ANNUAL REPORT
BILFINGER SE

2017

BILFINGER

Contents

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Notices and disclaimer

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

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

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

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

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

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

A To our shareholders

A.1 Letter from the Chairman of the Executive Board

Executive Board of Bilfinger SE
from left:

Michael Bernhardt

Tom Blades
Chairman

Dr. Klaus Patzak

Dear Fellow Shareholders,
Ladies and Gentlemen,

In this Annual Report, we look at how Bilfinger developed over the past year – a year that was quite eventful in a positive sense. With our strategy 2020 along with the clear implementation plan and defined milestones that were introduced to the public at the beginning of the year, we have been able to achieve a great deal. Step by step, we are moving ahead. I would like to express my sincere thanks to all our employees and to my colleagues on the Executive Board for their commitment and enthusiasm and for the confidence they've shown in the company. I would also like to thank the members of the Supervisory Board for providing us with support and guidance.

New structure – Bundling our strengths – Stabilization phase

Success is the product of good teamwork. We have become much more effective at pooling strengths throughout the Group. Working together, we can achieve so much more for our customers. The new Bilfinger formula is 2-4-6. The Group is divided into two business segments: Engineering & Technologies (E&T) and Maintenance, Modifications & Operations (MMO). We operate in four regions: Continental Europe, Northwest Europe, North America and Middle East. Our primary focus is on six industries: chemicals & petrochemicals, oil & gas, energy & utilities, pharma & biopharma, metallurgy, and cement. As a leading industrial services provider, we cover all phases in the lifecycle of a plant. Our core competence lies in enhancing efficiency and ensuring a high level of availability, while at the same time reducing costs.

We are making our company's progress transparent and have identified three phases we need to complete: stabilization, build-up and build-out. In 2017, we achieved some significant milestones in the stabilization phase. The new organizational structure has, for example, been successfully implemented in all operating units; approval processes have been optimized and risk management has been sharpened. A new digitalization unit, which we set up in our Engineering & Technologies segment, is injecting innovative momentum and providing operational impetus. Group-wide programs such as BTOP help us to articulate the advantages of being one group right across the enterprise. The B here stands for Bilfinger and Top for the in-house initiatives we have adopted to achieve improvements from the inside out. In addition, we are harmonizing our IT landscape, thereby reducing our complexity and increasing our effectiveness. We are investing more than €50 million in this project over a three-year period.

Sound performance – Challenging markets – Risk provision required

Over the past financial year, Bilfinger delivered a sound performance in many units. The economic environment was generally positive, but our markets continued to be challenging and characterized by fierce competition. We achieved organic growth in our orders received, however – an important turnaround after three years of decline. Our organic output volume remained stable.

In the second quarter, we had to make a risk provision of around €50 million for legacy projects in the United States and adjust the outlook for operating profit for the full year. We are, however, continuing to assert our claims against the clients. By the end of the financial year, we succeeded in achieving the break-even adjusted earnings we forecasted in the middle of the year. I am also delighted to report that in the second half of the year we received €60 million in proceeds from a longstanding legal dispute in Qatar. Receipt of this payment more than compensated for the negative project effects impacting our liquidity and net profit.

Clear financial targets – Share buyback – Dividend

Transforming Bilfinger into a company that is solely an industrial services provider is more of a marathon than a sprint. We are convinced that the strategy we have adopted will provide us with a solid foundation, successfully positioning Bilfinger to achieve sustainable and profitable growth. We have set clear financial targets. Starting from 2017, we assume the company will achieve average annual growth of at least 5 percent until 2020. Our EBITA margin would then be around 5 percent. We expect adjusted free cash flow to be positive in 2018 and that we will achieve an investment grade rating in the medium to long term.

Following approval by the Supervisory Board and the Annual General Meeting, we initiated a share buyback program of our own shares in September 2017. This should be concluded at the earliest in September 2018 and at the latest in December 2018. In that time, Bilfinger will buy back a maximum of 10 percent of subscribed capital. To do so, it will spend an amount not exceeding €150 million. If, during this period, we should come across attractive opportunities to make targeted investments in growth projects, the share buyback program may be adjusted down correspondingly. By the end of December 2017, around 25 percent of the buyback volume had been acquired at an average price of €35.94 per share.

We pursue a sustainable dividend policy that calls for a lower limit for the dividend of €1.00 per share. As earnings rise, we intend to allow shareholders to participate in those earnings via a sustained payout ratio of between 40 and 60 percent of the Group's adjusted net profit.

