the Deputy Chairman has a casting vote provided he is a representative of the shareholders.

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 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 of EU Regulation no. 2157/2001 from October 8, 2001 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

Treasury shares In February 2008, the Executive Board, with the consent of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share. Of this total, 17,635 shares were issued in financial year 2013 and a further 31,047 in the reporting year as part of an employee share program. Afterwards, the company holds 1,835,318 treasury shares; this corresponds to 3.99 percent of the current voting rights.

The company has no rights from these shares (Section 71 b AktG). In accordance with the resolution of May 23, 2007, the Executive Board can sell these shares through the stock exchange, offer them for sale to shareholders under consideration of the principle of equal treatment, use them within the scope of corporate mergers or acquisitions or for the fulfilment of conversion and option rights or recall them without any further resolution by an Annual General Meeting. The Annual General Meeting held on April 18, 2013 authorized the Executive Board, among other things, to offer these treasury shares for sale or to pledge / transfer them, with the approval of the Supervisory Board, to employees of Bilfinger SE and subordinated subsidiary companies as well as to the management of subordinated subsidiary companies; this also includes authorization to offer the shares for sale under other special conditions or to pledge / transfer them at no cost.

The Annual General Meeting held on April 18, 2013 canceled the authorization issued by the Annual General Meeting held on April 15, 2010 and authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until April 17, 2018 in an amount of €13,807,238 of the current share capital 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. Furthermore, the requirements of Section 71 Subsection 2 Sentences 2 and 3 AktG are also to be observed. 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 53 a 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 10 percent lower than the stock-exchange price of Bilfinger shares resulting from the opening auction in XETRA trading of Deutsche Börse AG (or a comparable successor system). With a public offer to buy, the price offered (excluding incidental costs) may not be more than 10 percent higher or 10 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 XETRA trading of Deutsche Börse AG (or a comparable successor system).

Shares acquired on the basis of this authorization may be offered to all shareholders with consideration of the principle of equal treatment or sold through the stock exchange. With the approval of the Supervisory Board, they may also be disposed of by sale or otherwise if the shares are sold in exchange for cash at a price not substantially below their average stock market price on the last three trading days before determination of the final selling price by the Executive Board. This authorization is limited to a total of 10 percent of the share capital of the company at the time of the resolution of the Annual General Meeting on April 18, 2013 or – if lower – 10 percent of the company's share capital at the time of disposal of the shares. The authorized volume is reduced by the proportionate part of the share capital which is attributable to the shares or to which conversion and / or option rights or obligations under bonds relate which were issued or sold, subject to an exclusion of subscription rights, on or after April 18, 2013 pursuant to Section 186 Subsection 3 Sentence 4 AktG either directly, analogously or mutatis mutandis. In addition, the shares may be used within the scope of corporate 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.

The Annual General Meeting held on April 18, 2013 further authorized the Executive Board to offer these treasury shares, which were or will be acquired on the basis of the authorization from April 18, 2013 or which were acquired on the basis of an authorization issued earlier, for sale or to pledge / transfer them, with the approval of the Supervisory Board, to employees of Bilfinger SE and subordinated subsidiary companies as well as to the management of subordinated subsidiary companies; this also includes authorization to offer the shares for sale under other special conditions or to pledge / transfer them at no cost.

Approved capital

By resolution of the Annual General Meeting of May 8, 2014, with the consent of the Supervisory Board, the Executive Board was authorized until May 7, 2019 to increase the company's share capital by up to €69,000,000 by the single or multiple issue of new no-par value bearer shares (Approved Capital 2014). 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 the share capital of up to €27,600,000 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.

Conditional capital

By resolution of the Annual General Meeting of April 18, 2013, the share capital was conditionally increased by up to €13,807,236 through the issue of up to 4,602,412 new bearer shares representing a proportionate amount of the share capital of €3.00 per share (Conditional Capital 2013). The conditional capital increase serves to grant shares to holders of conversion or option rights upon the execution of such rights, or to fulfill conversion or option obligations under convertible bonds or bonds with warrants which, in accordance with the authorization granted by the Annual General Meeting on April 18, 2013, are issued and / or guaranteed by the company or by a company of the Group until April 17, 2018.

The conditional capital increase will only be carried out to the extent that holders of bonds make use of their conversion and / or option rights or fulfill their obligations to exercise conversions / options, and the conditional capital is required for this purpose. The new shares participate in profits from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or the fulfillment of conversion or option obligations.

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 €500 million and the investors in our corporate bond of €500 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 the 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. Further details can be found in the remuneration report (see page 127).

Executive Board remuneration

The remuneration of the members of the Executive Board is comprised of a fixed salary, bonuses including a special incentive as well as fringe benefits and retirement benefits. Further information including individualized details of payments can be found in the remuneration report (see pages 121 ff.). The remuneration report is part of the combined management report.

Disclaimer

All statements made in this report that relate to the future have been made in good faith and based on the best knowledge available. However, as those statements also depend on factors beyond our control, actual developments may differ from our forecasts.

Corporate governance

Corporate governance report

Bilfinger attaches great importance to good corporate governance. The principles of good and responsible corporate governance guide the actions of the management and supervisory bodies of Bilfinger SE. The term 'corporate governance' refers to the entire management and control system of a company, including its organization, its business management principles and guidelines as well as the internal and external monitoring and control mechanisms. Good and transparent corporate governance ensures the responsible, value-oriented and sustainable management and control of the company.

Structure of corporate governance

Bilfinger SE is a European stock company located in Germany and is subject to European SE regulations, the German SE Implementation Act and the German Stock Corporation Act. The company has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. 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.

Executive Board The members of the Executive Board are appointed by the Supervisory Board; it currently consists of five members (see page 201). The Executive Board manages the company in its own responsibility; its tasks include setting the company's corporate goals and strategic focus, managing and monitoring the operating units, as well as implementing and monitoring an efficient risk management system.

Details of the remuneration of Executive Board members can be found in the remuneration report, which is included as a section of the Group management report (see pages 121 ff.).

Supervisory Board In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of twelve 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 not involved in the selection procedure for the employee representatives in the Supervisory Board.

The Supervisory Board advises and monitors the management of the company by the Executive Board. Decisions of fundamental importance for the company require the approval of the Supervisory Board. Within the context of its report, the Supervisory Board informs the shareholders about its activities (see pages 10 ff.).

The current composition of the Supervisory Board and the committees formed for more efficient execution of its activities can be seen in the section of the Annual Report entitled 'Boards of the company' (see pages 201 ff.) The positions held by members of the Supervisory Board on monitoring boards of other companies are also listed here.

The remuneration of the members of the Supervisory Board is presented in the remuneration report as part of the management report (see page 127).

Annual General Meeting The Annual General Meeting is to be convened at least once each year. The Executive Board presents to the Annual General Meeting certain documents, including the annual and consolidated financial statements as well as the combined management report for Bilfinger SE and the Bilfinger Group. The Meeting decides on the appropriation of profits and on ratifying the actions of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders, and the external auditors. In addition, it makes decisions on amendments to the Articles of Incorporation and in certain other cases as specified by applicable law or the Articles of Incorporation. Each share grants entitlement to one vote in the Annual General Meeting.

German Corporate Governance Code

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance and control. It was developed by the responsible government commission based upon statutory provisions as well as nationally and internationally recognized standards of corporate governance. The Code is updated and elaborated on by the commission a continual basis. Bilfinger supports the goal set out by the Code of enhancing the transparency and comprehensibility of the corporate governance system and fostering trust among national and international investors, customers, employees and the public in the management and supervision of German listed companies.

Objectives for the composition of the Supervisory Board In accordance with Section 5.4.1 Subsection 2 Sentence 1 of the German Corporate Governance Code, the Supervisory Board shall state concrete objectives regarding its composition which, while considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members as defined by Section 5.4.2 of the German Corporate Governance Code, an age limit to be specified for the members of the Supervisory Board and diversity. In accordance with Section 5.4.1 Subsection 2 Sentence 2 of the German Corporate Governance Code, these objectives should also include appropriate consideration for the participation of women. Proposals from the Supervisory Board to the responsible election committees shall, in accordance with Section 5.4.1 Subsection 3 Sentence 1 of the German Corporate Governance Code, give ample consideration to these objectives. The objectives and the status of their implementation shall, in accordance with Section 5.4.1 Subsection 3 Sentence 2 of the German Corporate Governance Code, be published in the corporate governance report.

As previously outlined, the Supervisory Board is responsible for making proposals for the election of the shareholder representatives to the Supervisory Board to the Annual General Meeting, but it is not involved in the selection procedure for the employee representatives in the Supervisory Board. Against this backdrop, the Supervisory Board announces, in accordance with Section 5.4.1 Subsection 2 of the German Corporate Governance Code and considering the specific situation of the company, the following objectives for its composition. It intends to consider the resolutions it proposes to the Annual General Meeting for the appointment of Supervisory Board members on the provision that those persons whose personal and professional qualifications make them the best suited for the position be proposed:

- At least two members should, as a result of their international experience, embody to a significant extent the criterion of internationality.
- At least two members should possess particular knowledge and experience in business administration and finance.
- At least two members should possess particular experience from leading positions in industrial or services companies.
- At least three members should be independent in accordance with the requirements of Section 5.4.2 Sentence 2 of the German Corporate Governance Code, therefore in particular have no personal or business relationship with the company, its bodies, a controlling shareholder or one associated with affiliated companies that could result in a significant and not merely temporary conflict of interest. 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.
- 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.
- At least one member should meet the requirements of Section 100 Paragraph 5 AktG (so-called 'financial expert').
- At least one woman should be a member of the Supervisory Board.
- As a rule, no member should be over 70 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.

The composition of the current Supervisory Board complies with the objectives stated above.

On March 6, 2015, The Federal Government of Germany enacted legislation on the equal participation of women and men in management positions in the private sector and in the civil service. The Supervisory Board will deal with the impact of this legislation at the earliest opportunity, in particular as it relates to the composition of the Supervisory Board.

Declaration of compliance On August 7, 2014, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following annual Declaration of Compliance as required:

"Bilfinger SE complies with all of the recommendations of the German Corporate Governance Code as amended on May 13, 2013 with the following exceptions:

- The Supervisory Board does not comply with the recommendation in Section 5.1.2 Subsection 1 Sentence 2 Clause 2 (seeking an appropriate consideration of women) insofar as it is guided solely by the qualification of those persons available when filling Executive Board positions. The Supervisory Board would, however, consider filling a vacant position on the Executive Board with a woman provided that in the specific case an appropriate candidate is available.
- The recommendation in Section 5.4.3 Sentence 3 (announcement to shareholders of proposed candidates for the Chairmanship of the Supervisory Board) is not followed because this recommendation does not conform with the distribution of competences as set out in the German Stock Corporation Act (AktG), which states that the election of the Supervisory Board Chairman is the responsibility of the Supervisory Board alone.
- The Supervisory Board does not comply, in one exceptional case, with the recommendations in Section 4.2.3 Subsection 2 Sentences 2, 4, 7 and 8 of the German Corporate Governance Code in the version from May 13, 2013 (variable compensation elements; consideration of positive and negative developments; relation to demanding, relevant comparison parameters; exclusion of retroactive changes to the comparison parameters), namely in the compensation for the appointment of Herbert Bodner to the Executive Board on an interim basis until May 31, 2015 pursuant to Section 39 Subsection 3 Sentence 2 of the SE Regulations (SE-VO) in connection with Subsec-

tion 15 SE Implementation Act (SE AG). The appointment of Mr. Bodner to the Executive Board for a limited period of time makes a variable compensation regulation that is geared toward long-term business success appear inexpedient. In its place, a fixed salary as well as a recognition bonus oriented toward the success of Mr. Bodner have been agreed with Mr. Bodner. The granting of this bonus is at the discretion of the Supervisory Board and may not exceed 20 percent of the drawn fixed compensation.

Since issuing the declaration of compliance of September 19, 2013, the company has complied with all recommendations of the German Corporate Governance Code as amended on May 13, 2013 with the exception of the recommendations in Sections 5.1.2 Subsection 1 Sentence 2 Clause 2 and 5.4.3 Sentence 3."

The Executive Board and the Supervisory Board issued an updated declaration of compliance on February 11, 2015. The recommendation in Section 5.4.3 Sentence 3 of the German Corporate Governance Code (announcement of proposed candidates for the Supervisory Board chairmanship to shareholders) has now been complied with while 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) is not followed.

The declaration of compliance is published on the company's website and is updated when changes occur.

Bilfinger also fulfills nearly all non-binding suggestions of the German Corporate Governance Code. Exceptions are the accessibility of the proxy representative of the shareholders also during the Annual General Meeting (Section 2.3.3 Subsection 2 Sentence 2). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology (Section 2.3.4) is followed insofar as the speech of the Chairman of the Executive Board is broadcast on the Internet.

Directors' dealings

Pursuant to Section 15 a of the German Securities Trading Act (WpHG), the members of the Supervisory Board and the Executive Board, 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 any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €5,000 in any calendar year. We publish details of such transactions on our website at www.bilfinger.com, among other places, without delay.

The members of the Executive Board and the Supervisory Board do not own any shares in the company or any related financial instruments that together, either directly or indirectly, constitute more than 1 percent of the shares issued by the company.

Compliance system

For Bilfinger compliance represents an essential element of successful business management and good corporate governance. With this in mind, we have established our compliance system. The basis for the compliance rules valid on a Group-wide basis is a Code of Conduct which lays out the general principles of our actions. The corresponding Group guidelines include concrete instructions on the central issues of integrity, competition and dealing with business partners. The new compliance regulations were distributed to all employees in more than 20 languages. We distribute the content throughout the world by means of on-site training, webinars and an internally-developed e-learning program.

With the communication platform Bilfinger Compliance Communications, employees worldwide can ask questions via telephone or intranet in their native language. The system is also used to send reports (anonymously if desired). Internal whistleblowers are protected against any reprisals; the voluntary disclosure of one's own misconduct is to the advantage of the employee concerned. Persons outside of the company such as customers, suppliers, subcontractors or service providers can also point out misconduct via Bilfinger Compliance Communications. These messages remain anonymous if so desired.

The Group's Chief Compliance Officer reports directly to the Chairman of the Executive Board. The compliance officers that report to him along with central and decentral compliance managers are supported by compliance staff in the operating companies and process all compliance-related issues. The compliance team, which is staffed with specialists, works closely with the Group's Executive Board, divisional management and other managers; it reviews cases in which compliance is doubtful and assists employees in adhering to internal requirements.

The control systems we have implemented to ensure that compliance regulations are adhered to include routine and special audits by Internal Auditing and the Compliance organization. Important business partners are subjected to an IT-supported integrity audit. In particular, we review the use of third parties in connection with order acquisition.

Thanks to the immediate reporting of serious cases and the Chief Compliance Officer's quarterly reports, the Executive Board, the Audit Committee of the Supervisory Board and the Plenum of the Supervisory Board are given detailed updates on developments in the compliance area. The Chief Compliance Officer is supported in the design and further development of the compliance system by a Compliance Committee, which is composed of the heads of Legal, Internal Auditing and Human Resources.

We actively pursue information on compliance violations; we inform the relevant authorities when necessary and cooperate with them. Any misconduct that is discovered will result in personnel consequences for those involved and will lead to preventive organizational measures.

The insights gained from reporting, the comparison with other systems and evaluations from external specialists all lead to the ongoing development of our Compliance rules. Following an agreement with the U.S. Department of Justice, an independent Compliance Monitor has been monitoring our status since August 2014. On the basis of improvements that he proposes, we will further optimize the requirements and controls in our compliance system.

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 Supervisory Board (D&O insurance). This insurance includes the deductible for the Executive Board legally required by Section 93 Subsection 2 Sentence 3 of the German Stock Corporation Act and the deductible for the Supervisory Board recommended in Section 3.8 Subsection 3 of the German Corporate Governance Code.

Corporate governance statement

The Executive Board issued a corporate governance statement pursuant to Section 289 a of the German Commercial Code (HGB) that has been made available to the general public on the company's website (www.bilfinger.com) under 'Investor Relations / Corporate Governance.'

Mannheim, March 12, 2015

Bilfinger SE

The Executive Board The Supervisory Board

Remuneration report

This remuneration report explains the remuneration system that has been in force for the Executive Board since January 1, 2013 and approved by the Annual General Meeting on April 18, 2013 as well as the new remuneration system approved by the Supervisory Board at its meeting on February 10, 2015. The report also presents remuneration granted and paid to individual members of the Executive Board for financial year 2014. The remuneration report also provides details of the remuneration of the Supervisory Board in 2014. The remuneration report is part of the Group management report.

Executive Board remuneration

The remuneration system, which is valid for all members of the Executive Board with the exception of Mr. Bodner, provides for variable remuneration according to a profit sharing model related to the average of the earnings before taxes (EBT) achieved in the past three financial years. In addition, remuneration also includes further variable components in the form of special incentives. Further components of the remuneration system include non-cash benefits and retirement benefits.

A special regulation applies for Mr. Bodner, who was appointed as Chairman of the Executive Board on an interim basis (see page 123).

Annual fixed salary The annual fixed salary shall amount to €499 thousand for full members of the Executive Board and €818 thousand for the Chairman of the Executive Board. As newly appointed Executive Board members, the remuneration received by Dr. Keysberg (until April 30, 2014) and to be received by Mr. Koolen (until March 18, 2015) is reduced by 20 percent.

Variable remuneration Pursuant to Germany's Appropriateness of Management Board Remuneration Act of August 2009, the remuneration structure at listed companies is to be oriented toward sustainable corporate development; variable remuneration is to be paid on a multi-year assessment basis. The members of the Executive Board therefore receive variable remuneration according to a profit-sharing model related to the average of the earnings before taxes (EBT) achieved in the past three financial years. Of the amount of variable remuneration calculated in this way, 65 percent is paid out immediately. The other 35 percent is paid out only after a waiting period of two years and depending on the relative development of Bilfinger's share price (in terms of total shareholder return) compared with the MDAX.

The details are as follows: As the starting amount of variable remuneration, each full member of the Executive Board receives €3,800

(€3,040 for as long as the annual fixed salary is reduced by 20 percent) and the Chairman of the Executive Board receives €6,600 per €1 million of the average EBT achieved by the Group in the past three years. This starting amount is limited by a cap of €1,300 thousand for full members of the Executive Board (€1,040 thousand for as long as the annual fixed salary is reduced by 20 percent) and €2,200 thousand for the Chairman of the Executive Board. 65 percent of the starting amount is paid out immediately. The remaining 35 percent (deferral) is paid out after a waiting period of two years depending on the development of Bilfinger's share price (in terms of total shareholder return) compared with the MDAX. If the relative development of the share price is more than 60 percent worse than the MDAX, the deferral is not paid out. The deferral is limited by a cap to 150 percent of its starting value (equal to 35 percent of the starting amount of the variable remuneration).

The Supervisory Board can reduce the EBT of one or more financial years that is used to calculate the average EBT by up to 20 percent if the EBT is significantly increased by non-recurring components of earnings. Furthermore, the Supervisory Board can increase or reduce the starting amount of profit sharing at its own discretion by up to 10 percent based on the evaluation of the individual performance of each member of the Executive Board.

Special incentive In order to incentivize significantly higher growth targets approved in 2011 as part of strategic planning until 2016, a goal bonus system has been introduced as a supplement to the existing variable remuneration for members of the Executive Board from January 1, 2013. This supplement has a term of four years and is oriented toward annual earnings and liquidity targets. Depending on the fulfillment of the EBT target as set for the relevant financial year, members of the Executive Board receive a bonus which for 100 percent target achievement amounts to €150 thousand for full members of the Executive Board and €225 thousand for the Chairman of the Executive Board. If 100 percent of the annual target for free cash flow is achieved, full members of the Executive Board receive €50 thousand and the Chairman of the Executive Board receives €75 thousand.

The annual EBT target values are based on strategic planning as approved by the Executive Board and the Supervisory Board in October 2011. If the actual figures are more than 5 percent below target, this portion of the special incentives will not be granted for the relevant financial year; if the figures exceed the target by more than 30 percent, a cap in the amount of €300 thousand for full members of the Executive Board and €450 thousand for the Chairman of the Executive Board shall be applied. Within this span, a linear interpolation will be used to determine the amount of the bonus.

The liquidity targets shall be set by the Supervisory Board at the beginning of the year on the basis of a proposal from the Presiding Committee. If the liquidity target for the relevant financial year is missed by more than 15 percent, that portion of the bonus will not be granted; if the target is exceeded by more than 30 percent, a cap shall be applied. This cap is set at €100 thousand for full members of the Executive Board and €150 thousand for the Chairman of the Executive Board. A linear interpolation will also be used here to determine the bonus within the span as described.

Initially, only 65 percent of the bonus for the years 2013 to 2015 as calculated using this approach will be paid out immediately – as is the case with the existing variable remuneration. Payment of this immediate amount will be made on the day following the Annual General Meeting at which the annual financial statements for the relevant year are presented. Payment of the remaining 35 percent (deferral) will be made on the day following the Annual General Meeting 2017 and will be based on the extent to which the overall EBT targets for the years 2013 to 2016 have been achieved. If the target is missed by no more than 5 percent, a corresponding reduction of the deferral by means of linear interpolation will be taken; if this value is missed, no payment will be made. The Supervisory Board may, insofar as a complete non-payment of the deferral special incentive would be unreasonable due to unforeseen special developments, decide otherwise. If payment of the deferral for the years 2013 to 2015 is made, the members of the Executive Board are obligated to invest the entire net payment amount in Bilfinger shares for which a holding period of two years shall apply. The bonus for the year 2016 will be paid out without limitations, depending on the achievement of the relevant targets (EBT and free cash flow), on the day after the Annual General Meeting 2017 as an immediate payment.

Non-cash benefits The members of the Executive Board receive fringe benefits (benefits in kind), for the most part in the form of insurance cover and the use of company cars, the value of which is accounted for in accordance with applicable tax law.

Retirement benefits With the exception of Mr. Koolen, Executive Board members receive pension payments from a retirement age of 62. In case of the death of one of these members of the Executive Board, survivors are entitled to pension benefits in the form of widow and orphan pensions. These entitlements 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 member of the Executive Board. All future pension entitlements are fully funded so that there is no financial burden on the company in the event of a claim. The benefits of the external institutions also cover the risk of occupational disability for Messrs. Enenkel, Dr. Keysberg and Müller.

The inclusion of Mr. Koolen in the retirement benefit system for members of the Executive Board was not sensible because, due to his age at entry, inclusion in the relief fund would have resulted in a relatively low pension amount. He therefore receives the funds intended for his pension plan including the provisions for the risk of occupational disability in the current gross amount of €180 thousand p.a. (previous year: €180 thousand) under consideration of tax regulation as a cash payment which he can apply to his own pension plan.

For Messrs. Enenkel and Dr. Keysberg, retirement pension commitments exist that were granted before they were appointed to the Executive Board. The relevant values amount to €185 thousand for Mr. Enenkel (previous year: €179 thousand) and €205 thousand for Dr. Keysberg (previous year: €197 thousand).

The table shows contributions to the relief fund for the year 2014 and pension entitlement already achieved by members of the Executive Board.

RETIREMENT BENEFITS € thousand	Probable annual pension entitlement upon retirement	Payments to relief fund	
		2014	2013
Roland Koch (Chairman until August 8, 2014)	106	450	450
Joachim Enenkel	125	225	225
Dr. Jochen Keysberg	128	225	180
Joachim Müller	71	225	225
	430	**1,125**	**1,080**

Remuneration arrangement for Mr. Bodner The interim appointment of Herbert Bodner as Chairman of the Executive Board until May 31, 2015 makes a remuneration arrangement that is geared toward long-term business success appear inexpedient. Mr. Bodner will instead receive a fixed monthly payment of €225 thousand which is oriented toward the remuneration for the Chairman of the Executive Board for the year 2013. No variable remuneration will be paid. The Supervisory Board can, however, at its discretion grant Mr. Bodner at the end of his Executive Board mandate a recognition bonus oriented toward the success of his work, which shall not exceed 20 percent of the fixed remuneration paid. Mr. Bodner receives the benefits mentioned above; payments for pension plans will not be made.

Total remuneration granted for the financial year Total remuneration granted, comprised of annual fixed salary, variable remuneration including share-based remuneration, non-cash benefits and payments to the relief fund for the pension plan can be found in the chart on pages 124/125. Because the variable remuneration is measured according to the average earnings before taxes (EBT) of the previous three financial years, the negative result in the year 2014 has only a proportionate effect on this remuneration component. The table on total remuneration also shows the contractually determined maximum amount of Executive Board remuneration in general and the variable components of that remuneration as recommended in Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code. The maximum remuneration that would result from the best-possible achievement of targets as reported in accordance with Section 4.2.5 Subsection 3 of the German Corporate Governance Code is, however, hardly likely. No payment will be made in accordance with the special incentive since the thresholds were not reached.

Mr. Koch stepped down from the Executive Board as of August 8, 2014. As compensation for the payments to which he is entitled until the regular end of his contract on February 29, 2016, a severance payment in compliance with the severance cap defined in the German Corporate Governance Code was agreed as follows: entitlement to basic remuneration and fringe benefits is settled through a one-time payment in the amount of €1.304 million. In addition, Mr. Koch will be paid the variable remuneration component for this period (not including special incentive) in accordance with the contractual arrangements and due dates and contributions to retirement benefits will be made for him. For the subsequent two-year non-competition clause, Mr. Koch will receive annual compensation in the amount of his last fixed annual salary, as agreed in his Executive Board contract. A pro rata amount of €321 thousand applies to the reporting year.

Mr. Müller will step down from the Executive Board on March 31, 2015. Within the scope of the termination of his contract, he will receive as severance compensation his basic salary, variable remuneration (not including special incentive) and fringe benefits to which he is entitled in the amount of €1.840 million. Further, contributions to retirement benefits will be made for him until the regular end of his contract on October 31, 2016. The severance cap as defined in the German Corporate Governance Code will not be exceeded. Mr. Müller retains his contractual entitlement to transitional payment from November 1, 2016 until he reaches the retirement age of 62. These payments have, however, been proportionately reduced to €216 thousand p.a.. In accordance with the contractual arrangements, Mr. Müller receives annual compensation in the amount of his last basic salary for the subsequent two-year non-competition clause.

No loans or advances were made to the members of the Executive Board in 2014. No remuneration was paid for positions held on supervisory boards or comparable boards of companies of the Group in 2014.

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Roland Koch[1] (Chairman until August 8, 2014)				Herbert Bodner[1] (from August 9, 2014 interim Chairman)			
	2013	2014	2014 min	2014 max	2013	2014	2014 min	2014 max
Fixed remuneration	818	497	497	497	–	1,125	1,125	1,125
Fringe benefits	106	67	67	67	–	46	46	46
Total	924	**564**	**564**	**564**	–	**1,171**	**1,171**	**1,171**
One-year variable remuneration[6]	–	–	–	–	–	–	–	–
Multi-year variable remuneration								
Variable remuneration immediate payment	1,430	862	0	948[2]	–	–	–	–
Variable remuneration deferral (2013-2017) (share-based)[3]	762	–	–	–	–	–	–	–
Variable remuneration deferral (2014-2018) (share-based)[3]	–	462	0	508[2]	–	–	–	–
Special incentive deferral (2013-2016)	–	–	–	–	–	–	–	–
Total	3,116	**1,888**	**564**	**2,020**	–	**1,171**	**1,171**	**1,171**
Benefit expense	450	450	450	450	–	–	–	–
Total remuneration	3,566	**2,338**	**1,014**	**2,470**	–	**1,171**	**1,171**	**1,171**

ALLOCATION FOR THE REPORTING YEAR

€ thousand

	Roland Koch[1] (Chairman until August 8, 2014)		Herbert Bodner[1] (from August 9, 2014 interim Chairman)	
	2013	2014	2013	2014
Fixed remuneration	818	497	–	1,125
Fringe benefits	106	67	–	46
Total	924	**564**	–	**1,171**
One-year variable remuneration[6]	–	–	–	–
Multi-year variable remuneration				
Variable remuneration immediate payment	1,430	761	–	–
Variable remuneration deferral (2011-2013) (share-based)[7]	430	–	–	–
Variable remuneration deferral (2012-2014) (share-based)[8]	–	425	–	–
Special incentive deferral (2013-2016)	–	–	–	–
LTI 2009-2013	–	–	–	–
LTI 2010-2014	–	–	–	–
Total	2,784	**1,750**	–	**1,171**
Benefit expenses	450	450	–	–
Total remuneration	3,234	**2,200**	–	**1,171**

1 Taking into account the proportionate mandate
2 Taking into account possibilities for increase due to personal performance
3 Fair value at granting
4 Remuneration reduced by 20 percent until April 30, 2014
5 Remuneration reduced by 20 percent until March 18, 2015
6 Special incentive immediate payment
7 Time of the allocation pursuant to German tax law: after the Annual General Meeting 2014
8 Time of the allocation pursuant to German tax law: after the Annual General Meeting 2015

Joachim Enenkel (Member of the Executive Board)				Dr. Jochen Keysberg[4] (Member of the Executive Board)				Pieter Koolen[1,5] (from September 19, 2013 Member of the Executive Board)				Joachim Müller (Chief Financial Officer)			
2013	**2014**	**2014** min	**2014** max	2013	**2014**	**2014** min	**2014** max	2013	**2014**	**2014** min	**2014** max	2013	**2014**	**2014** min	**2014** max
499	499	499	499	399	466	466	466	113	400	400	400	499	499	499	499
56	52	52	52	87	88	88	88	13	50	50	50	44	45	45	45
555	**551**	**551**	**551**	486	**554**	**554**	**554**	126	**450**	**450**	**450**	543	**544**	**544**	**544**
130	130	0	260	104	122	0	243	30	104	0	208	–	–	–	–
845	825	0	908[2]	676	771	0	848[2]	193	660	0	726[2]	845	825	0	908[2]
450	–	–	–	360	–	–	–	103	–	–	–	450	–	–	–
–	442	0	487[2]	–	413	0	455[2]	–	354	0	389[2]	–	442	0	487[2]
70	70	0	140	56	65	0	131	16	56	0	112	–	–	–	–
2,050	**2,018**	**551**	**2,346**	1,682	**1,925**	**554**	**2,231**	468	**1,624**	**450**	**1,885**	1,838	**1,811**	**544**	**1,939**
225	225	225	225	180	225	225	225	180	180	180	180	225	225	225	225
2,275	**2,243**	**776**	**2,571**	1,862	**2,150**	**779**	**2,456**	648	**1,804**	**630**	**2,065**	2,063	**2,036**	**769**	**2,164**

Joachim Enenkel (Member of the Executive Board)		Dr. Jochen Keysberg[4] (Member of the Executive Board)		Pieter Koolen[1,5] (from September 19, 2013 Member of the Executive Board)		Joachim Müller (Chief Financial Officer)	
2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**
499	499	339	466	113	400	499	499
56	52	87	88	13	50	44	45
555	**551**	486	**554**	126	**450**	543	**544**
0	0	0	0	0	0	–	–
845	438	676	455	193	350	845	438
291	–	–	–	–	–	364	–
–	237	–	33	–	–	–	251
–	–	–	–	–	–	–	–
–	–	–	–	–	–	151	–
–	65	–	–	–	–	–	368
1,691	**1,291**	1,162	**1,042**	319	**800**	1,903	**1,601**
225	225	180	225	180	180	225	225
1,916	**1,516**	1,342	**1,267**	499	**980**	2,128	**1,826**

Changes to the remuneration system from financial year 2015

The following changes to the remuneration system are valid from financial year 2015 for newly appointed Executive Board members.

Increase in fixed annual salary The annual fixed salary shall amount to €600 thousand for full members of the Executive Board and €1,200 thousand for the Chairman of the Executive Board.

New variable remuneration A new variable remuneration shall replace the profit-sharing model and the special incentive and shall consist of two components, namely 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).

The STI is based on achievement of economic success targets defined by the Supervisory Board. With an individual performance factor (IPF), the Supervisory Board can also 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 annual initial value of the STI, corresponding to a 100 percent target achievement, amounts to €500 thousand for full members of the Executive Board and €1,000 thousand for the Chairman of the Executive Board. This figure changes depending on the achievement of targets defined each year by the Supervisory Board for the development of EBITA and free cash flow from operating activities of the Bilfinger Group. The achievement of these equally-weighted targets counts only within a corridor of 80 to 135 percent of the targets. The degree of target achievement is zero below the minimum value; from the maximum value, the degree of achievement remains capped at 200 percent of the STI value.

Disbursement of the STI is made following the conclusion of the relevant financial year and is calculated by multiplying the initial value with the arithmetic mean of the achievement of the two economic success targets within the corridor and the IPF defined for the member of the Executive Board.

The LTI comprises the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). Their number 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 remaining MDAX listed companies. The resulting number of PSUs corresponds to the number of real shares of Bilfinger SE which the relevant Executive Board member will receive at the conclusion of the performance period.

At the beginning of each financial year, full Executive Board members receive PSUs with a current market value of €630 thousand and the Chairman of the Executive Board receives PSUs with a current market value of €1,400 thousand. Over the course of the three-year performance period, the number of these PSUs changes 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 remaining MDAX listed companies. The achievement of these equally-weighted targets counts only within a relevant corridor. For ROCE, it ranges from 80 to 135 percent of the target. The degree of target achievement is zero below the minimum value, from the maximum value, the degree of achievement remains capped at 150 percent of the ROCE target. For the TSR value, only a positioning of Bilfinger in comparison to the other MDAX companies of between the 50th and the 75th percentile shall count. The degree of target achievement is zero below the minimum value; above the maximum value, the degree of achievement remains capped at 150 percent.

The final number of PSUs is calculated by multiplying the arithmetical average of the degree of target achievement with the initial number of PSUs. The final number is subject to a cap of at most 150 percent of the initial number of PSUs. 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 PSU. 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 payment in place of the delivery of Bilfinger shares, the amount of which is measured based on the current market price.

Own investment in Bilfinger shares Members of the Executive Board are obliged to purchase Bilfinger shares, the purchase price for 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 are counted against this purchase obligation.

Additional disclosures

Long-term incentive plan The remuneration system for the Executive Board that was in effect until the end of 2010 also included a variable component linked to the company's long-term performance and share price (long-term incentive plan). Under this arrangement, the members of the Executive Board were granted phantom shares in the form of so-called performance share units (PSUs). On the balance sheet date, Messrs. Enenkel and Müller have a total of 11,891 PSUs from 2010. Cash payment (taxable) of the value of these PSUs takes place after a four-year waiting period at the relevant price of the Bilfinger shares at the beginning of 2015 in the amount of €46.37. Limited by the contractually set caps, payments in 2015 will be made to Mr. Enenkel in the amount of €65 thousand and to Mr. Müller in the amount of €368 thousand.

Following the Annual General Meeting on May 8, 2014, Mr. Müller received payment for 1,850 PSUs for the year 2009 with a value of €151 thousand (taxable).

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 control agreement as the controlled company, the members of the Executive Board, with the exception of Mr. Bodner, 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. The severance compensation comprises the annual fixed salary and profit sharing; the latter is calculated as the average of the variable remuneration paid in the past five full financial years (bonuses, PSUs, immediate payments and deferrals). In accordance with the recommendation in Section 4.2.3 Subsection 5 of the German Corporate Governance Code, severance compensation in the case of a change of control is limited to 150 percent of the general severance cap of two years' remuneration in accordance with Section 4.2.3 Subsection 4 of the German Corporate Governance Code.

Total remuneration of former members of the Executive Board and pensions The amounts paid to former members of the Executive Board or their surviving dependants totaled €2,225 thousand (previous year: €2,169 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €31,470 thousand (previous year: €27,264 thousand).

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, 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 amount. 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. Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration.

The remuneration of the members of the Supervisory Board of Bilfinger SE in 2014 amounted to €1,301 thousand (previous year: €1,307 thousand). In financial year 2014, members of the Supervisory Board of Bilfinger Berger SE were also compensated for expenses in the total amount of €37 thousand. No additional remuneration was paid or benefits granted for personal services rendered such as consulting or agency services.

REMUNERATION OF THE SUPERVISORY BOARD OF BILFINGER SE

€ thousand

	2014	2013
Dr. Eckhard Cordes (from November 5, 2014; Chairman from November 11, 2014, Chairman of the Presiding Committee)	27	–
Dr. h. c. Bernhard Walter (Chairman until November 4, 2014, Chairman of the Presiding Committee)	153	179
Stephan Brückner (Deputy Chairman, member of the Presiding Committee)	147	144
Herbert Bodner (July 1, 2013 to August 8, 2014, member of the Audit Committee; August 9, 2014 to November 13, 2014 inactive mandate)	67	56
Volker Böhme (until December 31, 2014, member of the Audit Committee)	112	109
Wolfgang Faden (from November 14, 2014)	10	–
Dr. John Feldmann (member of the Presiding Committee, from August 9, 2014 member of the Audit Committee)	112	109
Lone Fønss Schrøder	74	72
Thomas Kern (member of the Audit Committee)	112	110
Ingo Klötzer (from May 8, 2014)	50	–
Rainer Knerler (member of the Presiding Committee)	112	109
Thomas Pleines (until April 18, 2013)	–	22
Udo Stark (Chairman of the Audit Committee)	146	146
Holger Timmer (until May 8, 2014)	27	72
Jens Tischendorf (from April 18, 2013)	76	51
Prof. Dr. Klaus Trützschler (until June 30, 2013, member of the Audit Committee)	–	55
Marek Wróbel	76	73
	1,301	1,307

Consolidated financial statements

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 12, 2015

The Executive Board

Herbert Bodner

Joachim Enenkel

Dr. Jochen Keysberg

Pieter Koolen

Joachim Müller

Auditor's report

We have audited the consolidated financial statements prepared by the Bilfinger SE, Mannheim, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report, that was combined with the company's management report, for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ['Handelsgesetzbuch': 'German Commercial Code'] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, 12 March 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Peter Wollmert	Karen Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

€ million

	Notes	2014	2013
Revenue	(6)	**7,697.2**	**7,560.5**
Cost of sales		-6,774.1	-6,508.7
Gross profit		**923.1**	**1,051.8**
Selling and administrative expense		-806.7	-757.1
Other operating income	(7)	83.5	89.5
Other operating expense	(8)	-232.9	-127.5
Income from investments accounted for using the equity method	(15)	39.8	41.3
Earnings before interest and taxes (EBIT)	(9)	**6.8**	**298.0**
Interest income	(10)	4.0	5.7
Interest expense	(10)	-40.7	-45.0
Other financial expense	(10)	0.5	-5.3
Earnings before taxes		**-29.4**	**253.4**
Income tax expense	(11)	-45.5	-72.6
Earnings after taxes from continuing operations		**-74.9**	**180.8**
Earnings after taxes from discontinued operations	(5.1)	**-27.2**	**-4.6**
Earnings after taxes		-102.1	176.2
thereof minority interest		-30.7	3.4
Net profit		**-71.4**	**172.8**
Average number of shares (in thousands)	(12)	44,168	44,149
Earnings per share* (in €)	(12)	-1.62	3.91
thereof from continuing operations		-1.00	4.01
thereof from discontinued operations		-0.62	-0.10

* Basic earnings per share are equal to diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million

		2014		2013
Earnings after taxes		-102,1		176,2
Items that will not be reclassified to the income statement				
Gains / losses from remeasurement of net defined benefit liability (asset)				
Unrealized gains / losses	-112.3		-1.5	
Income taxes on unrealized gains / losses	32.9		2.1	
		-79.4		0.6
Items that may subsequently be reclassified to the income statement				
Gains / losses on fair-value measurement of securities				
Unrealized gains / losses	-2.4		3.3	
Reclassifications to the income statement	-6.0		0.0	
Income taxes on unrealized gains / losses	0.1		-0.1	
		-8.3		3.2
Gains / losses on hedging instruments				
Unrealized gains / losses	-1.5		50.0	
Reclassifications to the income statement	-1.3		23.2	
Income taxes on unrealized gains / losses	0.9		-19.3	
		-1.9		53.9
Currency translation differences				
Unrealized gains / losses	56.7		-73.7	
Reclassifications to the income statement	3.5		-1.2	
		60.2		-74.9
Gains / losses on investments accounted for using the equity method				
Gains / losses on hedging instruments				
Unrealized gains / losses	-3.9		59.1	
Reclassifications to the income statement	23.5		37.3	
		19.6		96.4
Currency translation differences				
Unrealized gains / losses		1.0		0.0
		20.6		96.4
		70.6		78.6
Other comprehensive income after taxes		-8.8		79.2
Total comprehensive income after taxes		-110.9		255.4
attributable to shareholders of Bilfinger SE		-79.8		251.9
attributable to minority interest		-31.1		3.5

See also further explanations on the components of other comprehensive income in section 20 of the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

€ million

		Notes	Dec. 31, 2014	Dec. 31, 2013
Assets	Non-current assets			
	Intangible assets	(13)	2,015.4	2,023.3
	Property, plant and equipment	(14)	650.2	712.3
	Investments accounted for using the equity method	(15)	70.5	74.5
	Other financial assets	(16)	68.2	137.2
	Deferred tax assets	(11)	222.4	186.7
			3,026.7	**3,134.0**
	Current assets			
	Inventories	(17)	181.5	223.7
	Receivables and other financial assets	(18)	1,876.0	2,008.1
	Current tax assets		60.0	52.0
	Other assets	(19)	98.1	89.2
	Cash and cash equivalents		403.1	668.7
	Assets classified as held for sale	(5.2)	316.2	355.8
			2,934.9	**3,397.5**
			5,961.6	**6,531.5**
Equity and liabilities	Equity	(20)		
	Share capital		138.1	138.1
	Capital reserve		759.8	759.6
	Retained and distributable earnings		1,170.8	1,455.1
	Other reserves		-33.6	-104.6
	Treasury shares		-97.4	-99.0
	Equity attributable to shareholders of Bilfinger SE		1,937.7	2,149.2
	Minority interest		-20.6	15.5
			1,917.1	**2,164.7**
	Non-current liabilities			
	Provisions for pensions and similar obligations	(21)	523.7	423.1
	Other provisions	(22)	55.0	60.7
	Financial debt, recourse	(23)	515.8	517.3
	Financial debt, non-recourse	(23)	12.6	12.6
	Other liabilities	(24)	21.9	49.1
	Deferred tax liabilities	(11)	91.3	150.0
			1,220.3	**1,212.8**
	Current liabilities			
	Current tax liabilities	(22)	89.1	116.5
	Other provisions	(22)	461.3	552.4
	Financial debt, recourse	(23)	27.9	28.1
	Financial debt, non-recourse	(23)	26.9	28.2
	Trade and other payables	(24)	1,477.1	1,748.9
	Other liabilities	(25)	369.9	364.9
	Liabilities classified as held for sale	(5.2)	372.0	315.0
			2,824.2	**3,154.0**
			5,961.6	**6,531.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million