Other Operations – Digital solutions – Highest levels of safety

At the beginning of 2017, 18 companies were included in Other Operations (OOP), our segment comprising companies available for sale. We are investing in and continuing to operate those that are profitable. We are willing to sell these companies if we find the right buyer prepared to pay a reasonable price, but we are in no hurry. For those companies in Other Operations which are making significant losses, we are looking for the earliest possible solution. In this respect, we have made good progress. Of the thirteen loss-making companies, we have already disposed of ten. The process is continuing according to plan and should be completed by mid-2018.

One process that will never come to an end is digitalization – one of the most important trends of the future. Our industry is facing tremendous technological challenges. And Bilfinger is among the pioneers of its industry when it comes to digitalization. We apply digital solutions to help our clients in small and medium-sized enterprises improve the efficiency and availability of their plants. One example was a project with an SME in the chemical industry, where the client was able to use a Bilfinger digital platform to combine and comprehensively evaluate maintenance and production data. These data sets are providing additional insights for new operating opportunities.

Bilfinger offers its clients a three-part results dashboard. Firstly, collecting, evaluating and processing plant data in a structured way (descriptive). Secondly, using the data to predict the plant's future, identifying potential breakdowns before they actually occur (predictive). Thirdly, introducing, in addition to the analysis, specific actions or suggested solutions. This can also take place by means of automated processes, with plants making autonomous decisions about the most appropriate action (prescriptive). Bilfinger ensures maintenance becomes intelligent and intuitive – saving our clients time and money.

I am also delighted that Bilfinger is a company that meets the highest safety standards. The key term here is HSEQ: Health, Safety, Environment and Quality. This combination is part of our DNA, a fact that is underscored by examples from everyday practice. We have, for instance, been working on plant turnarounds in Europe for ten years without a single accident. In that period, our specialists have handled more than 100 projects involving major repairs and worked a total of 4.43 million hours. We also have an excellent record in the Middle East. Our local team there received an award from

Emirates Global Aluminium for being the best occupational safety contractor. The award was in recognition of achieving two million working hours without a lost time incident.

Compliance – U.S. supervision – Integrity culture

One subject which remains close to my heart and critical for all the members of the Executive Board is compliance. We are well on our way to having a first-class compliance system. We have made substantial steps forward in this area in the 2017 financial year. We are setting up, for example, new standardized processes and systems throughout the Group. We are also closely vetting all our business partners, screening our suppliers, providing regular training to all relevant employees, and above all vigorously pursuing any allegations of misconduct, whether internal or external. We only engage in clean business. Our commitment is clear and is enshrined in our Mission Statement. We never compromise on safety and integrity. and include these criteria when evaluating management performance.

Over the past few years, Bilfinger has undergone a real transformation, from a former construction company into an industrial services provider. We have, to name just a few examples, a new management team, a new Code of Conduct and a new Mission Statement. Our rules have been standardized and clarified. The measures we have taken have been accompanied by training and target-group focused communication.

We are already noticing significant effects from these changes in the company. One good example of this is our Integrity Day, held for the first time in 2017. This was an internal event attended by around 250 Bilfinger employees and managers from all regions. The key theme of the day was integrity and how we can promote compliant behavior in our daily working life. I was impressed by the commitment of the participants. Following the event, the conclusions reached were passed on to all our business units and are helping to shape and reinforce our corporate culture.

Bilfinger is also making noticeable progress with the ongoing development of its compliance system. This comprises three basic elements, mutually dependent and complementary: prevent, detect and respond. We are investing time and significant resources into making ongoing improvements to the system. This has resulted in many of our clients recognizing our compliance system as state of the art, providing the peace of mind that we have thoroughly modernized our processes. We are keen to ensure transparency and publish the number of calls received by our Compliance Help Desk, accessible to any employee who may have a question relating to compliance. We publish the number of whistleblower reports received. These are reports made by our employees or by third parties if anything at Bilfinger strikes them as suspicious. We also publish the number of compliance cases we handle, followed by the number of disciplinary measures taken.

We live compliance and integrity day after day, and so we are confidently optimistic that the US DOJ supervision will conclude successfully as planned at the end of 2018.

Outlook – Higher profitability – Thank you

Our market environment will remain challenging in 2018. But we nevertheless have plenty of plans in the pipeline for the year ahead. We want to become more profitable and to launch our build-up phase, the second phase of our strategy. Targeted investment in growth projects or acquisitions can also play a part here. Higher margins and technological progress will be the focus of our operations. Strategically, however, there is no pressure to act.