	Equity attributable to the shareholders of Bilfinger SE								Minority interest	Equity
				Other reserves						
	Share capital	Capital reserve	Retained and distributable earnings	Fair value measurement of securities reserve	Hedging instruments reserve	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2013	**138.1**	**759.3**	**1,414.4**	**5.1**	**-211.5**	**23.3**	**-100.0**	**2,028.7**	**8.0**	**2,036.7**
Earnings after taxes	0.0	0.0	172.8	0.0	0.0	0.0	0.0	172.8	3.4	176.2
Other comprehensive income after taxes	0.0	0.0	0.6	3.2	150.3	-75.0	0.0	79.1	0.1	79.2
Total comprehensive income after taxes	**0.0**	**0.0**	**173.4**	**3.2**	**150.3**	**-75.0**	**0.0**	**251.9**	**3.5**	**255.4**
Dividends paid out	0.0	0.0	-132.4	0.0	0.0	0.0	0.0	-132.4	-2.8	-135.2
Employee share program	0.0	0.3	1.5	0.0	0.0	0.0	1.0	2.8	0.0	2.8
Changes in ownership interest without change in control	0.0	0.0	-1.8	0.0	0.0	0.0	0.0	-1.8	-1.8	-3.6
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.6	8.6
Balance at December 31, 2013	**138.1**	**759.6**	**1,455.1**	**8.3**	**-61.2**	**-51.7**	**-99.0**	**2,149.2**	**15.5**	**2,164.7**
Balance at January 1, 2014	**138.1**	**759.6**	**1,455.1**	**8.3**	**-61.2**	**-51.7**	**-99.0**	**2,149.2**	**15.5**	**2,164.7**
Earnings after taxes	0.0	0.0	-71.4	0.0	0.0	0.0	0.0	-71.4	-30.7	-102.1
Other comprehensive income after taxes	0.0	0.0	-79.4	-8.3	17.7	61.6	0.0	-8.4	-0.4	-8.8
Total comprehensive income after taxes	**0.0**	**0.0**	**-150.8**	**-8.3**	**17.7**	**61.6**	**0.0**	**-79.8**	**-31.1**	**-110.9**
Dividends paid out	0.0	0.0	-132.5	0.0	0.0	0.0	0.0	-132.5	-4.6	-137.1
Employee share program	0.0	0.2	-0.1	0.0	0.0	0.0	1.6	1.7	0.0	1.7
Changes in ownership interest without change in control	0.0	0.0	-0.6	0.0	0.0	0.0	0.0	-0.6	0.0	-0.6
Other changes	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3	-0.4	-0.7
Balance at December 31, 2014	**138.1**	**759.8**	**1,170.8**	**0.0**	**-43.5**	**9.9**	**-97.4**	**1,937.7**	**-20.6**	**1,917.1**

See also further explanations on equity in section 20 of the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million

	Notes	2014	2013
Earnings after taxes from continuing operations		-74.9	180.8
Depreciation, amortization and impairments		158.8	168.4
Decrease in non-current provisions and liabilities		-29.3	-33.4
Deferred tax benefit		-21.2	-26.4
Adjustment for non-cash income from equity-method investments		-18.0	-13.2
Goodwill impairment and other write-downs		148.0	0.0
Cash earnings from continuing operations		**163.4**	**276.2**
Decrease / increase in inventories		10.2	-12.5
Increase in receivables		-21.7	-18.5
Decrease in current provisions		-40.0	-29.9
Decrease / increase in liabilities		-26.5	27.6
Change in working capital		**-78.0**	**-33.3**
Gains on disposals of non-current assets		-20.4	-32.8
Cash flow from operating activities of continuing operations	(30)	**65.0**	**210.1**
Proceeds from the disposal of intangible assets		0.1	1.0
Proceeds from the disposal of property, plant and equipment		17.2	14.5
Proceeds from the disposal of subsidiaries net of cash and cash equivalents disposed of		6.3	4.6
Proceeds from the disposal of concession projects		103.2	170.9
Disposal of cash and cash equivalents classified as assets held for sale		-32.4	-7.3
Proceeds from the disposal of other financial assets		13.2	32.2
Investments in intangible assets		-15.4	-13.1
Investments in property, plant and equipment		-123.2	-127.0
Acquisition of subsidiaries net of cash and cash equivalents acquired		-136.0	-246.7
Investments in other financial assets		-4.5	-3.8
Changes in marketable securities		50.2	0.0
Cash flow from investing activities of continuing operations	(30)	**-121.3**	**-174.7**
Issue of treasury shares as part of the employee share program		1.1	1.2
Dividend paid to the shareholders of Bilfinger SE		-132.4	-132.4
Dividend paid to minority interest		-6.9	-6.2
Proceeds from changes in ownership interest without change in control		0.1	0.2
Investments resulting in changes in ownership interest without change in control		-0.4	-3.8
Borrowing		9.3	30.6
Repayment of financial debt		-35.4	-193.3
Cash flow from financing activities of continuing operations		**-164.6**	**-303.7**
Change in cash and cash equivalents of continuing operations		**-220.9**	**-268.3**
Cash flow from operating activities of discontinued operations	(30)	-17.0	-70.9
Cash flow from investing activities of discontinued operations	(30)	-54.8	-51.6
Cash flow from financing activities of discontinued operations	(30)	10.5	7.8
Change in cash and cash equivalents of discontinued operations		**-61.3**	**-114.7**
Change in value of cash and cash equivalents due to changes in foreign exchange rates		7.6	-13.2
Cash and cash equivalents at January 1		668.6	1,087.2
Cash and cash equivalents classified as assets held for sale (Concessions) at January 1 (+)		22.4	0.0
Cash and cash equivalents classified as assets held for sale (Concessions / Construction) at December 31 (-)		13.3	22.4
Cash and cash equivalents at December 31		**403.1**	**668.6**

Notes to the consolidated financial statements 2014*

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.

In the context of the Bilfinger Excellence efficiency-enhancing program, the previous subgroup organization was discontinued and has been replaced with a divisional structure since January 1, 2014. The 12 divisions are allocated to the three existing business segments. The number of divisions declined from 14 as of March 31, 2014 by two as result of the classification of the activities of the former Construction business segment as discontinued operations.

With the introduction of the new organizational structure, the allocation of some operational Group companies to the business segments has changed. This means that from financial year 2014, output volume of approximately €310 million from 2013 with an EBITA of €24 million are shifted from the Industrial business segment and presented in the Power business segment.

In the course of the planned sale of significant portions of the Construction business segment, the activities that have been put up for sale will be classified as discontinued operations. The Construction business segment is no longer presented in segment reporting. The remaining steel construction activities with an output volume in financial year 2013 of €68 million and an EBITA of €6 million are reported in the Industrial business segment.

Marine construction, offshore and overhead power lines activities, which recorded output volume of approximately €140 million in financial year 2013 and an EBITA of €5 million and which were not originally put up for sale together with key parts of the Construction business segment, were allocated to the newly-created 'Offshore Systems and Grids' division in the Power business segment. On December 16, significant portions of the newly-created division were classified as discontinued operations. The overhead power lines business with an output volume in financial year 2013 of €11 million and an EBITA of €1 million is reported in the Power business segment.

The prior-year figures have been adjusted accordingly.

Description of reportable segments:

Industrial The Industrial business segment provides services for the design, construction, maintenance and modernization of plants, primarily in the sectors oil and gas, refineries, petrochemicals, chemicals and agro chemicals, pharmaceuticals, food and beverages, power generation, and steel and aluminum. The range of services covers consulting, engineering, project management, piping and component engineering, plant assembly, mechanical engineering, electrical, instrumentation and control technology, process engineering, insulation, scaffolding and corrosion protection. Key regions include Europe, the USA and Asia.

Power The Power business segment provides services for the maintenance, repair, efficiency enhancements, service life extensions and demolition of existing plants as well as in the design, manufacture and assembly of components for power plant construction with a focus on boiler and high-pressure piping systems. The company also erects overhead power lines for the expansion of the German grid network. Services include engineering, delivery, assembly and commissioning of power plant facilities throughout their entire lifecycles (construction, operation, demolition). Key regions include Europe, South Africa and the Middle East.

Building and Facility The Building and Facility business segment provides integrated real-estate services for the entire lifecycle of a property. The services comprise design, construction and operation of energy saving and value optimizing real-estate projects. The group manages facilities of all kinds and provides consultancy and real-estate services for fund, asset, property and facility management. In Germany, Bilfinger offers development, design and management services as well as services for construction and construction logistics. Global services in water and wastewater technology fill out our portfolio.

* Figures in € million, unless stated otherwise.

'Earnings before interest, taxes and amortization of intangible assets from acquisitions' (EBITA) is the key performance indicator for the business units and the Group, and thus the metric for earnings in our segment reporting. EBIT is also reported. 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 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 also 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. Accordingly, the corresponding expense and income items are not recorded in segment earnings (EBITA). Investments in property, plant and equipment also include investments in intangible assets such as licenses or software of €15.4 million (previous year: €13.1 million).

SEGMENT REPORTING BY BUSINESS SEGMENT

€ million

Output volume
External revenue
Internal revenue
Total revenue
EBITA (segment earnings)
Amortization of intangible assets from acquisitions and impairment of goodwill
EBIT (segment earnings)
thereof depreciation of property, plant and equipment and amortization of other intangible assets
thereof income from investments accounted for using the equity method
Segment assets at December 31
thereof investments in associates and joint ventures accounted for using the equity method
Segment liabilities at December 31
Capital expenditure on property, plant and equipment
Number of employees at December 31

SEGMENT REPORTING BY REGION

€ million

Output volume
External revenues
Non-current assets at December 31

Industrial		Power		Building and Facility		Total of segments		Consolidation / other		Total continuing operations	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
3,705.0	3,720.8	1,444.5	1,576.8	2,658.9	2,345.7	7,808.4	7,643.3	-118.2	-91.2	7,690.2	7,552.1
3,649.5	3,665.9	1,442.8	1,570.1	2,603.4	2,291.1	7,695.7	7,527.1	1.5	33.4	7,697.2	7,560.5
82.4	76.1	9.1	10.3	28.5	35.2	120.0	121.6	-120.0	-121.6	0.0	0.0
3,731.9	3,742.0	1,451.9	1,580.4	2,631.9	2,326.3	7,815.7	7,648.7	-118.5	-88.2	7,697.2	7,560.5
189.7	214.2	7.8	147.8	136.6	115.4	334.1	477.4	-136.5	-128.8	197.6	348.6
-18.4	-27.3	-154.2	-8.1	-18.2	-15.2	-190.8	-50.6	0.0	0.0	-190.8	-50.6
171.3	186.9	-146.4	139.7	118.4	100.2	143.3	426.8	-136.5	-128.8	6.8	298.0
64.1	63.7	27.0	26.5	19.9	18.1	111.0	108.3	5.5	6.0	116.5	114.3
10.8	10.3	0.4	0.4	8.4	10.9	19.6	21.6	20.2	19.7	39.8	41.3
2,014.6	2,022.1	1,016.5	1,219.1	1,620.9	1,378.6	4,652.0	4,619.8	1,022.4	1,293.6	5,674.4	5,913.4
18.4	13.6	2.0	1.7	6.8	5.1	27.2	20.4	43.3	38.6	70.5	59.0
770.4	755.7	507.1	516.5	854.4	810.7	2,131.9	2,082.9	1,582.8	1,691.7	3,714.7	3,774.6
67	73	22	34	32	21	121	128	18	12	139	140
33,016	35,018	11,561	13,479	23,712	22,069	68,289	70,566	843	561	69,132	71,127

Germany		Rest of Europe		America		Africa		Asia		Total continuing operations	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
2,840.2	2,854.9	3,339.8	3,204.4	993.9	903.6	195.4	244.1	320.9	345.1	7,690.2	7,552.1
2,849.0	2,866.7	3,350.9	3,217.8	980.2	885.4	195.6	244.7	321.5	345.9	7,697.2	7,560.5
1,268.2	1,441.6	1,059.8	889.1	282.1	255.3	19.8	21.5	35.7	36.7	2,665.6	2,644.2

2. General information

Bilfinger SE is a listed stock corporation with its registered office and headquarters at Carl-Reiss-Platz 1-5, 68165 Mannheim, Germany.

As an engineering and services group, Bilfinger develops, constructs, maintains, and operates facilities and structures for industry as well as for the energy and real-estate sectors.

The consolidated financial statements of Bilfinger SE for financial year 2014 were released for publication by the Executive Board on March 12, 2015.

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 315a Subsection 1 of the German Commercial Code (HGB), and are published in the electronic version of the German Federal Gazette ('Bundesanzeiger').

The consolidated financial statements have been prepared in accordance with the principles of historical cost of acquisition and production, with the exception of individual items such as available-for-sale financial assets and derivative financial instruments, which are shown at fair value. The consolidated financial statements have been prepared in euros. All amounts are shown in millions of euros (€ million), unless otherwise stated.

To improve the clarity of presentation, we have combined several individual items of the balance sheet and of the income statement under single headings; they are shown separately and explained in these notes to the consolidated financial statements.

The income statement is presented according to the cost-of-sales method.

Profit contributions from operating investments are generally entered under other operating income or other operating expense, whereby amounts of income and expense that relate to investments accounted for using the equity method are shown as separate items in the consolidated income statement.

3. Accounting policies

3.1 New and amended IFRSs

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

The new and amended IFRSs relevant to Bilfinger and applied as of January 1, 2014 are:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*

The effects of these changes are as follows:

IFRS 10 *Consolidated Financial Statements*

IFRS 10 harmonizes the currently valid consolidation principles of IAS 27 and SIC-12. The uniform consolidation model includes all entities that are controlled by the parent by means of voting rights or other contractual arrangements. The subsidiaries of Bilfinger are generally companies for which the voting-rights majority is the most important indicator of control and no other contractual arrangements exist. There were therefore no significant changes in Bilfinger's consolidated group and thus no significant impact on the Group's financial position, cash flows, or profitability.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces the currently valid principles on accounting for jointly controlled entities, jointly controlled assets and operations of IAS 31. The focus of IFRS 11 is no longer on the legal form of the joint arrangement, but on the way in which rights and obligations are shared among the parties to the arrangement on the basis of contracts, articles of incorporation and other agreements. Joint ventures were accounted for using the equity method, in accordance with IAS 31. In accordance with IFRS 11, consortia are classified as joint ventures and accounted for using the equity method. In past periods, earnings from joint ventures were disclosed under revenue. Earnings from consortia in the amount of €7.5 million (previous year: €9.9 million) will now be reported under income from investments accounted for using the equity method. The prior-year figures have been adjusted accordingly.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 brings the disclosure requirements concerning all interests in subsidiaries, joint arrangements and associates as well as unconsolidated structured entities into one standard, and extends the disclosures required in the notes to the consolidated financial statements.

IFRSs already published but not yet applied:

IFRS 9 *Financial Instruments*

The new standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The objective of IFRS 9 is to simplify the classification and measurement requirements for financial instruments. The standard also includes guidance regarding hedge accounting and the impairment of financial assets. The effect of the application of IFRS 9 is currently being reviewed (first application for annual periods beginning on or after January 1, 2018).

IFRS 10 *Consolidated Financial Statements* and
IAS 28 *Investments in Associates and Joint Ventures*

The amendments to IFRS 10 and IAS 28 eliminate an inconsistency between the two standards with regard to accounting for the sale of assets to an associate or a joint venture or, respectively, the contribution of assets to an associate or joint venture (first application for annual periods beginning on or after January 1, 2016).

IFRS 11 *Joint Arrangements*

The amendment to IFRS 11 provides clarification that the principles on the recognition of business combinations as set out in IFRS 3 and other applicable IFRS standards should apply to first-time purchases and additional acquisitions of interests in joint operations that constitute a business as defined in IFRS 3 *Business Combinations*, provided they do not conflict with the guidance in IFRS 11 (first application for annual periods beginning on or after January 1, 2016). At Bilfinger, this guidance will only need to be applied in special cases.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces the previous standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31) and provides uniform guidance on the recognition, measurement, presentation and disclosures required in the notes to the consolidated financial statements concerning revenue from contracts with customers on the basis of a five-step model. The impact of the application of IFRS 15 on the recognition of revenue and earnings is currently being reviewed. It is anticipated that the scope of the disclosures required in the notes to the consolidated financial statements will increase considerably (first application for annual periods beginning on or after January 1, 2017).

IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 clarify that disclosures in the notes to the consolidated financial statements are only to be made where their presentation is not immaterial. The amendments also explain the aggregation of line items on the balance sheet and the statement of comprehensive income, clarify how shares of the other comprehensive income of associates and joint ventures accounted for using the equity method are to be presented, and discard the template for the order of the notes to the consolidated financial statements in favor of relevance to a company-specific presentation (first application for annual periods beginning on or after January 1, 2016).

IAS 19 *Employee Benefits*

The amendment to IAS 19 introduces a simplification rule regarding the consideration of employee contributions in connection with defined benefit pension obligations which are made irrespective of the number of years worked (first application for annual periods beginning on or after July 1, 2014).

IAS 16 *Property, Plant and Equipment* and
IAS 38 *Intangible Assets*
The amendments to IAS 16 and IAS 38 provide clarification as to which methods of depreciation and amortization of property, plant and equipment and of intangible assets are acceptable (first application for annual periods beginning on or after January 1, 2016). The amendments have no impact on Bilfinger.

IFRIC 21 *Levies*
IFRIC 21 regulates the accounting of all levies that are not within the scope of IAS 12 *Income Taxes*. IFRIC 21 clarifies that an entity is to recognize a liability for a levy when the obligating event that triggers payment, as identified by the relevant legislation, occurs (first application for annual periods beginning on or after June 17, 2014).

Improvements to IFRSs for the 2010-2012, 2011-2013 and 2012-2014 cycles
The improvements in the three collections of amendments to IFRS standards published in connection with the *Annual Improvements Process* include several IFRSs, mainly to remove inconsistencies and to clarify wording (first application for 2010-2012 on February 1, 2015, for 2011-2013 on January 1, 2015, and for 2012-2014 on July 1, 2016).

At the end of the reporting period, IFRS 9, IFRS 15, the amendments to IFRS 10 and IAS 28, to IFRS 11, IAS 1, IAS 16 and IAS 38 as well as improvements to IFRSs 2012-2014 had not yet been endorsed by the EU Commission. 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.

3.2 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 3 and 8 years. This also includes intangible assets from service concession agreements. These are public-private partnership (PPP) projects for which the right to charge or receive a use-related fee has been agreed. They are measured at the fair value of the construction volumes delivered plus the borrowing costs allocable to the construction phase and less systematic depreciation during the operating phase. In accordance with IFRS 3/IAS 36, goodwill and other intangible assets with an indefinite or unlimited useful life are no longer amortized. Instead, these items 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 3 and 10 years; other equipment including office and factory equipment is usually depreciated over 3 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 amount. The recoverable amount represents the higher of the net selling price and the present value of estimated future cash flows. If the reason for an impairment loss recognized in prior years no longer applies, the carrying amount 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.

With lease agreements where the risks and rewards of ownership of the leased asset are allocated to a company of the Bilfinger Group (finance leases), the item is capitalized at the lower of its fair value or the present value of the lease payments. Systematic depreciation takes place over the useful lifetime. Payment obligations resulting from future lease payments are recognized under financial liabilities.

The classification of agreements as lease agreements takes place on the basis of the substance of the transaction. That is, a test is carried out as to whether the fulfillment of the agreement depends on the use of specific assets and whether the agreement confers the right of use of those assets.

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 themselves 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 are 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 at the end of the reporting period if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their carrying amounts 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 is 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 are presented within financial income / expenses. 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 a company becomes a party to the contractual provisions of the instrument. Initial measurement is at fair value including transaction costs. Subsequent measurement of financial instruments is either at amortized cost or fair value, depending on the allocation of the instrument to the categories stipulated in IAS 39 (Financial Instruments). 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.

IAS 39 divides financial assets into four categories:

Financial Assets Held for Trading (FAHfT) (Financial Assets at Fair Value through Profit or Loss)	Financial assets held for trading (financial assets at fair value through profit or loss)
Held-to-Maturity Investments (HtM)	Held-to-maturity financial investments
Loans and Receivables (LaR)	Loans and receivables
Available-for-Sale Financial Assets (AfS)	Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale, and those that are not classified to any of the other three categories of financial assets listed above.

Financial liabilities are divided into the following categories:

Financial Liabilities Held for Trading (FLHfT) (Financial Liabilities at Fair Value through Profit or Loss)	Financial liabilities held for trading (financial liabilities at fair value through profit or loss)
Financial Liabilities at Amortized Cost (FLAC)	Financial liabilities at amortized cost

The amortized cost of a financial asset or financial liability is calculated using the effective interest method from the historical cost of acquisition minus capital repaid plus or minus the accumulated amortization of any difference between the original amount and the amount repayable at maturity and minus any depreciation and impairments or plus reversals.

With current receivables and liabilities, amortized cost is equal to the nominal value or the redemption amount.

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., with traded financial instruments), the replacement method (e.g., with property, plant or equipment) or the discounted-cash-flow method (e.g., with OTC derivatives).

Receivables from concession projects are measured at amortized cost. Receivables due from concession projects relate to all services provided in connection with the performance of public-private partnership (PPP) projects for which a fixed payment was agreed irrespective of the extent of use.

Equity interests in non-listed companies shown under other non-current financial assets are classified as available-for-sale financial assets. They are measured at fair value if that value can be reasonably estimated; otherwise they are measured at amortized cost (AfS-AC). Initial measurement is at the settlement date. Unrealized gains and losses from changes in fair value are recognized in equity with no impact on profit or loss, with due consideration of deferred taxes.

Receivables and other financial assets are measured at amortized cost, with the exception of derivative financial instruments. Possible default risks are reflected by allowances for bad debts in separate accounts. Individual impairments are recognized if there is an indication of a loss in value such as delayed payment or if there is information on the contracting party's significant financial difficulties and the present value of the expected future payments plus any payments from the disposal of sureties or other risk-reducing agreements is lower than the carrying amount. Irrecoverable receivables are written off.

Receivables from construction contracts are accounted for in accordance with IAS 11 using the percentage-of-completion (PoC) method. Revenue is recognized in relation to the percentage of completion of each contract.

The percentage of completion is generally determined on the basis of the output that has been produced at the end of the reporting period. If, for construction contracts, output has been produced which exceeds the amount of advances received, this excess is shown under trade receivables. If the amount of advances received from invoices is higher than the output produced, this excess is shown under advances received from construction contracts. Receivables from percentage of completion correspond to the balance of progress payments invoiced less progress payments received; they are shown together with trade receivables. Anticipated contract losses are accounted for in full from the time that they become known.

Receivables from the provision of services are accounted for in accordance with IAS 18 also using the percentage-of-completion method – provided that the conditions for application are fulfilled – and are presented analogously to receivables from construction contracts.

Construction contracts processed in consortiums are measured according to the percentage-of-completion method. Receivables from and payables to consortiums take account not only of payments received and made, but also of internal cost allocations and prorated profits on orders.

Securities are measured at fair value. Changes in the market prices of securities held for trading are recognized in profit or loss. Changes in the market prices of other securities measured at fair value are recognized in retained earnings (fair valuation of securities reserve) with no effect on profit or loss, with due consideration of deferred taxes. With these securities, impairment losses are recognized if there is any indication of a lasting reduction in value.

Cash and cash equivalents, primarily comprising cash at banks and cash in hand, are measured at amortized cost.

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.

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, currency options and interest-rate and commodity swaps.

In accordance with IAS 39, derivative financial instruments are recognized at their fair values as assets (positive fair value) or liabilities (negative fair value). Initial recognition is on the trading day.

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).

With derivative financial instruments related to hedging instruments, measurement depends on changes in fair value due to the type of hedging instrument.

The goal of hedging with the use of a fair-value hedge is to offset changes in the fair values of balancesheet assets and liabilities, or of off-balance fixed obligations, through opposing changes in the market value of the hedging transaction. The carrying amount of the hedged underlying transaction is adjusted to changes in market values if these changes result from the hedged risk factors. The changes in market values of the hedging transactions and the adjustments of the carrying amounts of the hedged underlying transactions are recognized through profit or loss.

Cash-flow hedges are used to safeguard future cash flows from assets or liabilities recognized in the balance sheet or from transactions that are planned with a high degree of certainty. Changes in the effective part of the fair value of a derivative are at first recognized under equity with no effect on profit or loss, with due consideration of deferred taxes (hedging transactions reserve), and are only recognized through profit or loss when the hedged underlying transaction is realized. The ineffective part of the hedging instrument is recognized immediately through profit or loss.

Derivative financial instruments that are not related to a hedging instrument as defined by IAS 39 are deemed to be financial assets or financial liabilities held for trading. For these financial instruments, changes in fair value are immediately recognized through profit or loss.

Share-based payments as defined by IFRS 2 are measured on the basis of the share price with consideration of a discount due to the lack of dividend entitlement at fair value at the end of the reporting period. 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, 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 saleable 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 write-ups due to an increase in fair value less cost to sell are limited to the impairments of the assets previously recognized.

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 construction contracts is recognized in accordance with IAS 11 Construction Contracts with the use of the percentage-of-completion method – provided that the conditions for application are fulfilled. The percentage of completion is mainly calculated on the basis of the ratio at the end of the reporting period of the output volume already delivered to the total output volume to be delivered. The percentage of completion is also calculated from the ratio of the actual costs already incurred at the end of the reporting period to the planned total costs (cost-to-cost method). If the results of construction contracts cannot be reliably estimated, revenue is calculated using the zero-profit method in the amount of the costs incurred and probably recoverable.

Revenue from the provision of services is recognized in accordance with IAS 18.20 with the use of the percentage-of-completion method – provided that the conditions for application are fulfilled. In the area of services, percentage of completion is mainly calculated using the cost-to-cost method.

Revenue from the sale of goods is recognized according to the criteria of IAS 18.14 (revenue recognition on the transfer of significant risks and rewards of ownership).

In the operating phase of concession projects, the recognition of revenue from operating services depends upon whether a financial or an intangible asset is to be received as consideration for the construction services provided.

If a financial asset is to be recognized, i.e., the operator receives a fixed payment from the grantor irrespective of the extent of use, revenue from the provision of operating services is recognized according to IAS 18 using the percentage-of-completion method. The percentage of completion is calculated using the cost-to-cost method.

If an intangible asset is to be received, i.e., the operator receives payments from the users or from the client depending on use, the payments for use are recognized as revenue according to IAS 18 generally in line with the extent of use of the infrastructure by the users.

If the operator receives both use-dependent and use-independent payments, revenue recognition is split in accordance with the ratio of the two types of payment.

Expenditures for research and development such as for the further development of processes and special innovative technical proposals for individual projects are generally recognized in the income statement on a project-related basis. In the reporting period, research and development expenses of €15.3 million (previous year: €12.6 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 item	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 finite 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)
Assets capitalized in the context of finance leasing	Fair value upon capitalization or present value of minimum leasing payments less systematic depreciation (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)
Receivables from concession projects	Amortized cost (effective-interest method, indication-induced impairment tests)
Securities (AfS)	Fair value
Securities (HtM)	Amortized cost (effective-interest method, indication-induced impairment tests)
Inventories	Lower of cost of acquisition or production or net realizable value
Receivables from construction and services contracts	Percentage-of-completion method, amortized cost
Loans granted and receivables	Amortized cost (effective-interest method, indication-induced impairment tests)
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	Fair value
Deferred taxes	Taxable temporary differences
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)

3.3 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.

The assumptions and estimates primarily relate to evaluations of the following items:

- Revenue by the 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. In 2014, revenue of €4,422.0 million was realized by the percentage-of-completion method (previous year: €4,427.6 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 individual projects and influencing factors.

- Allowances for bad debts: Allowances for bad debts include to a great extent estimates and assessments of individual receivables that are based on the creditworthiness of the respective client, current economic developments and collaterals received. The carrying amount of receivables at December 31, 2014 was €1,805.0 million (previous year: €1,904.3 million), whereby allowances for default risks for trade receivables amounted to €24.8 million (previous year: €27.1 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 counterparties and relevant factors.
- 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 21 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 at December 31, 2014 was €516.3 million (previous year: €613.1 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 taxes: 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 at December 31, 2014 was €222.4 million (previous year: €186.7 million).
- Impairment of goodwill: 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. See Note 13 of the notes to the consolidated financial statements for further details.

3.4 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 book values 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 output volume have been adjusted to exclude any inter-company profits. Deferred taxes from consolidation processes affecting profit have been accrued / deferred.

3.5 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	
		2014	2013	**2014**	2013
Australia	AUD	1.4724	1.3770	1.4829	1.5423
China	CNY	8.1883	8.1655	7.5358	8.3491
United Kingdom	GBP	0.8064	0.8493	0.7789	0.8337
India	INR	81.0689	77.8753	76.7190	85.3660
Canada	CAD	1.4669	1.3685	1.4063	1.4671
Qatar	QAR	4.8381	4.8366	4.4200	5.0180
Croatia	HRK	7.6346	7.5791	7.6580	7.6265
Nigeria	NGN	219.2327	211.5442	225.0440	220.9624
Norway	NOK	8.3551	7.8051	9.0420	8.3630
Poland	PLN	4.1846	4.1971	4.2623	4.1472
Sweden	SEK	9.0969	8.6505	9.3930	8.8591
Switzerland	CHF	1.2146	1.2309	1.2024	1.2276
South Africa	ZAR	14.4065	12.8308	14.0353	14.5660
Czech Republic	CZK	27.5344	25.9755	27.7250	27.4250
Hungary	HUF	308.6608	297.0133	314.8900	296.9100
United Arab Emirates	AED	4.8802	4.8795	4.4574	5.0614
United States	USD	1.3288	1.3282	1.2141	1.3791

4. Consolidated group

4.1 Changes in the consolidated group and inclusion

162 (previous year: 174) companies in Germany and 201 (previous year: 199) companies based outside of Germany have been included in the consolidated financial statements. Of these, 1 (previous year: 14) company in Germany and 14 (previous year: 39) companies based outside of Germany have been consolidated for the first time in the reporting period. In addition, 13 (previous year: 4) companies in Germany and 12 (previous year: 11) companies based outside of Germany were no longer included in the consolidated group due to sale or merger. A further 42 (previous year: 43) 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 a separate list of 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

In financial year 2014, payments of €129 million were made for the acquisition of fully consolidated companies – after offsetting €4 million in acquired cash and cash equivalents. The purchase price for these companies amounts to €133 million.

In addition, payments of €5 million were made for the acquisition of minority interests, which had been recognized as liabilities in accordance with IAS 32. Payments in the amount of €2 million for earn-out liabilities recognized in the prior year were also made. Overall, this led to an outflow of cash and cash equivalents in the amount of €136 million.

Effective July 1, 2014, we acquired the British company GVA Grimley Holdings Limited, Birmingham. This group of companies is a market leader for real-estate consulting services in the United Kingdom, has 1,500 employees and generated an output volume of approximately €220 million in the reporting period.

In financial year 2013, payments of €191 million were made for the acquisition of fully consolidated companies – after offsetting €37 million in acquired cash and cash equivalents. The purchase price for these companies amounts to €231 million, of which €3 million has been recognized as a purchase-price liability.

In addition, payments of €32 million were made for the acquisition of minority interests, which had been recognized as liabilities in accordance with IAS 32. Payments in the amount of €2 million for successive acquisitions and €19 million for earn-out liabilities recognized in the prior year were also made. Subsequent costs of acquisition for equity interests amounted to €2 million.

Overall, this led to an outflow of cash and cash equivalents in the amount of €246 million.

With effect as of January 9, 2013, we acquired Helmut Mauell GmbH, Velbert, Wuppertal, for a price of €7 million. This specialist for power plant control technology had 460 employees and an annual output volume of approximately €65 million.

With effect as of February 26, 2013, we acquired the American water technology specialist Johnson Screens Inc., New Brighton, Minnesota, for a price of €103 million. The company was founded in 1904; it had approximately 1,200 employees and an annual output volume of approximately €165 million.

With effect as of March 22, 2013, we acquired GreyLogix GmbH, Flensburg, for a price of €14 million. This specialist for automation technology generated an annual output volume of €45 million with a workforce of 300 persons.

Effective December 13, 2013, we acquired Europa Support Services Ltd., Manchester, United Kingdom, for a price of €76 million. This facility management company with a focus on the British and Irish markets generated an output volume of €190 million with a workforce of 3,300 people. The purchase price allocation was provisional due to the short period of time between the acquisition and the end of the reporting period.

The newly acquired companies affected the Group's assets and liabilities at the time of acquisition as follows:

EFFECTS AT THE TIME OF ACQUISITION

	2014	2013
Goodwill	121.2	152.8
Intangible assets from acquisitions	42.3	37.4
Property, plant and equipment and other intangible assets	7.1	35.6
Other non-current assets	5.5	15.6
Receivables	42.5	115.3
Other current assets	12.5	45.4
Cash and cash equivalents	3.5	37.4
Total assets	**234.6**	**439.5**
Retirement benefit obligation	14.0	33.3
Other Provisions	12.6	19.4
Financial debt	19.7	16.0
Other liabilities	55.4	139.6
Total liabilities	**101.7**	**208.3**
Total purchase price	**132.9**	**231.2**

With the exception of capitalized intangible assets from acquisitions, the capitalized fair values shown primarily reflect the carrying amounts in the balance sheets of the acquired companies. Goodwill in the amount of €121.2 million includes inseparable intangible assets such as the expert knowledge of the employees as well as anticipated synergy effects and market opportunities. The acquired goodwill is not deductible for tax purposes. The adjustment of the purchase price allocation in 2013 resulted in changes in goodwill in the amount of minus €5.3 million.

Since the respective dates of first-time consolidation, the companies acquired and consolidated for the first time in the reporting period generated sales revenues of €112.8 million (previous year: €284.6 million) and EBITA of €8.3 million (previous year: €16.0 million).

In full-year 2014, the companies acquired during that year generated total revenue in the amount of €220.6 million (previous year: €543.5 million) and EBITA in the amount of €14.4 million (previous year: €22.8 million).

4.3 Sale of companies

In connection with discontinuing the Concessions business segment, the remaining five concession projects were sold to the listed company Bilfinger Berger Global Infrastructure Fund in 2013 (see Note 5, for further information). Of these, three were fully consolidated and two were accounted for using the equity method.

In the prior-year period, seven concession projects were sold to the listed company Bilfinger Berger Global Infrastructure Fund. Of these, two were fully consolidated and five were accounted for using the equity method.

The overall effects of the sale were as follows:

EFFECTS AT THE TIME OF SALE

	2014	2013
Disposal of assets classified as held for sale	-405.3	-373.0
Disposal of liabilities classified as held for sale	353.0	298.8
Disposal of net assets	**-52.3**	**-74.2**
Derecognition of minority interest	1.9	0.0
Reclassification of other comprehensive income into the income statement	-26.5	-50.2
Other changes	**-24.6**	**-50.2**
Sale price	**94.6**	**170.9**
Capital gain	**17.7**	**46.5**

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 €0.6 million (previous year: €1.8 million). In 2013, minority interest decreased by €1.8 million.

5. Discontinued operations

Discontinued operations comprise

- the equity interests of the former Concession business segment, which were put up for sale on May 15, 2013 and December 20, 2013,
- the significant portions of the former Construction business segment put up for sale on May 8, 2014,
- the significant portions of the 'Offshore Systems and Grids' division put up for sale on December 16, 2014, as well as
- the sold company Valemus Australia and abandoned construction activities.

The last three items are consolidated for presentation purposes as 'construction activities'.

On May 15, 2013, the Executive Board of Bilfinger SE decided to discontinue the activities in the Concessions business segment. On November 15, 2013, an agreement was signed with the infrastructure fund BBGI, which is listed on the London Stock Exchange, on the acquisition by BBGI of the projects offered for sale by Bilfinger. In addition, Bilfinger's interest in the German A1 highway project, which is accounted for using the equity method, was classified as held for sale on December 20, 2013 and was also presented under discontinued operations. The investments not held for sale continue to be presented as continuing operations. In segment reporting they are presented under 'Consolidation / other'. This primarily relates to two transport infrastructure concession projects accounted for using the equity method.

In addition, the Executive Board of Bilfinger SE decided on May 8, 2014 to sell significant portions of the former Construction business segment. However, this did not include steel construction activities in particular. On December 22, a contract was signed with the Swiss construction and construction services company Implenia regarding the takeover of the activities put up for sale. Approval was granted by German and foreign antitrust authorities in January 2015, and the transaction is expected to close in the first quarter of 2015.

Additionally, the Executive Board adopted a resolution on December 16, 2014 to sell significant portions of the 'Offshore Systems and Grids' division, which, however, did not include Bilfinger's overhead power lines business.

In accordance with the provisions of IFRS 5, the investments held for sale were presented 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 systematic 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.

5.1 Earnings from discontinued operations

Earnings from discontinued operations are comprised as follows:

	2014	2013
Concessions	14.2	3.7
Construction activities	-41.4	-8.3
Earnings after taxes from discontinued operations	**-27.2**	**-4.6**

A loss after taxes from discontinued operations of €8.5 million is attributable to Bilfinger SE shareholders (previous year: net income fully attributable).

Concessions

	2014	2013
Output volume (for information only)	8.8	38.5
Revenue	37.8	123.6
Expenses / income	-42.0	-134.7
Impairment loss	0.0	-33.7
Gain on the sale of concession projects	17.7	46.5
EBIT	**13.5**	**1.7**
Net interest result	-0.1	1.6
Earnings before taxes	**13.4**	**3.3**
Income tax expenses	0.8	0.4
Earnings after taxes	**14.2**	**3.7**

Construction activities

	2014	2013
Output volume (for information only)	815.3	956.5
Revenue	765.6	844.2
Expenses / income	-756.3	-853.8
Impairment loss	-48.0	0.0
EBIT	**-38.7**	**-9.6**
Net interest result	0.2	1.3
Earnings before taxes	**-38.5**	**-8.3**
Income tax expenses	-2.9	0.0
Earnings after taxes	**-41.4**	**-8.3**

Due to changes in energy policy in Europe, which have a negative impact on the expected revenue targets, the carrying amounts of investments in a production site in Poland for steel foundations for offshore wind turbines were impaired. The resulting expense of €48 million is recognized as an impairment loss. Of that amount, €18 million is allocable to minority interest.

5.2 Assets classified as held for sale and liabilities classified as held for sale

Assets and liabilities classified as held for sale are allocated as follows to the disposal groups ‘Concessions’ and ‘Construction activities’:

	Dec. 31, 2014	Dec. 31, 2013
Concessions	0.0	355.8
Construction activities	316.2	0.0
Assets classified as held for sale	**316.2**	**355.8**
Concessions	0.0	315.0
Construction activities	372.0	0.0
Liabilities classified as held for sale	**372.0**	**315.0**

Concessions

The discontinued operations of the former 'Concessions' business segment, which are presented as a disposal group, were in the previous year the investments not yet transferred to the purchaser and the German A1 highway project.

The assets and liabilities classified as held for sale of the 'Concessions' disposal group were comprised as follows:

	Dec. 31, 2014	Dec. 31, 2013
Receivables from concession projects	0.0	285.1
Other non-current assets	0.0	28.5
Current assets	0.0	19.8
Cash and cash equivalents	0.0	22.4
Assets classified as held for sale, Concessions	**0.0**	**355.8**
Financial debt, non-recourse	0.0	284.1
Other liabilities	0.0	30.9
Liabilities classified as held for sale, Concessions	**0.0**	**315.0**

The accumulated other comprehensive income after taxes of the Concessions disposal group amounted to minus €26.5 million as of December 31, 2013, of which €0.1 million was attributable to minority interest.

Construction activities

The discontinued operations presented as the construction activities disposal group comprise the activities put up for sale.

The assets and liabilities of the construction activities disposal group classified as held for sale comprise the following:

	Dec. 31, 2014	Dec. 31, 2013
Goodwill	4.4	0.0
Other non-current assets	133.5	0.0
Current assets	165.0	0.0
Cash and cash equivalents	13.3	0.0
Assets classified as held for sale, construction activities	**316.2**	**0.0**
Non-current liabilities	47.7	0.0
Current liabilities	324.3	0.0
Liabilities classified as held for sale, construction activities	**372.0**	**0.0**

The construction activities group's accumulated other comprehensive loss after taxes recognized in equity as of the balance sheet date amounts to €6.2 million.

Notes to the income statement*

The income and expenses of the activities of the former 'Construction' business segment and the 'Offshore Systems and Grids' division put up for sale are presented in accordance with IFRS 5 in the item 'Earnings after taxes from discontinued operations' and no longer in the individual items under continuing operations. The prior-year figures have been adjusted accordingly.

6. Revenue

Revenue of €4,422.0 million (previous year: €4,427.6 million) includes revenue resulting from the application of the percentage-of-completion method.

7. Other operating income

	2014	2013
Income from operating investments	14.3	24.5
Gains on currency translation	13.0	2.7
Income from the reversal of other provisions	8.9	7.1
Gains on the disposal of property, plant and equipment	3.4	10.5
Income from the reversal of impairments on trade receivables	2.7	3.5
Other income	41.2	41.2
Total	**83.5**	89.5

The amount for income from operating investments includes a gain of €9.3 million (previous year: €19.3 million) from the reduction of our investment in Julius Berger Nigeria.

Other income relates to the remeasurement of contingent consideration for the acquisition of subsidiaries of €27.2 million (previous year: €26.4 million), and numerous other items of minor individual importance.

* Figures in € million, unless stated otherwise.

8. Other operating expense

	2014	2013
Goodwill impairment	148.0	0.0
Other restructuring expenses	38.9	0.0
Excellence restructuring expenses	24.0	68.9
Losses on currency translation	10.5	0.6
Impairment of trade receivables	4.5	8.1
Losses on the disposal of property, plant and equipment	1.6	1.8
Expenses from operating investments	0.1	2.5
Other expenses	5.3	45.6
Total	232.9	127.5

Goodwill impairments of €148.0 million were recognized on cash-generating units in the Power business segment (see Note 13).

Other restructuring expenses relate in particular to the Industrial and Power business segments.

The Excellence restructuring expenses primarily reflect expenses for workforce reductions in connection with the Bilfinger Excellence efficiency-enhancing program.

The other expenses include impairments of other assets as well as numerous other items of minor individual importance. The previous year had included the expense from a subsequent payment of contingent consideration of €7 million for the acquisition of a company in addition to the items mentioned in the foregoing.

9. Personnel expenses and average number of employees

The following table shows personnel expenses as well as the average number of employees.

	2014	2013
Personnel expenses (€ million)	3,323.1	3,160.8
Average number of employees		
Office staff		
Germany	11,585	11,404
International	16,823	15,483
Manual workers		
Germany	12,297	11,364
International	27,971	27,602
Total workforce	68,676	65,853

The total number of employees relates to continuing operations.

10. Interest and other financial income / expense

Interest and other financial income / expense comprise the following items of the income statement:

		2014		2013
Interest income		**4.0**		**5.7**
Current interest expense		-27.2		-31.5
Interest cost on defined benefit obligation (DBO)	-21.9		-21.0	
Interest income on plan assets	8.4	-13.5	7.5	-13.5
Interest expense		**-40.7**		**-45.0**
Income on securities		6.1		2.4
Interest expense for minority interest		-5.6		-7.7
Other financial expense		**0.5**		**-5.3**
Total		**-36.2**		**-44.6**

Interest income is primarily earned on deposits of cash and cash equivalents with variable interest rates. Current interest expense is mainly incurred on financial debt excluding non-recourse debt with fixed interest rates.

With an unchanged investment policy, an increase in interest rates would lead to higher interest income.

The interest expense for minority interest of €4.8 million (previous year: €6.1 million) reflect 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. €0.8 million of the interest expense for minority interest (previous year: €1.6 million) constitutes the interest compounded on purchase-price liabilities from the acquisition of equity interests.

11. Income tax expense

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.