In 2018, we expect organic growth in our orders received in the mid-single digit percentage range. We anticipate organically stable to slightly growing revenue. At the same time, we assume that we will be able to achieve a significant improvement in net profit.

I and my colleagues on the Executive Board would like to take this opportunity to express our sincere thanks to you, our shareholders, for your loyalty, trust and confidence in the successful future of our company. I would also like to thank our clients, business partners and suppliers for their excellent work with us. Our employees deserve special thanks for achieving the results we did in 2017. What's more, our performance has been recognized by young professionals. In the recent survey conducted by the Trendance Institute in Berlin, Bilfinger was voted the most popular employer among industrial service providers. With this in mind, I look forward to our future together and to a successful 2018 financial year.

Yours very truly,

Tom Blades
Chairman of the Executive Board of Bilfinger SE

A.2 Executive Board of Bilfinger SE

Tom Blades, Chairman of the Executive Board
Born 1956 in Hamburg, Germany

Career

2016	Chairman of the Executive Board at Bilfinger SE, Mannheim
2012	Linde, Munich Member of the Executive Board Responsible for North and South America as well as Global Operations and Healthcare
2009	Siemens, Duisburg and Abu Dhabi Energy Sector, CEO Oil & Gas Division
2004	CHOREN Industries, Hamburg / Freiberg President & CEO
1998	SPECTRO Analytical Instruments, Kleve, President & CEO Halliburton, Houston, Executive Vice President
1996	NUMAR Corporation, Houston COO & Executive Vice President
1978	Schlumberger, Houston, Paris, The Hague Most recently (1993-96) Vice President and General Manager Schlumberger / Geco-Prakla

Educational background

Degree in Electrical Engineering in Salford (UK) and Lyon (France)
Awarded Bachelor of Science in Electrical Engineering

Michael Bernhardt

Born 1967 in Lank-Latum, Germany

Career

2015 Member of the Executive Board and Labor Director at Bilfinger SE, Mannheim

2004 – 2015	Bayer Material Science AG, Leverkusen
2011 – 2015	Member of the Executive Board and Labor Director
2004 – 2011	Head of Global Human Resources

1996 – 2004 Hydro Aluminium Deutschland GmbH, Cologne and Oslo (until 2002: VAW aluminium AG, Bonn)

2002 – 2004	Head of Human Resources, Germany
2000 – 2001	Head of personnel policy
1997 – 2000	Personnel policy consultant
1996 – 1997	Trainee in human resources

Educational background

1987 – 1996 Degree in Law from the Albert-Ludwigs University, Freiburg and the McGeorge School of Law, University of the Pacific, USA

Dr. Klaus Patzak

Born 1965 in Munich, Germany

Career

2016	Member of the Executive Board and Chief Financial Officer at Bilfinger SE, Mannheim
2011 – 2016	Osram Licht AG, Munich Member of the Executive Board and CFO
2002 – 2011	Siemens AG, Munich Corporate Vice President, Chief Accounting Officer & Controller and further management positions in the commercial area
2000 – 2002	Infineon AG, Munich CFO of Business Unit Wireline Communication
1993 – 2000	Siemens AG, Munich Various management positions in the commercial area

Educational background

1993	Doctorate (Ph.D.), Dr. oec., Ludwig-Maximilians University, Munich
1991	Diplom-Kaufmann (MBA), Ludwig-Maximilians University, Munich
1986	Industriekaufmann IHK

A.3 Report of the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board

Dear Shareholders,

In the reporting year 2017, Bilfinger was repositioned and operationally stabilized. With the strategy 2020 and the implementation plan that was presented in February, the company is focusing its business activities purely on industrial services: with two business segments (Engineering & Technologies as well as Maintenance, Modifications & Operations), four regions (Continental Europe, Northwest Europe, North America and the Middle East) and six industries (Chemicals & Petrochemicals, Energy & Utilities, Oil & Gas, Pharma & Biopharma, Metallurgy and Cement). Establishing this 2-4-6 strategy and filling it with purpose forms the foundation for sustainable, profitable growth.

Over the course of the past financial year, Bilfinger also focused on further reducing complexities in the Group, optimizing operational processes and cutting costs. Among other things, the number of subsidiaries was lowered further, to below 200 – this alone leads to a greater degree of transparency and improved efficiency at the remaining and now integrated Group companies.