	2014	2013
Actual taxes	66.8	99.0
Deferred taxes	-21.3	-26.4
Total	**45.5**	**72.6**

The tax expense calculated with the tax rate of Bilfinger SE can be reconciled with the actual tax expense as follows:

	2014	2013
Earnings before taxes	-29.4	253.4
Theoretical tax expense at 30.95%	-9.1	78.4
Tax-rate differences	-5.7	-6.8
Tax-rate effects of non-deductible expenses and tax-free income	38.3	1.2
Losses for which no deferred tax assets are capitalized and changes in value adjustments	8.9	2.3
Taxes from other accounting periods	-0.3	-2.5
Tax on forfeiture of loss carryforwards pursuant to Sec. 8c of the German Corporate Income Tax Act (KStG)	13.4	0.0
Income tax expense	**45.5**	**72.6**

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.

The increase of tax-rate effects of non-deductible expenses and tax-free income primarily resulted from non-deductible goodwill impairments.

As a result of the acquisition of Bilfinger shares during the reporting period by Cevian Capital and that company's share purchases since 2011, pursuant to Section 8c of the German Corporate Income Tax Act (KStG), the Bilfinger Group's tax-loss carryforwards in Germany (corporate income tax and trade tax) are reduced by 25.62 percent. Accordingly, deferred tax assets recognized on tax-loss carryforwards have been written down by €13.4 million.

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, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	10.2	11.6	57.4	56.4
Current assets	14.2	12.8	39.3	96.5
Provisions	119.7	105.3	0.4	1.0
Liabilities	0.6	1.6	0.2	1.7
Tax-loss carryforwards				
Corporate income tax (or comparable taxes outside Germany)	57.0	38.8	–	–
Trade taxes	26.7	22.2	–	–
Offsetting	-6.0	-5.6	-6.0	-5.6
Carried in the balance sheet	**222.4**	**186.7**	**91.3**	**150.0**

At the end of the reporting period, deferred taxes in the amount of €53.9 million (previous year: €20.0 million) mainly from the measurement of retirement benefit obligations according to IAS 19 as well as from the measurement of financial instruments according to IAS 39 were offset against equity.

The total amount of deferred tax assets of €222.4 million (previous year: €186.7 million) includes future reductions in tax payments in an amount of €83.7 million (previous year: €61.0 million) that arise from the expected utilization in future years of existing tax-loss carryforwards. The realization of the tax-loss carryforwards is reasonably certain. Non-capitalized tax-loss carryforwards for corporate income tax (or comparable taxes outside Germany) amount to €137.0 million (previous year: €112.5 million) and for trade tax to €38.2 million (previous year: €47.0 million).

Of the tax-loss carryforwards not recognized as deferred tax assets, €3.6 million (previous year: €5.9 million) will expire within the next 5 years, €14.2 million (previous year: €1.5 million) within the next 10 years, €14.6 million (previous year: €0.2 million) within the next 15 years and €20.7 million (previous year: €13.7 million) within the next 20 years.

Deferred tax liabilities for tax payments on possible future dividend payments out of subsidiaries' retained earnings have not been recognized if these earnings are required for the long-term financing of the respective subsidiaries.

Sufficient provisions have been set aside for risks resulting from tax items not yet assessed as of the date of the calculation of tax assets and tax liabilities. The tax items are determined based on the most likely interpretation of tax code provisions.

12. Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

	2014	2013
Net profit	-71.4	172.8
Weighted average number of shares issued	44,168,430	44,148,945
Earnings per share, basic / diluted (in €)	**-1.62**	**3.91**
thereof from continuing operations	-1.00	4.01
thereof from discontinued operations	-0.62	-0.10

Notes to the balance sheet*

Because the activities put up for sale of the 'Construction' business segment and the 'Offshore Systems and Grids' division have been classified as discontinued operations, the assets and liabilities of the fully consolidated companies or, respectively, the carrying amounts of the investments accounted for using the equity method are presented as of December 31, 2014 in accordance with IFRS 5 under the separate items 'Assets held for sale' or 'Liabilities held for sale'. This is reflected by changes to numerous items of the balance sheet compared with December 31, 2013, since, in line with IFRS 5, the prior-year figures have not been adjusted.

13. Intangible assets

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2014	**100.5**	**1,885.7**	**340.8**	**1.9**	**2,328.9**
Additions to the consolidated group	5.3	115.9	42.3	0.0	163.5
Disposals in the consolidated group	0.4	0.2	0.0	0.0	0.6
Additions	13.8	0.0	0.0	1.5	15.3
Disposals	15.5	0.0	131.8	0.0	147.3
Reclassifications	0.9	0.0	0.0	-1.5	-0.6
Currency adjustments	0.3	22.8	8.5	0.0	31.6
Reclassification of construction activities	-3.9	-5.7	0.0	0.0	-9.6
December 31, 2014	**101.0**	**2,018.5**	**259.8**	**1.9**	**2,381.2**

ACCUMULATED AMORTIZATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2014	**70.3**	**0.2**	**235.1**	**0.0**	**305.6**
Additions to the consolidated group	3.3	0.0	0.0	0.0	3.3
Disposals in the consolidated group	0.4	0.1	0.0	0.0	0.5
Additions	11.8	148.0	42.9	0.0	202.7
Disposals	16.4	0.0	131.8	0.0	148.2
Reclassifications	-0.5	0.0	0.0	0.0	-0.5
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.1	-0.1	5.1	0.0	5.1
Reclassification of construction activities	-1.7	0.0	0.0	0.0	-1.7
December 31, 2014	**66.5**	**148.0**	**151.3**	**0.0**	**365.8**
Carrying amount December 31, 2014	**34.5**	**1,870.5**	**108.5**	**1.9**	**2,015.4**

* Figures in € million, unless stated otherwise.

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2013	**87.6**	**1,744.5**	**309.5**	**1.4**	**2,143.0**
Additions to the consolidated group	12.9	152.8	37.4	0.0	203.1
Disposals in the consolidated group	0.9	0.4	0.0	0.0	1.3
Additions	11.9	0.0	0.0	1.8	13.7
Disposals	9.5	0.9	0.0	0.0	10.4
Reclassifications	1.5	-0.3	0.3	-1.3	0.2
Currency adjustments	-3.0	-10.0	-6.4	0.0	-19.4
Reclassification of construction activities	0.0	0.0	0.0	0.0	0.0
December 31, 2013	**100.5**	**1,885.7**	**340.8**	**1.9**	**2,328.9**

ACCUMULATED AMORTIZATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2013	**63.8**	**0.4**	**188.7**	**0.0**	**252.9**
Additions to the consolidated group	7.5	0.0	0.0	0.0	7.5
Disposals in the consolidated group	0.7	0.2	0.0	0.0	0.9
Additions	10.9	0.0	50.6	0.0	61.5
Disposals	9.4	0.0	0.0	0.0	9.4
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	-1.8	0.0	-4.2	0.0	-6.0
Reclassification of construction activities	0.0	0.0	0.0	0.0	0.0
December 31, 2013	**70.3**	**0.2**	**235.1**	**0.0**	**305.6**
Carrying amount December 31, 2013	**30.2**	**1,885.5**	**105.7**	**1.9**	**2,023.3**

Goodwill

Due to the change in the organization of the Group from a subgroup structure to a divisional structure (see Note 1), a new allocation of goodwill was made to the divisions as cash-generating units in financial year 2014. Goodwill is distributed among the divisions as shown in the following table:

	2014
Division / business segment	
Industrial Maintenance	182.5
Insulation, Scaffolding and Painting	54.8
Oil and Gas	62.5
Industrial Fabrication and Installation	232.9
Engineering, Automation and Control	147.6
Support Services	70.1
Industrial	**750.4**
Power Systems	244.9
Piping Systems	116.4
Power	**361.3**
Building	18.6
Facility Services	400.9
Real Estate	189.7
Water Technologies	106.9
Government Services	42.7
Building and Facility	**758.8**
Total	**1,870.5**

In the previous year, goodwill of €1,885.5 million had been distributed among the subgroups as follows:

- €549.6 million to Bilfinger Industrial Services
- €303.3 million to Bilfinger Industrial Technologies
- €364.1 million to Power
- €586.4 million to Bilfinger Facility Services
- €37.6 million to Bilfinger Government Services
- €7.5 million to Bilfinger Hochbau
- €32.6 million to Bilfinger Construction
- €4.4 million to Bilfinger Infrastructure

Annual impairment tests pursuant to IAS 36 now take place at the divisional level. In addition to the annual impairment tests, an impairment test is also to be carried out when indications exist that the carrying amount of a cash-generating unit exceeds its recoverable amount.

In the course of an analysis of the current business situation of each division in the third quarter of 2014, it was decided that a fundamental reassessment of the situation is required in the Power business segment due to the difficult market environment. As a result of low capacity utilization and low price levels in markets that are relevant for Bilfinger, earnings expectations for 2014 have had to be significantly reduced once again. The considerably worsened market situation in Germany and other European countries has also led to an adjustment to the earnings forecast for the years to follow. It therefore became necessary to carry out non-scheduled impairment tests of the goodwill of the cash-generating units in the Power business segment. The impairment test led to goodwill impairment in the 'Power Systems' division of €69.3 million and in the 'Piping Systems' division of €78.7 million.

The recoverable amounts of the cash-generating units at the interim balance sheet date correspond with their values in use, which are derived from their discounted future cash flows. The calculation is based on the planning figures over a three-year period, as approved by the Group's management. Planning is based on past experience, current operating results and the best possible assessment by the Group's management of future developments. Market assumptions are taken into consideration with the use of external macroeconomic and industry-specific sources. For subsequent periods, for the sake of a cautious assessment, cash flows were assumed for which future growth only in the form of expected inflation-related price increases was considered and organic growth was not taken into account.

The discount rates before taxes calculated using the capital asset pricing model for the cash-generating units were 9.4 to 11.5 percent in the Industrial segment (previous year: 9.3 percent), 10.9 to 13.5 percent in the Power segment (previous year: 11.3 percent), and 8.1 to 10.4 percent in the Building and Facility segment (previous year: 9.2 percent).

A comparison of the recoverable amounts of the units with their carrying amounts including goodwill did not result in any further need for impairments as of December 31, 2014.

For the vast majority of divisions, even a significant increase in the discount rate or a significantly negative deviation from the cash flows assumed in the planning figures would not have resulted in a need to impair goodwill. The lowest thresholds are indicated for the divisions of the Power business segment, where an increase in the discounting multiplier by approximately 1.5 percentage points or a decline in the planned cash flows by nearly 20 percent would result in impairments.

Intangible assets from acquisitions

Intangible assets from acquisitions reflect the portions of purchase prices attributed to acquired customer relations (e.g. order backlogs, framework agreements and client bases) and are amortized over their useful lives using the straight-line method.

14. Property, plant and equipment

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
January 1, 2014	**447.0**	**693.4**	**702.7**	**22.9**	**1,866.0**
Additions to the consolidated Group	0.0	0.3	14.5	0.0	14.8
Disposals in the consolidated Group	0.1	0.6	0.2	0.0	0.9
Additions	23.4	36.2	54.4	9.2	123.2
Disposals	3.5	17.1	44.1	1.8	66.5
Reclassifications	9.5	-4.2	5.2	-10.0	0.5
Currency adjustments	1.6	13.0	0.2	0.1	14.9
Reclassification of construction activities	-15.4	-217.7	-58.3	-10.0	-301.4
December 31, 2014	**462.5**	**503.3**	**674.4**	**10.4**	**1,650.6**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
January 1, 2014	**193.2**	**500.4**	**460.1**	**0.0**	**1,153.7**
Additions to the consolidated Group	0.0	0.0	9.8	0.0	9.8
Disposals in the consolidated Group	0.1	0.6	-0.1	0.0	0.6
Additions	11.6	34.6	58.3	0.0	104.5
Disposals	3.0	14.4	41.7	0.0	59.1
Write-ups	0.2	0.0	0.0	0.0	0.2
Reclassifications	0.0	-3.2	3.7	0.0	0.5
Currency adjustments	0.1	4.2	0.4	0.0	4.7
Reclassification of construction activities	-4.4	-169.5	-39.0	0.0	-212.9
December 31, 2014	**197.2**	**351.5**	**451.7**	**0.0**	**1,000.4**
Carrying amount December 31, 2014	**265.3**	**151.8**	**222.7**	**10.4**	**650.2**
thereof finance leases **Carrying amount December 31, 2014**	**14.9**	**0.0**	**2.3**	**0.0**	**17.2**

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
January 1, 2013	**417.5**	**677.1**	**643.0**	**13.4**	**1,751.0**
Additions to the consolidated Group	36.7	31.4	28.9	0.2	97.2
Disposals in the consolidated Group	1.4	15.1	1.4	0.1	18.0
Additions	14.9	49.3	70.0	22.4	156.6
Disposals	13.8	31.3	31.6	0.3	77.0
Reclassifications	3.8	2.4	6.4	-12.7	-0.1
Currency adjustments	-7.1	-20.3	-12.3	0.0	-39.7
Reclassification of Concessions	-3.6	-0.1	-0.3	0.0	-4.0
December 31, 2013	**447.0**	**693.4**	**702.7**	**22.9**	**1,866.0**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
January 1, 2013	**172.0**	**481.2**	**407.9**	**0.0**	**1,061.1**
Additions to the consolidated Group	21.3	23.1	22.8	0.0	67.2
Disposals in the consolidated Group	0.4	12.0	1.1	0.0	13.5
Additions	13.7	51.3	63.2	0.0	128.2
Disposals	6.0	27.7	29.2	0.0	62.9
Write-ups	0.0	0.0	0.0	0.0	0.0
Reclassifications	-1.6	-2.7	4.3	0.0	0.0
Currency adjustments	-2.4	-12.7	-7.5	0.0	-22.6
Reclassification of Concessions	-3.4	-0.1	-0.3	0.0	-3.8
December 31, 2013	**193.2**	**500.4**	**460.1**	**0.0**	**1,153.7**
Carrying amount December 31, 2013	**253.8**	**193.0**	**242.6**	**22.9**	**712.3**
thereof finance leases **Carrying amount December 31, 2013**	**20.6**	**0.1**	**3.2**	**0.0**	**23.9**

Finance-lease transactions in the reporting period mainly involve buildings with contract periods of up to 30 years.

The payment obligation resulting from finance leases is recognized in the amount of the present value of future lease payments due. The minimum lease payments, consisting of present value and interest portion, are shown in the following table:

	< 1 year	1-5 years	> 5 years	Total
2014				
Lease payments	2.3	8.2	8.2	18.7
Interest portion	0.1	0.5	4.1	4.7
Carrying amount / present value	**2.2**	**7.7**	**4.1**	**14.0**
2013				
Lease payments	4.5	6.1	12.4	23.0
Interest portion	0.2	1.0	4.9	6.1
Carrying amount / present value	**4.3**	**5.1**	**7.5**	**16.9**

15. 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.

The carrying amounts of or, respectively, income from investments accounted for using the equity method are distributed to associates and joint ventures as follows:

	Associates	Joint ventures	Total
December 31, 2014			
Carrying amount of investments accounted for using the equity method	56.2	14.3	**70.5**
Income from investments accounted for using the equity method	22.7	17.1	**39.8**
December 31, 2013			
Carrying amount of investments accounted for using the equity method	64.4	10.1	**74.5**
Income from investments accounted for using the equity method	21.6	19.7	**41.3**

15.1 Associates

Significant associates:

Name	Julius Berger Nigeria PLC		M6 Tolna Autópálya Koncessziós Zrt.		M6 Duna Autópálya Koncessziós Zrt.	
Principal place of business	Abuja, Nigeria		Budapest, Hungary		Budapest, Hungary	
Activity	Construction		Concession project		Concession project	
Bilfinger's share	30.31 %	33.40%	45.00 %	45.00%	40.00 %	40.00 %
	Dec. 31, 2014	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Dividends received from the investee	**4.5**	5.1	**0.5**	0.0	**3.2**	2.3
Non-current assets	512.0	396.1	509.2	503.1	326.2	352.1
Current assets	499.1	432.3	26.9	26.1	53.2	52.0
Non-current liabilities	464.8	431.3	619.4	557.1	341.4	355.4
Current liabilities	429.8	317.7	14.3	13.4	16.3	19.8
Net assets/equity	**116.5**	79.4	**-97.6**	-41.3	**21.7**	28.9
Group's share of net assets	35.3	26.5	-43.9	-18.6	8.7	11.6
Unabsorbed losses from reserves for hedging instruments			43.9	18.6		
Correction for minority interests / miscellaneous	-0.7	0.5				
Carrying amount of the investee using the equity method	**34.6**	27.0	**0.0**	0.0	**8.7**	11.6
Revenue	945.2	865.0	5.7	5.9	11.8	11.4
Profit from continuing operations	39.0	28.5	3.4	3.5	8.3	8.0
Other comprehensive income for the period	0.5	2.7	-58.6	44.8	-7.4	14.5
Total comprehensive income for the period	**39.5**	31.2	**-55.2**	48.3	**0.9**	22.5

The fair value (quoted price, i.e., level 1 of the IFRS 13 fair value hierarchy) of the shares held by Bilfinger in Julius Berger Nigeria amounted to €107.8 million at December 31, 2014 (previous year: €131.1 million), whereby Bilfinger's equity interest decreased from 33.4 percent to 30.31 percent.

There are loan agreements with associates M6 Duna and Tolna that restrict the payment of dividends and interest on shareholder loans if certain key figures are not reached.

Aggregated disclosure concerning insignificant associates:

	Dec. 31, 2014	Dec. 31, 2013
Carrying amount of the investee accounted for using the equity method	**12.9**	25.8
Group's share of profit / loss from continuing operations	2.5	1.5
Group's share of other comprehensive income for the period	0	0
Group's share of total comprehensive income for the period	**2.5**	1.5

If the proportionate losses – including other comprehensive income – exceed the carrying amount of the investment, neither losses nor gains are recognized. The cumulative amount of unrecognized losses from associates at December 31, 2014 is €36.2 million (previous year: €10.9 million). Losses of €7.7 million (previous year: €7.7 million) exceeding the carrying amount of the investment were offset against loans granted to investees accounted for using the equity method (see Note 16). Unrecognized losses increased by €25.3 million in the financial year (previous year: €38.5 million). These amounts result from unrealized losses recognized in other comprehensive income from hedging transactions for concession projects.

15.2 Joint ventures

Significant joint ventures:

Name		Tebodin & Partner LLC
Principal place of business		Muscat, Oman
Activity		Engineering
Bilfinger's share	50.0 %	50.0 %
	Dec. 31, 2014	Dec. 31, 2013
Dividends received from the investee	**5.0**	**5.3**
Non-current assets	3.5	2.6
Current assets not including cash and cash equivalents	29.4	24.1
Cash and cash equivalents	4.2	2.2
Non-current liabilities not including financial debt	2.8	2.6
Current liabilities not including financial debt	10.5	10.1
Net assets / equity	**23.8**	**16.2**
Group's share of net assets	11.9	8.1
Carrying amount of the investee using the equity method	**11.9**	**8.1**
Revenue	73.2	66.8
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.9	-0.8
Income tax expense	-1.8	-1.9
Remaining income (loss) from continuing operations	16.6	17.5
Profit from continuing operations	13.9	14.8
Total comprehensive income for the period	**13.9**	**14.8**

Aggregated disclosure concerning insignificant joint ventures:

	Dec. 31, 2014	Dec. 31, 2013
Carrying amount of the investee accounted for using the equity method	**2.4**	**1.9**
Group's share of profit / loss from continuing operations	10.2	12.3
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	**10.2**	**12.3**

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.

16. Other financial assets

	2014	2013
Loans	18.6	15.6
Equity interests (available for sale, at cost)	14.2	12.4
Derivative financial instruments in hedging relationships	1.3	0.7
Securities (available for sale)	0.6	53.4
Securities (held to maturity)	0.1	0.1
Other financial assets	33.4	55.0
Total	**68.2**	**137.2**

Equity interests (available for sale, at cost) include shares in non-listed companies, which are measured at cost of acquisition.

In the previous year, securities (available for sale) primarily related to an equity interest of 8.74 percent in the publicly listed Bilfinger Berger Global Infrastructure SICAV S.A. (BBGI), which was sold during the reporting period.

Other financial assets primarily comprise amounts that serve to fulfill pension obligations.

The carrying amounts of the loans were reduced by a total of €7.7 million (previous year: €7.7 million) through netting with negative market values from hedging transactions recognized in other comprehensive income.

17. Inventories

Inventories are comprised as follows:

	2014	2013
Real-estate properties held for sale	37.6	45.9
Finished goods and work in progress	20.2	27.4
Raw materials and supplies	87.2	103.7
Advance payments made	36.5	46.7
Total	**181.5**	**223.7**

18. Receivables and other financial assets

	2014	2013
Receivables		
trade receivables (including receivables from percentage of completion)	1,755.2	1,827.6
from consortiums and joint ventures	23.8	49.1
from companies in which equity is held	26.0	27.6
	1,805.0	**1,904.3**
Derivatives		
in hedging relationships	3.6	6.5
not in hedging relationships	7.2	12.6
	10.8	**19.1**
Other financial, non-derivative assets	60.2	84.7
Total	**1,876.0**	**2,008.1**

Construction contracts measured according to the percentage-of-completion method but not yet finally invoiced are recognized as follows:

	2014	2013
Costs incurred plus recognized profits	5,293.9	5,930.3
Less advance billings	5,105.9	5,801.7
Balance	**188.0**	**128.6**
thereof future receivables from construction contracts	427.6	458.2
thereof advance payments received from construction contracts	239.6	329.6

The amount of future receivables from construction contracts is included under trade receivables.
Advance payments received totaled €4,917.3 million (previous year: €5,546.8 million).
Receivables include security deposits in the amount of €13.5 million (previous year: €13.4 million).

Details of days overdue and impairments of trade receivables are as follows:

	2014	2013
Receivables neither overdue nor impaired	1,361.8	1,364.7
Receivables overdue but not impaired		
less than 30 days	253.1	288.6
30 to 90 days	68.7	69.7
91 to 180 days	24.4	25.4
more than 180 days	43.3	72.1
	389.5	**455.8**
Residual value of impaired receivables	3.9	7.1
Total	**1,755.2**	**1,827.6**

Impairments of trade receivables for default risks developed as follows:

	2014	2013
Opening balance	**27.1**	**32.1**
Changes in the consolidated group, currency differences	-2.3	-3.3
Allocations (impairment losses)	4.5	8.5
Utilization	1.8	6.7
Withdrawals (gains on impairment reversals)	2.7	3.5
Closing balance	**24.8**	**27.1**

All losses and gains from the impairment of trade receivables are recognized under other operating income and other operating expenses.

No default risk is recognizable for the receivables that are not impaired.

Other financial non-derivative assets comprise receivables and assets outside the field of supplying goods and services.

19. Other assets

Other assets primarily include value-added tax claims of €55.2 million (previous year: €43.8 million) and prepaid expenses of €30.1 million (previous year: €23.1 million).

20. Equity

The classification of equity and changes in equity are presented in the consolidated statement of changes in equity.

Share capital amounts to €138.1 million, unchanged from the end of 2013. It is divided into 46,024,127 bearer shares with an arithmetical value of €3.00 per share.

By resolution of the Annual General Meeting of May 8, 2014, with the consent of the Supervisory Board, the Executive Board has been authorized until May 7, 2019 to increase the company's share capital by up to €69.0 million (Approved Capital 2014). The capital increase serves to issue new shares against cash and / or non-cash contributions.

By resolution of the Annual General Meeting of April 18, 2013, the share capital was increased by up to €13.8 million by the issue of up to 4,602,412 new bearer shares with a proportionate amount of the share capital of €3.00 per share (Contingent Capital 2013). 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 April 17, 2018.

With the approval of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, the Executive Board of Bilfinger SE bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share in February 2008. Of these, 17,635 shares were issued during financial year 2013 as part of employee stock ownership plans and another 31,047 were issued for the same purpose during the reporting period. Since then, the company has held 1,835,318 treasury shares, equivalent to 3.99 percent of current voting rights. The company has no rights from these shares (Section 71 b AktG). No cancellation of the treasury shares is currently planned.

We refer to the explanation given in the management report pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 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.

Retained and distributable earnings

	2014	2013
Retained and distributable earnings	92.0	138.1
Remeasurement of net defined pension plans	-140.5	-61.1
Employee share program	0.8	0.9
Other retained earnings	1,218.5	1,377.2
Total	**1,170.8**	**1,455.1**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE for the 2014 financial year of €92.0 million be appropriated as follows:

Distribution of a dividend of €2.00 per dividend-entitled share	88.3
Carried forward to new account	3.7
Retained and distributable earnings	**92.0**

This proposal on the appropriation of earnings is based on the dividend-entitled share capital at March 12, 2015 of €132.6 million (divided into 44,188,809 ordinary shares). Due to a change in the number of treasury shares, the number of dividend-entitled shares may change by the time of the resolution on the appropriation of distributable earnings by the Annual General Meeting. In that case, the Executive Board and the Supervisory Board will make a correspondingly adjusted proposal to the Annual General Meeting on the appropriation of distributable earnings with an unchanged dividend of €2.00 per share. In the prior year, the dividend amounted to €3.00 per share entitled to a dividend. The total dividend distribution was €132.5 million.

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 €195.1 million before deferred taxes (previous year: €82.8 million) and €140.5 million after consideration of deferred taxes (previous year: €61.1 million).

As part of an employee share program 2012, employees of Group companies in Germany, once the relevant plan conditions were met, were granted the right to free bonus shares. The share buyback carried out through the stock exchange in 2012 for the issue of free shares to the employees, the periodic recognition of expenses from the program in financial years 2012 to 2014 as well as the first-time granting of these bonus shares in the reporting period led to changes in retained earnings.

Other retained earnings principally comprise amounts established from earnings in the reporting period or in previous financial years.

Other reserves

The fair-value measurement of securities reserve includes unrealized gains and losses on financial assets classified as available for sale and primarily related to shares in listed investment funds in the previous year.

The hedging instruments reserve includes the unrealized gains and losses from hedging highly probable future cash flows, taking into consideration any deferred tax effects, and primarily relates to interest-rate derivatives for concession projects accounted for using the equity method.

The currency translation reserve reflects all currency differences arising from the translation of financial statements of foreign subsidiaries.

21. Provisions for pensions and similar obligations

Various retirement benefit obligations exist at the Bilfinger Group, whose heterogenic nature 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 pension provision when they fall due.

Pension plans that do not meet the definition of defined contribution pension plans are deemed to be defined benefit pension plans and are recognized in the balance sheet 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 financial assets – with due consideration of any asset ceilings.

Obligations from pension commitments are calculated separately for each plan by estimating the amounts of future pension entitlements, which 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 mortality tables; these are the 2005 G Guideline Tables by Klaus Heubeck in Germany and the BVG 2010 Generation Tables in Switzerland.

ACTUARIAL ASSUMPTIONS	Eurozone	Other countries (weighted)	Eurozone	Other countries (weighted)
		2014		2013
Discount rate	2.0%	2.0%	3.5%	2.8%
Projected increase in wages and salaries	2.75%	1.5%	2.75%	1.7%
Projected pension increase	1.5%	0.7%	1.4%	0.4%

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	Eurozone	Switzerland	Other countries	Total	Eurozone	Switzerland	Other countries	Total
				2014				2013
Defined benefit obligation of funded pension plans	181.9	113.0	33.0	327.9	173.9	82.7	28.6	285.2
Defined benefit obligation of non-funded pension plans	430.5	–	49.0	479.5	363.5	–	30.3	393.8
Defined benefit obligation of all pension plans	**612.4**	**113.0**	**82.0**	**807.4**	**537.4**	**82.7**	**58.9**	**679.0**
in percent	76%	14%	10%	100%	79%	12%	9%	100%
Defined benefit obligation of funded pension plans	181.9	113.0	33.0	327.9	173.9	82.7	28.6	285.2
Fair value of plan assets	169.0	88.3	31.6	288.9	176.7	66.5	31.1	274.3
Funded status	**12.9**	**24.7**	**1.4**	**39.0**	**-2.8**	**16.2**	**-2.5**	**10.9**
thereof provisions for pensions	18.1	24.7	1.4	44.2	11.6	16.2	1.5	29.3
thereof net assets	5.2			5.2	14.4	–	4.0	18.4
Provision for funded pension plans	18.1	24.7	1.4	44.2	11.6	16.2	1.5	29.3
Provision for non-funded pension plans	430.5	–	49.0	479.5	363.5	–	30.3	393.8
Provisions for pensions and similar obligation, total	**448.6**	**24.7**	**50.4**	**523.7**	**375.1**	**16.2**	**31.8**	**423.1**

Of gross defined benefit obligations of €807.4 million (previous year: €679.0 million), 76 percent (previous year: 79 percent) relates to the countries of the eurozone. A further 14 percent (previous year: 12 percent) relates to Switzerland and 10 percent (previous year: 9 percent) relates to other non-eurozone countries, especially Scandinavia. In the eurozone, the majority of the pension plans in the amount of €527.1 million relates to Germany (previous year: €465.8 million) and €66.0 million relates to obligations in Austria (previous year: €57.6 million).

The pension plans of Group companies in Germany are generally structured so that employees receive commitments to retirement, invalidity and dependants 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 relief and 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 dependants 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. The direct benefit obligation (DBO) at the end of the reporting period amounts to €121.9 million. 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 pension commitments, assets in a total amount of €120.6 million 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 investment 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.

In Switzerland, company pensions are subject to the Federal Act on Company Retirement, Dependants and Invalid Provision (BVG), whereby such plans are to be administered by legally independent funds. These funds are managed by a board of directors comprising equal numbers of representatives of the employees and of the employers, and are subject to state supervision.

The plan benefits include retirement pension, invalidity pension and dependants pension. The BVG sets certain minimum thresholds in this respect and obliges employers and employees to pay appropriate wage-related contributions into a fund.

Employees' pension rights exist solely in relation to the fund; there is no liability on the part of the employer. In the case of the fund having insufficient cover, however, suitable remediation measures are to be taken in order to eliminate the deficit within an appropriate time. Within the context of these measures, additional contributions may have to be paid by employees and employer.

Retirement benefits are defined by the contribution primacy, risk benefits are defined by the benefit primacy.

The plan assets are invested together with the assets of other pension plans. For each employee, an individual retirement benefit account exists, to which the annual contributions are credited and accrue interest. At the end of the reporting period, obligations of €113.0 million are recognized (previous year: €82.7 million) while plan assets are measured at €88.3 million (previous year: €66.5 million). There is thus a cover shortfall of €24.7 million (previous year: €16.2 million), primarily due to the lower level of interest rates and increased life expectancy following the introduction of the generation-specific BVG 2010 mortality table in 2011. The cover shortfall is to be eliminated in the medium term by taking suitable measures, in particular by reducing the interest credits on pension accounts. The employer contributions to the Swiss pension plans anticipated in 2015 amount to €4.2 million (previous year: €2.9 million).

Pension obligations in Austria 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	Non-funded	Total	Funded	Non-funded	Total
			2014			2013
Defined benefit obligation at January 1	**285.2**	**393.8**	**679.0**	**279.0**	**362.2**	**641.2**
Reclassification to liabilities classified as held for sale	-18.4	-4.1	-22.5			
Interest cost on DBO	8.4	13.5	21.9	8.2	13.6	21.8
Service cost	5.0	7.5	12.5	6.8	6.5	13.3
current service cost	6.0	7.2	13.2	6.8	6.6	13.4
past service cost	-1.1	0.3	-0.8	0.0	-0.1	-0.1
gains / losses on settlements	0.1	0.0	0.1	0.0	0.0	0.0
Settlement payments	-0.1	0.0	-0.1	-0.1	-0.1	-0.2
Pension payments	-12.0	-19.3	-31.3	-11.9	-18.8	-30.7
Employee contributions	4.1	0.0	4.1	3.2	0.0	3.2
Currency adjustments	1.1	-1.1	0.0	-4.0	-2.4	-6.4
Additions to the consolidated group	0.0	14.0	14.0	11.3	35.3	46.6
Disposals from the consolidated group	-0.9	0.0	-0.9	0.0	-3.7	-3.7
Transfers to / from other companies	12.7	0.0	12.7	-4.7	-0.2	-4.9
Actuarial gains (-) / losses (+)	42.8	75.2	118.0	-2.6	1.4	-1.2
from changes in demographic assumptions	1.1	3.4	4.5	0.7	1.6	2.3
from changes in financial assumptions	42.5	71.5	114.0	-0.7	0.0	-0.7
from experience adjustments	-0.8	0.3	-0.5	-2.6	-0.2	-2.8
Defined benefit obligation at December 31	**327.9**	**479.5**	**807.4**	**285.2**	**393.8**	**679.0**
Fair value of plan assets at January 1	**274.3**		**274.3**	**259.2**		**259.2**
Reclassification to liabilities classified as held for sale	-16.6		-16.6			
Interest income on plan assets	8.4		8.4	8.1		8.1
Settlement payments	-0.1		-0.1	-0.1		-0.1
Pension payments	-12.0		-12.0	-11.9		-11.9
Allocations to fund (company contributions)	12.6		12.6	16.0		16.0
Allocations to fund (employee contributions)	4.2		4.2	3.9		3.9
Currency adjustments	0.5		0.5	-3.5		-3.5
Additions to the consolidated group	0.0		0.0	10.3		10.3
Disposals from the consolidated group	-0.9		-0.9	-0.2		-0.2
Transfers to / from other companies	12.8		12.8	-4.7		-4.7
Remeasurements	5.7		5.7	-2.7		-2.7
Changes from asset ceiling	0.0		0.0	-0.1		-0.1
Fair value of plan assets at December 31	**288.9**		**288.9**	**274.3**		**274.3**
Defined benefit obligation at December 31	**327.9**	**479.5**	**807.4**	**285.2**	**393.8**	**679.0**
Fair value of plan assets at December 31	**288.9**		**288.9**	**274.3**		**274.3**
Funded status at December 31	-39.0	-479.5	-518.5	-10.9	-393.8	-404.7
Net pension provisions at December 31	**44.2**	**479.5**	**523.7**	**29.3**	**393.8**	**423.1**
Net plan assets at December 31	**5.2**		**5.2**	**18.4**		**18.4**
Gains / losses recognized in profit or loss						
Current service cost	-6.0	-7.2	-13.2	-6.8	-6.6	-13.4
Past service cost	1.1	-0.3	0.8	0.0	0.1	0.1
Gains / losses from plan settlements	-0.1	0.0	-0.1	0.0	0.0	0.0
Net interest cost (-) / income (+)	0.0	-13.5	-13.5	-0.1	-13.6	-13.7
Net pension cost	**-5.0**	**-21.0**	**-26.0**	**-6.9**	**-20.1**	**-27.0**

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.

Defined contribution pension expense amounted to €36.7 million (previous year: €27.4 million); €1.1 million (previous year: €1.2 million) thereof relate to the Executive Board of Bilfinger SE.

The weighted average duration of the pension obligations is 13.6 years.

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2014	Dec. 31, 2013
Total assets	**288.9**	**274.3**
Assets with a quoted market price	**239.7**	**224.2**
Cash and cash equivalents	6.6	3.6
Equity instruments	21.7	27.3
thereof shares Europe, North America and Australia	21.6	26.4
thereof shares emerging markets	0.1	0.9
Debt instruments	87.8	90.6
thereof government bonds	28.8	54.5
thereof corporate bonds investment grade	44.2	18.9
thereof corporate bonds non-investment grade	0.8	0.3
thereof covered bonds	14.0	16.9
Investment funds	123.1	102.3
thereof equity funds	13.9	5.1
thereof bond funds	47.7	77.0
thereof money-market funds	5.9	6.0
thereof real-estate funds	2.7	0.0
thereof other funds	52.9	14.2
Other assets	0.5	0.4
Assets without a quoted market price	**49.2**	**50.1**
Equity instruments	4.1	4.0
thereof shares	3.9	3.7
thereof other equity instruments	0.2	0.3
Debt instruments	1.0	1.0
thereof bonds	0.0	0.0
thereof other debt instruments	1.0	1.0
Real-estate properties	15.0	16.5
thereof used by the Group	0.0	0.0
Qualifying insurance policies	26.3	23.2
Other assets	2.8	5.4

For the year 2015, contribution payments to pension plans of €14.0 million are planned.

The pension obligations recognized at the end of the reporting period will probably lead to the following – undiscounted – cash outflows in the next 10 financial years.

EXPECTED PENSION PAYMENTS

	2015	2016	2017	2018	2019	2020-24
	34	36	36	37	39	215

Contributions of €127.4 million were paid to state pension insurance institutions (previous year: €126.8 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 obligation (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, 2014	
	0.5 percentage point increase	0.5 percentage point decrease
Discount rate	-50.5	52.6
Projected wages and salaries	16.1	-15.7
Projected pension increase	29.5	-27.0

22. Current tax liabilities and other provisions

	Current tax liabilities	Risks relating to contracts and litigation	Warranty risks	Personnel-related obligations	Restructuring measures	Other uncertain liabilities	**Other provisions**	Total
As of January 1, 2014	**116.5**	**214.2**	**94.1**	**80.2**	**66.8**	**157.8**	**613.1**	**729.6**
Utilization	74.9	65.9	9.9	36.1	38.2	36.1	186.2	261.1
Release	5.0	12.1	14.1	4.6	0.0	12.6	43.4	48.4
Additions	51.4	48.5	23.0	37.4	54.5	45.5	208.9	260.3
Currency adjustments	1.2	0.3	0.1	0.9	0.0	1.0	2.3	3.5
Changes in the consolidated group	1.4	0.0	-1.2	4.5	0.0	7.1	10.4	11.8
Reclassification of construction activities	-1.5	-57.9	-12.2	-7.3	-0.5	-10.9	-88.8	-90.3
As of December 31, 2014	**89.1**	**127.1**	**79.8**	**75.0**	**82.6**	**151.8**	**516.3**	**605.4**

Maturities of current tax liabilities and other provisions

	Non-current		Current		Total	
	2014	2013	**2014**	2013	**2014**	2013
Current tax liabilities	**0.0**	0.0	**89.1**	116.5	**89.1**	116.5
Other provisions	**55.0**	60.7	**461.3**	552.4	**516.3**	613.1
Risks relating to contracts and litigation	7.9	7.1	119.2	207.1	127.1	214.2
Warranty risks	12.8	17.6	67.0	76.5	79.8	94.1
Personnel-related obligations	29.3	29.6	45.7	50.6	75.0	80.2
Restructuring measures	0.0	0.0	82.6	66.8	82.6	66.8
Other uncertain liabilities	5.0	6.4	146.8	151.4	151.8	157.8
Total	**55.0**	60.7	**550.4**	668.9	**605.4**	729.6

Risks relating to contracts and litigation primarily comprise provisions for risks from current projects, provisions for reworking and provisions for litigation risks. The provisions for litigation risks include anticipated payments in the double-digit million range (euros) from an ongoing legal dispute in connection with a former construction project in North America.

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 restructuring measures relate to commitments associated with the efficiency-enhancement program Bilfinger Excellence in the amount of €52.0 million (previous year: €66.8 million) and other restructuring measures in the amount of €30.6 million (previous year: €0.0 million). In addition to costs for site closures, the provisions primarily relate to severance payments for departing employees.

Other contingent liabilities include a provision 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.

23. Financial debt

	Non-current		Current		Total	
	2014	2013	**2014**	2013	**2014**	2013
Bank debt (non-recourse)	12.6	12.6	26.9	28.2	39.5	40.8
Financial debt, non-recourse	**12.6**	12.6	**26.9**	28.2	**39.5**	40.8
Bonds (recourse)	500.0	500.0	0.0	0.0	500.0	500.0
Bank debt (recourse)	3.9	4.7	25.8	23.8	29.7	28.5
Finance leases	11.9	12.6	2.1	4.3	14.0	16.9
Financial debt, recourse	**515.8**	517.3	**27.9**	28.1	**543.7**	545.4

Project-related non-recourse financing is taken out solely on the respective financed project, without any recourse to Bilfinger.

Liabilities from bonds relate to an unsubordinated unsecured bond placed in December 2012 in the amount of €500 million, for which repayment is due in December 2019.

24. Trade and other payables

	2014	2013
Liabilities from derivatives, non-current		
in hedging relationships	0.8	2.7
not in hedging relationships	1.8	0.9
	2.6	**3.6**
Other non-current financial, non-derivative liabilities	19.3	45.5
Other non-current liabilities	**21.9**	**49.1**
Trade payables	858.0	955.3
advance payments received from construction contracts	239.6	329.6
liabilities to joint ventures and consortiums	69.3	143.3
liabilities to companies in which equity is held	20.8	20.6
	1,187.7	**1,448.8**
Liabilities from derivatives, current		
in hedging relationships	2.0	1.8
not in hedging relationships	13.2	6.6
	15.2	**8.4**
Other current financial, non-derivative liabilities	274.2	291.7
Trade and other current payables	**1,477.1**	**1,748.9**

25. Other liabilities

	2014	2013
Liabilities for sales tax and other taxes	176.0	160.8
Personnel obligations	121.4	130.9
Social-security levies	40.8	43.4
Deferred income and / or accrued expenses	31.7	29.8
Total	**369.9**	**364.9**

26. Additional information on financial instruments

The carrying amounts and fair values of financial assets and financial liabilities, classified according to the categories of IAS 39 and indicating the fair value hierarchy according to IFRS 13, are as follows:

	Level according to IFRS 13 hierarchy	IAS 39 category	Carrying amount	Fair value	Carrying amount	Fair value
				2014		2013
Assets						
Equity interests (available for sale, at cost)	–	AfS-aC	14.2	–	12.4	–
Receivables	2	LaR	1,805.0	1,805.0	1,904.3	1,904.3
Other financial, non-derivative assets	2	LaR	112.2	112.2	155.4	155.9
Securities	1	AfS	0.6	0.6	53.4	53.4
Securities	2	HtM	0.1	0.1	0.1	0.1
Cash and cash equivalents	1	LaR	403.1	403.1	668.7	668.7
Derivatives						
in hedging relationships	2	(Hedge)	4.9	4.9	7.2	7.2
not in hedging relationships	2	FAHfT	7.2	7.2	12.6	12.6
Liabilities						
Financial debt, non-recourse	2	FLAC	39.5	41.0	40.8	42.2
Financial debt recourse, bonds	1	FLAC	500.0	532.5	500.0	506.9
Financial debt recourse, without bonds and finance leases	2	FLAC	29.7	29.7	28.5	28.5
Finance leases, recourse	2	(IAS 17)	14.0	20.3	16.9	24.4
Liabilities	2	FLAC	1,187.7	1,187.7	1,448.8	1,448.8
Other non-derivative liabilities	2	FLAC	293.5	293.5	337.2	337.5
Derivatives						
in hedging relationships	2	(Hedge)	2.8	2.8	4.5	4.5
not in hedging relationships	2	FLHfT	15.0	15.0	7.5	7.5
Valuation category						
Loans and receivables		LaR	2,320.3	2,320.3	2,728.4	2,729.0
Available-for-sale financial assets		AfS	0.6	0.6	53.4	53.4
Available-for-sale financial assets at cost		AfS-aC	14.2	–	12.4	–
Held-to-maturity financial investments		HtM	0.1	0.1	0.1	0.1
Financial assets held for trading		FAHfT	7.2	7.2	12.6	12.6
Financial liabilities held for trading		FLHfT	15.0	15.0	7.5	7.5
Financial liabilities at amortized cost		FLAC	2,050.4	2,084.4	2,355.3	2,363.9

AGGREGATED PRESENTATION ACCORDING TO IFRS 13 HIERARCHY LEVELS	Level	Recognized at fair value	Fair value for information only in the Notes	Recognized at fair value	Fair value for information only in the Notes
			2014		2013
Assets	1	0.6	403.1	53.4	668.7
	2	12.1	1,917.3	19.8	2,060.3
	3	0.0	0.0	0.0	0.0
Liabilities	1	0.0	532.5	0.0	506.9
	2	17.8	1,572.2	12.0	1,881.4
	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 *loans and receivables, held-to-maturity financial investments* and *financial liabilities at amortized cost*, 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 available-for-sale securities and of the recourse financial debt from the bonds issues in financial year 2012 are derived from the respective stock-exchange prices.

Equity interests are measured at cost of acquisition as fair values cannot be reliably determined.

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.

No reclassifications between the IFRS 13 measurement hierarchy levels took place in 2014.

Net earnings from financial instruments classified according to IAS 39 measurement categories are as follows:

	IAS 39 category	2014	2013
Valuation category			
Loans and receivables	LaR	-5,9	-5,5
Available-for-sale financial assets	AfS	7,1	-0,3
Financial instruments held for trading	FAHfT & FLHfT	0,9	-3,2
Financial liabilities at amortized cost	FLAC	-0,7	-6,4

Interest and dividends are not components of net earnings shown.

The net earnings of the measurement category *loans and receivables* include impairments, reversals and income / expenses from currency translation.

The net earnings of the measurement category *available-for-sale financial assets* include gains / losses realized on disposals and impairments.

The net earnings of the measurement category *financial instruments held for trading* include gains / losses on measurement at fair value as well as gains / losses realized on disposals.

The net earnings of the measurement category *financial liabilities at amortized cost* primarily comprise gains / losses realized on currency translation.

With regard to impairment losses, see also the development of the account for allowances for non-collection of trade receivables.

The derivatives contracted by Bilfinger are partially subject to legally enforceable netting arrangements (ISDA agreement), 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 €4.5 million (previous year: €6.0 million); the carrying amount of the corresponding derivatives with negative fair values is €3.2 million (previous year: €2.0 million). This results in the theoretical net amount of €1.3 million (previous year: €4.0 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

27. Risks related to financial instruments, financial risk management and hedging relationships

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 Group Treasury. All relevant equity interests and joint ventures are included in this monitoring. There is no extraordinary concentration of risk.

Default risk is the risk that a contracting party of a financial instrument does not fulfill its payment obligations. Substantial counterparty risks can arise in connection with the investment of liquid funds and the application of derivative financial instruments. To limit such risks, we enter into appropriate financial transactions, as a rule, with banks that have been classified by the Financial Stability Board as systemically relevant or that have a 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.

Liquidity risk is the risk that a company will have difficulties fulfilling the payment obligations arising from its financial liabilities.

On the basis of rolling cash-flow planning, liquidity risks in the Group are monitored and controlled centrally. Within the context of central financing, Bilfinger SE is available to its subsidiaries as a lender of last resort. With the exception of economically less relevant regions, the Group's internal equalization of liquidity in Europe and the USA is supported by cross-border cash pooling.

Investment financing is carried out with consideration of matching maturities. In financial year 2012, a €500 million bond with maturity in 2019 was issued. To finance working capital, we have a €500 million pre-approved credit line at attractive conditions that is in place until 2016.

The credit facilities of more than €2.5 billion available for the execution of our project and services business are of sufficient size to provide support for continued corporate development. Furthermore, we also have a surety program of $750 million in place for carrying out our business operations in North America. All credit commitments can be called due prematurely in the case of a change of control. The firmly committed credit facility includes a financial covenant in the form of a limitation of the dynamic gearing ratio. Any breach can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis. At no time did such a threat exist.

The following chart shows the future contractual undiscounted payments on financial liabilities as of December 31, 2014 and December 31, 2013 (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 (commodity derivatives), net payments are shown.

	Carrying amount	Total	2015	2016	2017	2018 - 21	> 2021
2014							
Financial debt, non-recourse	39.5	**42.6**	27.3	1.1	1.4	5.4	7.4
Financial debt, recourse, excluding finance leases	529.7	**589.1**	38.0	12.6	12.2	526.3	0.0
Finance leases, recourse	14.0	**20.5**	2.3	1.5	1.2	6.4	9.1
Liabilities	1,187.7	**1,187.7**	1,181.7	1.1	1.5	1.9	1.5
Other financial, non-derivative liabilities	293.5	**293.6**	274.3	6.5	0.1	9.1	3.6
Derivative financial liabilities to be fulfilled on a net basis	3.9	**3.9**	3.1	0.8	0.0	0.0	0.0
Derivative financial liabilities to be fulfilled on a gross basis	13.9						
Payments received		**382.1**	305.1	71.5	5.5	0.0	0.0
Payments made		**393.8**	314.2	73.7	5.9	0.0	0.0
		11.7	9.1	2.2	0.4	0.0	0.0

	Carrying amount	Total	2014	2015	2016	2017 - 20	> 2020
2013							
Financial debt, non-recourse	40.8	**44.2**	28.5	0.4	1.1	5.5	8.7
Financial debt, recourse, excluding finance leases	528.5	**599.7**	36.3	12.4	12.4	538.6	0.0
Finance leases, recourse	16.9	**24.9**	5.7	1.4	1.3	7.6	8.9
Liabilities	1,448.8	**1,448.8**	1,440.5	1.2	2.3	4.8	0.0
Other financial, non-derivative liabilities	337.2	**340.1**	300.7	10.1	17.9	7.9	3.5
Derivative financial liabilities to be fulfilled on a net basis	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0
Derivative financial liabilities to be fulfilled on a gross basis	12.0						
Payments received		**604.6**	515.7	43.0	40.4	5.5	0.0
Payments made		**614.7**	518.0	46.6	44.1	6.0	0.0
		10.1	2.3	3.6	3.7	0.5	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, raw-material prices and the market values of financial investments. Centralized control 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. We do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges. 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.

Currency risk is the risk that the fair values or future payments of financial instruments might change due to exchange-rate movements. We use currency futures or currency options to hedge risks relating to foreign-currency cash flows (not translation risks) and balance sheet items denominated in foreign currencies. We generally hedge against transaction risks in the project business for the entire project period immediately after a contract is received. In some cases this is already done during the bidding phase. Risk management takes place with the use of specified risk limits for outstanding foreign-exchange items, their value at risk and marked-to-market results. 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. We counteract the risks of interest-rate changes by continually reviewing and, when required, adjusting the composition of recourse liabilities subject to fixed and variable interest rates. We assess risks in consideration of future needs for new financing or refinancing on the basis of a cash-flow-at-risk model. The borrowing costs budgeted within the scope of the cost-of-capital model serve as a point of reference. To manage this, we generally apply derivative financial instruments such as interest-rate swaps and swaptions.

Raw-material price risk is the risk of changes in the market prices of those raw materials that the Group purchases. Whenever possible, we hedge against the risk of price fluctuations of raw materials by using fixed-price agreements for materials purchases, or by stipulating clauses that allow for price adjustments when we invoice for the relevant services. If this is not possible, hedging is carried out with the use of commodity swaps, for diesel fuel or bitumen, for example.

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 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

	2014	2013
Currency risk	3.8	9.0

Due to this consistent application of the financing policy, there were no negative effects on the Group’s financial position or earnings in 2014.

Hedging instruments

IAS 39 includes special accounting regulations that are intended to avoid a presentation of hedging relationships that does not properly reflect the financial situation by synchronizing or compensating for changes in the values of the underlying hedged items and hedging instruments (hedge accounting). Hedge accounting is applied if there are permissible hedged items and hedging instruments and a permissible hedging relationship, documentation of the hedging relationship, and evidence of an effective hedging context. An effective hedging relationship exists if changes in the value of the hedged item are largely compensated for by changes in the value of the hedging instrument.

Cash-flow hedges serve to hedge future cash flows against exposure to changes in currency exchange rates and interest rates.

The cash-flow hedges as of the end of the reporting period are primarily applied to hedge exposure to currency risks in connection with firm commitments.

During 2014, unrealized losses on the measurement of derivative financial instruments of €1.5 million were recognized in other comprehensive income (previous year: gains of €50.0 million). In this period, losses of €1.3 million were reclassified (previous year: gains of €23.2 million) to gross profit and to earnings after taxes from discontinued operations in connection with the sale of concession projects. In addition, earnings from discontinued operations in the prior-year period included gains of €0.3 million from the measurement of derivative financial instruments that were hedge-ineffective pursuant to IAS 39.

The following overviews show when the cash flows hedged against currency risks occur and are recognized in profit or loss:

EXPECTED FOREIGN CURRENCY PAYMENTS

	2015	2016	2017	2018 - 21	> 2021
2014	170.3	52.3	1.5	1.5	0.0
	2014	**2015**	**2016**	**2017 - 20**	**> 2020**
2013	217.1	70.1	44.1	7.6	0.0

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 hedge-effective or hedge-ineffective pursuant to IAS 39.

	2014	2013
Derivatives with positive fair values		
in hedging relationships		
Currency derivatives	4.9	7.2
	4.9	**7.2**
not in hedging relationships		
Currency derivatives	7.2	12.6
	7.2	**12.6**
Total derivatives with positive fair values	12.1	19.8
Derivatives with negative fair values		
in hedging relationships		
Currency derivatives	2.8	4.5
	2.8	**4.5**
not in hedging relationships		
Currency derivatives	11.1	7.5
Commodity derivatives	3.9	0.0
	15.0	**7.5**
Total derivatives with negative fair values	17.8	12.0

Other disclosures*

28. Additional information on capital management

The goal of capital management at Bilfinger is to maintain a strong financial profile including adherence to the financial covenant. 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. Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's. On January 21, 2015, the rating was adjusted to BBB / negative outlook (December 31, 2013: BBB+ / 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.

This process applies the following key metrics, which are determined based on the Standard & Poor's method:

	Target value	Actual value Dec. 31, 2014
Key figure		
Dynamic debt-equity ratio (net debt / EBITDA)	< 2.5	2.8
Gearing (total debt / total capital)	< 40%	44%
Cash flow protection (funds from operations / net debt)	> 40%	24%

Non-recourse financial debt is not taken into consideration for the calculation of these metrics. Due to unsatisfactory performance in 2014, the target values for the metrics were not achieved.

29. Contingent liabilities and other financial obligations

	2014	2013
Liabilities from guarantees	25.4	40.3

Liabilities from guarantees relate mainly to those provided to associates, joint ventures and non-consolidated subsidiaries. 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 future file claims under various contracts, for example under contracts for real-estate services, maintenance, servicing, and construction projects, or claims arising out of 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.

* Figures in € million, unless stated otherwise.

The other financial obligations from operating leases also include, in line with IAS 17, other forms of arrangements for the use of assets, in particular rental agreements.

	Minimum lease payments on operating leases	
	2014	2013
< 1 year	140.1	113.0
1-5 years	212.1	182.3
> 5 years	69.5	53.7

The future payments from non-terminable operating leases primarily relate to real estate, scaffolding, items of equipment and furnishings, and vehicles.

The expenses recognized in profit or loss of operating leases amounted to €242.1 million in 2014 (previous year: €241.8 million).

30. Notes to the statement of cash flows

The cash flow from operating activities of continuing and discontinued operations includes the following items in the reporting year:

	2014	2013
Interest payments	26.5	19.0
Interest received	4.0	4.3
Dividends received	14.3	15.2
Income tax payments	99.9	63.3
Tax refunds	9.9	2.0

Of the proceeds from the disposal of concession projects, €96.1 million (previous year: €58.0 million) was generated through the sale of subsidiaries.

31. Events after the balance sheet date

There have been no significant events since the balance sheet date.

32. Executive and Supervisory Board

More details on the remuneration of members of the Executive Board and the Supervisory Board is included in the remuneration report which is a component of the combined management report.

Compensation 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		Expense recognized from share-based remuneration	
	Fixed remuneration		Fringe benefits		65% immediately		35% deferred (share based)					
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Roland Koch (Chairman until August 8, 2014)	497	818	67	106	761	1,430	408	762	1,733	3,116	-24	589
Herbert Bodner (interim Chairman of the Executive Board from August 9, 2014)	1,125	–	46	–	–	–	–	–	1,171	–	–	–
Joachim Enenkel	499	499	52	56	438	845	235	450	1,224	1,850	1	359
Dr. Jochen Keysberg	466	399	88	87	455	676	244	360	1,253	1,522	130	352
Pieter Koolen (from September 19, 2013)	400	113	50	13	350	193	188	103	988	422	161	103
Joachim Müller	499	499	45	44	438	845	235	450	1,217	1,838	57	450
Thomas Töpfer (until October 31, 2013)	–	416	–	21	–	704	–	375	–	1,516	–	14
Total	3,486	2,744	348	327	2,442	4,693	1,310	2,500	7,586	10,264	325	1,867

Total remuneration as defined by IAS 24 was €13,635 thousand (previous year: €14,975 thousand). Of that amount, €6,456 thousand was accounted for by short-term employee benefits (previous year: €7,944 thousand), €1,125 thousand by post-employment benefits (previous year: €1,197 thousand), €5,729 thousand by termination benefits (previous year: €3,967 thousand) and €325 thousand by long-term share-based remuneration (previous year: €1,867 thousand). Termination benefits in the amount of €3,664 thousand relate to Roland Koch and in the amount of €2,065 thousand to Joachim Müller.

The total remuneration paid to former members of the Executive Board or their surviving dependants amounted to €6,639 thousand (previous year: €2,169 thousand). This figure includes severance and compensation payments, recognized as an expense in the reporting year, in the amount of the already paid out as well as the deferred component totaling €3,664 thousand for Roland Koch as a result of the termination of his contract. The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €31,470 thousand (previous year: €27,264 thousand).

The total remuneration of the members of the Supervisory Board amounts to €1,338 thousand (previous year: €1,337 thousand), including reimbursement of expenses of €37 thousand (previous year: €30 thousand).

33. Share-based payment

Cash-settled share-based payments exist in the context of the remuneration of Executive Board members and involve a long-term incentive plan (LTI) that runs until 2015, as well as variable cash remuneration depending on the relative performance of the Bilfinger share (deferral). Details of these payments are provided in the remuneration report, which is a part of the management report.

Equity-settled share-based payments exist in the context of an employee share program in 2012. Under this program, employees of German Group companies were able to acquire Bilfinger shares for up to 10 percent of their annual gross salary for an average price of €75.13 (own investment). For a maximum of five share packages each of five shares, the plan participants received one bonus share per package, totaling 12,250 shares. In addition, for each share package, participants were granted the right to one Bilfinger share free of charge (matching share) after two, four and six years (vesting periods). A precondition for the granting of matching shares is that the plan participants do not dispose of their own investment until the end of the respective vesting period and continue to be employed at the Bilfinger Group. The shares to be issued free of charge from the program have been measured at their fair value at the time of issue. That fair value for future matching shares is the result of the stock-market price of Bilfinger shares less the present value of the dividends expected during the vesting period. The average fair value of the future matching shares was €65.11 when granted. Of the 16,954 share packages acquired at the start of the program that included rights to matching shares, 14,572 share packages were still held by plan participants at the end of the first vesting period in October 2014, leading to a corresponding number of matching shares being granted during the reporting period, which came from the company's treasury shares.

Within the framework of an additional employee share program in the reporting period, 3,295 employees were issued with a total of 16,475 of the company's treasury shares with certain tax advantages. Of that total, 3,061 employees acquired the shares by offsetting their price against an upcoming bonus payment. The remaining difference of €3.72 per share compared with the current stock-exchange price was borne by the company. Executives were solely able to acquire the shares at the current stock-exchange price.

The costs resulting for Bilfinger from the share programs are deferred pro rata over the vesting period. The expense recognized through profit or loss of cash-settled and equity-settled share-based payments was €1.7 million in 2014 (previous year: €5.0 million).

34. Related-party disclosures

Related parties as defined by IAS 24 are persons or entities that can be significantly 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. They are shown in the table below.

	Associates		Joint ventures		Non-consolidated subsidiaries	
	2014	2013	2014	2013	2014	2013
Revenue	37.7	41.6	19.8	0.0	5.6	5.5
Services received	38.7	41.3	0.0	0.0	3.5	2.6
Receivables	20.3	20.5	3.1	2.6	14.1	13.8
Liabilities	16.9	15.9	0.6	1.7	3.3	2.9
Guarantees granted	5.6	16.5	1.3	1.3	10.1	10.9

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 21 Subsection 1 of the German Securities Trading Act (WpHG) dated September 29, 2014, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 25.62% of voting rights with respect to Bilfinger SE capital. Over the past financial year, no business was conducted between Bilfinger SE or, respectively, its Group companies and Cevian Capital.

35. Auditors' fees

The amounts listed below cover all of the services provided to the companies of the Bilfinger Group by our external auditors, Ernst & Young, in the 2014 financial year. The amounts of these services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are shown as 'thereof' in the following table.

	2014	2013
Audit fees	6.4	6.0
thereof in Germany	3.1	3.0
Other assurance fees	2.4	2.0
thereof in Germany	1.5	1.2
Tax-consulting services	0.7	0.7
thereof in Germany	0.3	0.3
Other services	0.4	0.4
thereof in Germany	0.3	0.3
Total	9.9	9.1

36. Declaration of compliance

Bilfinger SE is included in the consolidated financial statements as a listed company.

On February 11, 2015, the Executive Board and the Supervisory Board issued the annual declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act and made this permanently available to shareholders on our website as of that date.

37. List of subsidiaries and equity interests of Bilfinger SE

The list of subsidiaries and equity interests of Bilfinger SE pursuant to Section 313 Subsection 2 of the German Commercial Code (HGB) is an integral part of the audited consolidated financial statements, which have been submitted for publication in the online version of the German Federal Gazette (Bundesanzeiger). It is also published on the Internet site of Bilfinger at: http://www.bilfinger.com/en/Investor-Relations/Reports/2014

Additional information

Return-on-capital-employed controlling

€ million	
Goodwill	
Property, plant and equipment	
Other non-current assets	
Current assets	
Segment assets	
Segment liabilities	
Interest-bearing liabilities	
Non-interest-bearing liabilities	
Balance	
Financial assets, project-related	
Financial assets, division-related	
Operating financial assets	
Capital employed	
EBITA adjusted	
Interest income	
Interest income, project-related (3.0% 2014 p.a., 4.5% 2013 p.a.)	
Interest income, division-related (3.0% 2014 p.a., 4.5% 2013 p.a.)	
Return	
ROCE (return on capital employed)	
WACC (weighted average cost of capital)	
Value added, relative	
Value added, absolute	

Explanation of return-on-capital-employed controlling

Our return-on-capital-employed controlling is based on segment reporting, which is conducted in accordance with the organizational structure of our business segments. We focus only on continuing operations in order to provide better comparability over time in the consideration of return on capital employed.

Segment assets of the business segments include goodwill and intangible assets from acquisitions; property, plant and equipment; other non-current assets (with the exception of deferred tax assets), and current assets. Segment assets shown under ‘Consolidation / other’ include cash and cash equivalents, as well as non-current and current assets not allocated to the business segments.

Segment liabilities are deducted from segment assets. They include liabilities (with the exception of deferred tax 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 division-related financial assets are allocated to the business segments in the context of return-on-capital 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.

Industrial		Power		Building and Facility			Total of segments		Consolidation / other		Total continuing operations	
2014	2013	2014	2013	2014	2013		2014	2013	2014	2013	2014	2013
785.3	809.9	463.7	516.2	729.5	585.1		1,978.5	1,911.2	0.0	0.0	1,978.5	1,911.2
288.3	316.5	185.0	183.4	81.3	75.1		554.6	575.0	119.6	72.1	674.2	647.1
26.2	24.7	2.5	6.7	15.2	27.8		43.9	59.2	89.5	124.7	133.4	183.9
928.6	950.4	507.3	498.3	661.0	587.0		2,096.9	2,035.7	949.1	1,130.6	3,046.0	3,166.3
2,028.4	2,101.5	**1,158.5**	1,204.6	**1,487.0**	1,275.0		**4,673.9**	4,581.1	**1,158.2**	1,327.4	**5,832.1**	5,908.5
733.7	734.7	505.4	546.2	814.2	764.9		2,053.3	2,045.8	1,846.4	2,071.0	3,899.7	4,116.8
0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	-1,013.5	-1,246.0	-1,013.5	-1,246.0
733.7	734.7	**505.4**	546.2	**814.2**	764.9		**2,053.3**	2,045.8	**832.9**	825.0	**2,886.2**	2,870.8
1,294.7	1,366.8	**653.1**	658.4	**672.8**	510.1		**2,620.6**	2,535.3	**325.3**	502.4	**2,945.9**	3,037.7
0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	93.9	155.7		93.9	155.7	-93.9	-155.7	0.0	0.0
0.0	0.0	**0.0**	0.0	**93.9**	155.7		**93.9**	155.7	**-93.9**	-155.7	**0.0**	0.0
1,294.7	1,366.8	**653.1**	658.4	**766.7**	665.8		**2,714.5**	2,691.0	**231.4**	346.7	**2,945.9**	3,037.7
189.7	214.2	**7.8**	147.8	**136.7**	115.4		**334.2**	477.4	**-64.0**	-62.8	**270.2**	414.6
0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	10.1	8.2	10.1	8.2
0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	2.8	6.9		2.8	6.9	-2.8	-6.9	0.0	0.0
189.7	214.2	**7.8**	147.8	**139.5**	122.3		**337.0**	484.3	**-56.7**	-61.5	**280.3**	422.8
14.7%	15.7%	**1.2%**	22.4%	**18.2%**	18.4%		**12.4%**	18.0%	**–**	–	**9.5%**	13.9%
10.50%	8.75%	**12.25%**	8.75%	**9.25%**	8.75%		**10.75%**	8.75%	**–**	–	**10.75%**	8.75%
4.2%	6.9%	**-11.1%**	13.7%	**8.9%**	9.6%		**1.7%**	9.2%	**–**	–	**-1.2%**	5.2%
53.7	94.6	**-72.2**	90.3	**68.6**	64.1		**50.1**	249.0	**-86.5**	-92.0	**-36.4**	157.0

The definition of return as used in the return-on-capital-employed concept is derived from adjusted EBITA.

Interest income is earned primarily from the investment of cash deposits listed under ‘Consolidation / other’.

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 division-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 adjusted EBITA and the described additional financial components.

ROCE stands for return on capital employed, expressed as a percentage. It is compared with the weighted average cost of capital (WACC) for the business segments and for the entire Group.

The difference between ROCE and WACC is relative value added. 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 relative economic value added.

Herbert Bodner, Chairman (from August 9, 2014)

Divisions:
Piping Systems | Power Systems

Strategy | Legal | Compliance | Project Controlling | Communications & Marketing | Group Organization

Memberships in comparable monitoring boards of other German and foreign companies:
Bilfinger North America Inc., Wilmington / USA*

Roland Koch, Chairman (until August 8, 2014)

Memberships in statutory supervisory boards of other German companies:
UBS Deutschland AG, Frankfurt am Main (Chairman)

Memberships in comparable monitoring boards of other German and foreign companies:
Bilfinger North America Inc., Wilmington / USA*

Joachim Enenkel

Divisions:
Construction | Infrastructure | Offshore Systems and Grids

Development and Technology

Memberships in comparable monitoring boards of other German and foreign companies:
Bilfinger Infrastructure S.A., Warsaw / Poland* (Deputy Chairman)
Hydrobudowa-6 S.A., Warsaw / Poland* (Deputy Chairman)

Dr. Jochen Keysberg

Divisions:
Building | Facility Services | Real Estate | Water Technologies

Government Services | Human Resources (Labor Director) | Business Development and Key Account Management

Pieter Koolen

Divisions:
Engineering, Automation and Control | Industrial Fabrication and Installation | Industrial Maintenance | Insulation, Scaffolding and Painting | Oil and Gas | Support Services

HSEQ (Health, Safety, Environment and Quality)

Joachim Müller

Accounting | Finance | Controlling | M & A | Internal Audit | Taxes | Investor Relations | Purchasing | IT

Memberships in comparable monitoring boards of other German and foreign companies:
Bilfinger Infrastructure S.A., Warsaw / Poland*
FCHC Corporation, Reston / USA* (Deputy Chairman)
Hydrobudowa-6 S.A., Warsaw / Poland*

Unless otherwise indicated, all details correct at December 31, 2014.

* Group mandate

Boards of the Company
Supervisory Board

Honorary Chairman:

Gert Becker

Dr. Eckhard Cordes, Chairman (from November 5, 2014, Chairman from November 11, 2014)

Partner with Cevian Capital AG

Memberships in statutory supervisory boards of other German companies:
WMP Eurocom AG, Berlin

Dr. h.c. Bernhard Walter, Chairman (until November 4, 2014)

Former Speaker of the Executive Board of Dresdner Bank AG

Memberships in statutory supervisory boards of other German companies:
Deutsche Telekom AG, Bonn

Stephan Brückner

Employee of Bilfinger Maintenance Südwest GmbH

Herbert Bodner (until November 13, 2014, suspended mandate August 9, 2014 until November 13, 2014)

(Former) Chairman of the Executive Board of Bilfinger SE

Volker Böhme (until December 31, 2014)

Employee at Bilfinger OKI Isoliertechnik GmbH

Wolfgang Faden (from November 14, 2014)

Former Chairman of the Executive Management for Germany and Central Europe at Allianz Global Corporate & Specialty AG

Memberships in comparable monitoring boards of other German and foreign companies:
Albatros Versicherungsdienste GmbH, Cologne

Dr. John Feldmann

Former member of the Executive Board of BASF SE

Memberships in statutory supervisory boards of other German companies:
Hornbach-Baumarkt-AG, Bornheim
Hornbach Holding AG, Neustadt an der Weinstraße
KION Group AG, Wiesbaden (Chairman)

Lone Fønss Schrøder

Non-executive member in administrative bodies at German and non-German companies

Memberships in statutory supervisory boards of other German companies:
Heidelberger Druckmaschinen AG, Heidelberg

Memberships in comparable monitoring boards of other German and foreign companies:
AKER Solutions ASA, Lysaker / Norway
NKT Holding AS, Brøndby / Denmark
Schneider Electric SE, Rueil Malmaison / France
Valmet Corporation, Espoo / Finland

Thomas Kern

Employee at Bilfinger HSG FM Rhein-Main GmbH

Ingo Klötzer (from May 8, 2014)

Employee at the Executive Board of IG Metall

Rainer Knerler

Chief Executive of the Berlin branch of Industriegewerkschaft Bauen-Agrar-Umwelt
(Construction, Agriculture and Environment Trade Union)

Udo Stark

Former Chairman of the Executive Board of MTU Aero Engines AG

Memberships in comparable monitoring boards of other German and foreign companies:
Arvos Group, Heidelberg (Chairman)
Austria Pet Food GmbH, Eisenstadt / Austria
Stabilus S.A., Luxembourg (Chairman)

Holger Timmer (until May 8, 2014)

Employee at the Executive Board of IG Metall

Memberships in statutory supervisory boards of other German companies:
ThyssenKrupp Materials International GmbH, Essen
(Deputy Chairman)

Jens Tischendorf

Managing Director of Cevian Capital AG

Marek Wróbel

Employee of Multiserwis Sp.z.o.o.

Presiding Committee:

Dr. Eckhard Cordes
(from November 11, 2014)
Dr. h.c. Bernhard Walter
(until November 4, 2014)
Stephan Brückner
Dr. John Feldmann
Rainer Knerler

Audit Committee:

Udo Stark
Herbert Bodner
(until August 8, 2014)
Volker Böhme
(until December 31, 2014)
Dr. John Feldmann
(from August 9, 2014)
Thomas Kern

Nomination Committee:

Dr. Eckhard Cordes
(from November 11, 2014)
Dr. h.c. Bernhard Walter
(until November 4, 2014)
Dr. John Feldmann
Udo Stark

Unless otherwise indicated, all details correct at December 31, 2014.

* Group mandate

Adjusted earnings per share Adjusted net profit from continuing operations divided by the average number of shares outstanding.

Adjusted EBITA and adjusted net profit from continuing operations Metrics for enabling comparability over time and forecasting future profitability. EBITA or net profit from continuing operations are presented adjusted for exceptional items or amortization of intangible assets from acquisitions and goodwill impairment. In this context, exceptional items include profits or losses from the sale of investments as well as one-time restructuring expenses.

Adjusted net profit See EBITA adjusted.

Associates Companies upon which a significant influence, but no control, can be exercised. The holding is usually between 20 percent and 50 percent.

Business-unit-related financial assets / interest income Accounting category in Bilfinger's return-on-capital-employed controlling for the assessment of appropriate capital resources of the respective unit of the Group.

Capital employed The average capital tied up in operative assets on the basis of which the return on capital employed (ROCE) is calculated.

Cash earnings Financial performance measure for the ability of a company to provide its own funds. Measures the financial surplus earned in a certain period from current, profit-relevant activities, but without taking into consideration the change in working capital.

Cash flow A metric for the assessment of a company's financial strength and profitability in terms of its flows of cash. The statement of cash flows presents the changes in levels of cash and cash equivalents over the year, showing the cash inflows and outflows for operating, investing and financing activities.

Corporate governance The internationally common term for a responsible system of corporate management and monitoring with a focus on long-term value creation.

CTA Abbreviation for 'contractual trust arrangement', a form of financing pension obligations whereby pension plan assets covering the company's pension obligations are transferred to a trust fund. This has the effect of reducing the balance-sheet total, as the plan assets are netted out against the corresponding pension provisions.

Deferred taxes Asset or liability items that compensate for different accounting periods compared with earnings according to the tax financial statements. Deferred tax expenses / income are corrections to the actual tax expense derived from the tax financial statements for the period. The primary aim is to show an income-tax expense in a proper relation to the reported earnings before taxes.

Discounted cash-flow method Valuation model for projects and ventures. All future free cash flows are discounted to their present values and added up. Key factors are the cost of capital (discount), future free cash flows and the period of time involved.

EBITA Abbreviation for 'earnings before interest, taxes and amortization on intangible assets from acquisitions'. In Bilfinger's accounting, EBITA is used as a performance measure for the profits from operating activities.

EBITA margin and adjusted EBITA margin Measure which shows the relationship of EBITA or adjusted EBITA to output volume as a percentage.

Equity consolidation A method of including associates and joint ventures in the consolidated financial statements. The investment is initially recognized at cost and adjusted thereafter for the investor's share of changes in the investee's equity. These changes are generally shown in the Group's income statement and the statement of comprehensive income.

Equity ratio Key figure for the company's financing structure. It states the ratio between equity and total assets.

Fair value 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.

Goodwill It arises as a result of taking into consideration a company's expected future earnings when deciding on a suitable price for it. Goodwill is capitalized under intangible fixed assets and subjected to annual impairment tests in accordance with IFRS 3 / IAS 36.

IASB Acronym of International Accounting Standards Board, London. This institution was established in London in 1973 with the task of creating the International Financial Reporting Standards (IFRS).

IFRIC Term for the mandatory interpretations to the IFRS published by the IFRS Committee, London.

IFRS Acronym of International Financial Reporting Standards. They were created to facilitate the international comparison of companies' accounts and financial reporting. Since 2005, pursuant to the European Union's so-called IAS Directive, application of the IFRS is mandatory for the consolidated financial statements of listed companies domiciled in the European Union. The IFRS also include those standards of the International Accounting Standards (IAS) which have not yet been superseded.

ISIN code Acronym of International Securities Identification Number. Internationally valid identification number for securities. Uniform system for the simplification of cross-border transactions.

Joint venture A company, keeping its own accounts, that is established by two or more construction companies for the time frame until a construction contract is completed. At Bilfinger, joint ventures are accounted for using the equity method.

Non-recourse financing Debt which is secured solely against the financed project, without the possibility of any recourse liability for Bilfinger.

Output volume This comprises the supply of goods and services by the Group and the pro-rated supply of goods and services by joint ventures in which the Group participates.

Percentage-of-completion method (PoC) Accounting method according to IAS 11 for long-term construction contracts. Contract costs and revenues are accounted for in accordance with the percentage of completion of the contract so that the realization of profits is shown in the income statement in line with the progress made by the project.

Plan assets Assets that serve to cover pension obligations and fulfill the conditions of IAS 19. Plan assets are netted out against pension provisions, which reduces the balance-sheet total. See CTA.

Project-related financial assets / project-related interest income Accounting category in Bilfinger's return-on-capital-employed controlling for the assessment of appropriate capital resources of the respective units of the Group.

Public-private partnership (PPP) Public-private partnerships are private-sector solutions for real estate or infrastructure tasks in the public sector, with design, financing, construction and long-term operation from one source. Design, financing, construction and long-term operation are conducted by the private sector. Refinancing of the entire investment takes place during the operational phase by means of user fees.

Return The measure of earnings in return-on-capital-employed controlling at Bilfinger, derived from adjusted EBITA.

Return on equity Measure of earnings which states the ratio between net profit and shareholders' equity.

ROCE Abbreviation for 'return on capital employed.' Ratio between the earnings of a reporting period (return) and the average operative assets (capital employed).

Syndicated credit lines Credit lines that are agreed upon with a group of banks (syndicate) under uniform conditions.

Statement of cash flows Presentation of liquidity developments / flows of funds taking into consideration the sources and applications of funds within a certain period. The statement of cash flows shows the separate cash flows from, or into, operating, investing and financing activities.

Value added Difference between ROCE and the weighted average cost of capital multiplied by capital employed. If value added is positive, this means that the return on capital employed is higher than the weighted average cost of capital.

WACC Abbreviation for 'weighted average cost of capital.' Serves as a measurement of the financing of the operative assets in return-on-capital-employed controlling at Bilfinger. It reflects the minimum required rate of return of shareholders and creditors.

Working capital Factor for observing changes in liquidity. It shows the difference between current assets, without cash and marketable securities, and current liabilities, without liabilities to banks.

GROUP € million	2005	2006	2007	2008	2009	pro forma 2009[1]	2010	2011	2012	pro forma 2012[1]	2013	pro forma 2013[1]	2014
Assets													
Non-current assets	1,951.9	2,451.2	3,139.0	3,964.3	4,914.4	4,621.7	4,459.9	3,090.3	3,519.4	2,930.8	3,134.0	3,011.5	3,026.7
Intangible assets	592.4	738.4	786.9	1,235.3	1,538.5	1,405.9	1,457.3	1,561.0	1,890.1	1,889.9	2,023.3	2,015.4	2,015.4
Property, plant and equipment	512.0	607.3	581.2	599.3	795.9	650.4	662.5	647.0	689.9	689.0	712.3	628.9	650.2
Receivables from concession projects	525.3	893.2	1,499.5	1,641.8	2,134.2	2,134.2	1,788.5	377.0	508.3	–	–	–	–
Other non-current assets	187.0	84.2	167.3	299.5	215.9	213.6	358.6	341.1	254.2	194.6	211.7	195.6	138.6
Deferred tax assets	135.2	128.1	104.1	188.4	229.9	217.6	193.0	164.2	176.9	157.3	186.7	171.6	222.5
Current assets	2,404.7	2,678.2	2,988.8	2,808.7	3,026.2	3,318.9	3,477.2	4,629.3	3,330.5	3,919.1	3,397.5	3,520.0	2,934.9
Inventories, receivables, other	1,572.8	1,895.5	2,192.8	2,088.5	2,227.8	1,923.3	1,889.9	2,021.4	2,243.3	2,225.9	2,373.0	2,212.7	2,215.6
Cash and cash equivalents	831.9	782.7	796.0	720.2	798.4	634.7	537.5	846.6	1,087.2	1,061.5	668.7	647.3	403.1
Assets classified as held for sale	–	–	–	–	–	760.9	1,049.8	1,761.3	–	631.7	355.8	660.0	316.2
Equity and liabilities													
Equity	1,188.8	1,206.2	1,331.9	1,141.0	1,561.4	1,561.4	1,812.2	1,792.9	2,036.7	2,036.7	2,164.7	2,164.7	1,917.1
Share capital	111.6	111.6	111.6	111.6	138.1	138.1	138.1	138.1	138.1	138.1	138.1	138.1	138.1
Reserves	1,012.3	1,031.3	1,132.0	1,034.0	1,408.2	1,408.2	1,649.6	1,502.9	1,794.9	1,794.9	1,972.0	1,972.0	1,805.0
Treasury shares	–	–	–	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-100.0	-99.0	-99.0	-97.4
Retained and distributable earnings	37.2	46.5	67.0	74.4	92.1	92.1	115.1	247.0	195.7	195.7	138.1	138.1	92.0
Minority interest	27.7	16.8	21.3	21.0	23.0	23.0	9.4	4.9	8.0	8.0	15.5	15.5	-20.6
Non-current liabilities	898.8	1,319.7	1,817.1	2,602.0	2,873.4	2,822.8	2,510.7	1,158.7	1,748.3	1,230.1	1,212.8	1,146.3	1,220.2
Provisions for pensions and similar obligations	130.2	159.7	135.4	218.8	286.7	286.7	312.7	324.5	394.2	393.7	423.1	416.8	523.7
Other provisions	105.3	99.5	89.0	68.6	84.3	84.3	71.5	60.0	56.6	56.4	60.7	55.0	55.0
Financial debt, recourse	86.6	90.9	70.0	306.1	319.6	269.0	183.5	181.4	519.3	519.3	517.3	517.2	515.8
Financial debt, non-recourse	485.1	808.3	1,313.9	1,488.5	1,880.3	1,880.3	1,624.1	338.7	460.5	16.3	12.6	12.6	12.5
Other liabilities	17.2	67.3	79.0	392.7	186.5	186.5	212.0	128.0	168.6	95.7	49.1	49.1	21.9
Deferred tax liabilities	74.4	94.0	129.8	127.3	116.0	116.0	106.9	126.1	149.1	148.7	150.0	95.6	91.3
Current liabilities	2,269.0	2,603.5	2,978.8	3,030.0	3,505.8	3,556.4	3,614.2	4,768.0	3,064.9	3,583.1	3,154.0	3,220.5	2,824.3
Current tax liabilities	50.2	71.5	80.7	120.3	132.7	91.7	118.1	88.5	101.6	101.9	116.5	115.1	89.1
Provisions	419.9	424.5	434.8	447.7	612.8	589.7	633.4	755.5	556.6	550.6	552.4	481.7	461.3
Financial debt, recourse	40.9	47.8	40.6	21.7	34.0	18.2	88.9	4.5	191.6	191.6	28.1	28.1	27.9
Financial debt, non-recourse	10.1	18.9	48.0	29.6	21.9	21.9	19.3	8.7	9.5	–	28.2	28.2	26.9
Other liabilities	1,747.9	2,040.8	2,374.7	2,410.7	2,704.4	2,280.8	2,051.6	2,116.2	2,205.6	2,160.9	2,113.8	1,906.8	1,847.1
Assets classified as held for sale	–	–	–	–	–	554.1	702.9	1,794.6	–	578.1	315.0	660.6	372.0
Balance-sheet total	4,356.6	5,129.4	6,127.8	6,773.0	7,940.6	7,940.6	7,937.1	7,719.6	6,849.9	6,849.9	6,531.5	6,531.5	5,961.6
Proportion of balance-sheet total													
Non-current assets	45%	48%	51%	59%	62%	58%	56%	40%	51%	43%	48%	46%	51%
Current assets	55%	52%	49%	41%	38%	42%	44%	60%	49%	57%	52%	54%	49%
Shareholders' equity	27%	24%	22%	17%	20%	20%	23%	23%	30%	30%	33%	33%	32%
Non-current liabilities	21%	26%	30%	38%	36%	35%	32%	15%	25%	18%	19%	18%	20%
Current liabilities	52%	50%	48%	45%	44%	45%	45%	62%	45%	52%	48%	49%	47%

[1] For better comparability, assets held for sale and liabilities held for sale are reported separately.

BUSINESS DEVELOPMENTS

€ million

	2005	2006	2007	2008	2009	2010[3,4]	2011[3,4]	2012[3,4]	2013[3,4]	2013[3,5]	2014[3,5]
Output volume	7,061	7,936	9,222	10,742	10,403	7,983	8,397	8,586	8,509	7,552	7,690
Orders received	7,545	10,000	11,275	10,314	11,129	7,854	7,690	8,304	8,296	7,513	6,600
Order backlog	7,001	8,747	10,759	10,649	11,704	8,429	7,557	7,388	7,411	6,476	5,461
Capital expenditure	330	370	268	697	530	273	310	521	421	391	279
Property, plant and equipment	102	136	204	237	162	141	127	143	170	140	139
Financial assets	228	234	64	460	368	132	183	378	251	251	140
Employees (at year-end)	55,346	49,141	52,723	60,923	67,199	58,047	59,069	66,683	74,276	71,127	69,132
Group earnings											
Gross profit	n.a.	859	1,011	1,073	1,072	1,015	1,051	1,121	1,116	1,052	923
EBITA adjusted[1]	115	180	242	277	275	346	379	387	409	415	270
EBITA	115	180	242	322	275	346	379	432	338	349	198
EBIT	110	170	229	298	250	305	344	381	287	298	7
Adjusted net profit from continuing operations[2]						205	235	241	249	251	175
Net profit	66	92	134	200	140	284	394	276	173	173	-71
Cash flow from operating activities	188	207	325	357	368	244	281	232	162	210	65
Cash flow per share in €	4.7	5.14	8.07	9.22	9.94	5.53	6.37	5.26	3.67	4.76	1.47
Earnings per share in €	1.66	2.29	3.32	5.18	3.79	6.43	8.93	6.26	3.91	3.91	-1.62
Adjusted earnings per share from continuing operations (in €)						4.64	5.32	5.46	5.64	5.69	3.96
Profitability ratios											
Gross profit as a percentage of output volume	n.a.	10.8	11.0	10.0	10.3	12.7	12.5	13.1	13.1	13.9	12.0
Return on output (EBITA adjusted) in %	1.6	2.3	2.6	2.6	2.6	4.3	4.5	4.5	4.8	5.5	3.5
Return on equity (adjusted net profit) in %	5.9	8.1	10.7	16.6	11.3	12.7	12.8	12.0	12.1	12.3	8.6
Return on capital employed (ROCE) in %[3]	10.9	16.3	18.7	20.4	15.6	18.4	17.3	15.7	13.6	13.9	9.5
Value added[3]	-2	80	126	157	98	175	186	165	141	157	-36
SE											
Dividend distribution	37.2	46.5	63.6	70.6	88.3	110.4	150.1	132.4	132.5	132.5	88.4
Dividend per share (€)	0.92	1.15	1.66	1.85	2.00	2.50	2.50	3.00	3.00	3.00	2.00
Dividend bonus (€)	0	0	0	0	–	–	0.90	–	–	–	–
Share price at year-end (€)	37.20	51.25	48.72	34.45	53.92	63.20	65.88	73.00	81.53	81.53	46.35

[1] Adjusted for exceptional items from gains / losses from the sale of equity interests and from one-time restructuring expenses
[2] Adjusted for exceptional items in EBITA and amortization of intangible assets from acquisitions and goodwill impairment
[3] From 2010, all figures relate to continuing operations
[4] Continuing operations (not including Concessions)
[5] Continuing operations (not including Concessions, Construction and Offshore Systems)

Financial calendar

May 7, 2015

Annual General Meeting

(Congress Centrum Rosengarten, Mannheim, 10 a.m.)

Interim Report Q1

August 12, 2015

Interim Report Q2

November 12, 2015

Interim Report Q3

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