Progress in terms of stability is apparent not only in the effective corporate structure and the portfolio, but also in the bodies of the company. Staffing of the Executive Board as well as the Supervisory Board and its committees remained unchanged in the reporting year. The Supervisory Board is convinced that the Executive Board members Tom Blades (Chairman), Dr. Klaus Patzak and Michael Bernhardt are taking the right path to further stabilizing, building up and building out Bilfinger's position as a leading international industrial services provider. The Supervisory Board firmly expects that the implementation of the new strategy and the broad range of measures that have been initiated will lead to profitable growth.

Bilfinger saw additional stabilization in the reporting year especially in the area of compliance. The Supervisory Board and its committees dealt intensively with the further expansion of the compliance management system, specific compliance-related topics and Group risks. The ongoing optimization of the organization, the risk management as well as the control systems was driven forward intensively. The Supervisory Board, and the Audit Committee in particular, will continue to pay close attention to the issue of compliance in the future and will accompany the further development of the Compliance department in an advisory capacity with the support of the internationally renowned expert Louis Freeh.

Overall, the activities of the Supervisory Board and its committees in financial year 2017 were intensive and marked by trusting and constructive cooperation that allowed the Supervisory Board to meet its monitoring and advisory function and thus also its responsibilities.

Cooperation between the Supervisory Board and the Executive Board

During financial year 2017, the Supervisory Board performed the duties incumbent upon it in an orderly manner in accordance with the law, the Articles of Incorporation and the Rules of Procedure. The Management Board informed the Supervisory Board and its committees regularly, without delay and comprehensively both in writing and orally, of all issues important to the enterprise with regard to the Group's strategy, planning, business development, risk situation, risk management and compliance. The cooperation with the Executive Board was characterized by an intensive dialog.

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

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

Further focuses of the consultations in the plenum of the Supervisory Board included corporate planning, the development of earnings in the individual business segments, the optimization of the Group as well as its financial position. In the reporting year, the Supervisory Board also dealt intensively with the topic of compliance and internal control system. Together with its Audit Committee, the Supervisory Board accompanies and monitors the systematic framework, further development, optimization and application of the preventive, detective and repressive measures taken by the company against the violation of laws and regulations. Pursuant to an agreement with the U.S. Department of Justice (DoJ) from 2013, which was extended in September 2016, the Bilfinger Compliance System has been undergoing a review by the independent Monitor Dr. Mark Livschitz since August 2014. The Monitor informed the Audit Committee of the Supervisory Board four times in the reporting year about the findings of his activities. The further reduction in the number of Group companies undertaken in the reporting year also made the implementation of the compliance program much more effective. In addition, the direct exchange of information between the Supervisory Board and the risk functions, Head of Internal Audit & Controls as well as the General Counsel & Chief Compliance Officer, were further institutionalized at the beginning of 2017 and an official reporting line from these functions to the Supervisory Board was established.

The Supervisory Board has not received reports of or is otherwise unaware of any conflicts of interest to be disclosed by members of the Executive or Supervisory Boards.

The Supervisory Board approved the activity of Supervisory Board member Rainer Knerler for the Group Works Council as advisor for the introduction of the new personnel administration system within the scope of the HRcules project as well as lead negotiator with the Executive Board in the HRcules project. This role will last until the conclusion of the HRcules project, which is expected at the end of 2019 and in financial year 2017 had a net volume of €103,000.

Supervisory Board meetings

In financial year 2017, the Supervisory Board convened for seven regular meetings and four extraordinary meetings. The regular meetings took place on February 13, March 9, May 12, May 24, August 11, November 10 and December 14. Extraordinary meetings were held on April 20, May 11, July 25 and October 4. All members of the Supervisory Board, with the exception of Ms. Lone Fønss Schrøder, attended more than half of the meetings; the average attendance rate was 87.12 percent. Ms. Lone Fønss Schrøder was not able to participate at six meetings. Members of the Executive Board regularly attended the meetings of the Supervisory Board, insofar as the Chairman of the Supervisory Board or his deputy did not decide otherwise.

Topics in the plenary meetings

Current business development, the situation of the company and the Group as well as the topic of compliance including the development of the compliance system and status of the activities along with the determinations of the independent monitor were dealt with in all regular meetings of the Supervisory Board. The Chairmen of the committees each informed the plenum about the activities of the bodies they lead. The meetings of the Supervisory Board also dealt with the following topics:

On February 13, 2017, the Supervisory Board approved the strategy 2020 'Back to Profitable Growth' with the concentration of the business on two business segments, four regions and six industries as well as the budget for 2017 and took note of and approved corporate planning for 2017-2021.

On March 9, 2017, the agenda included Executive Board remuneration with a focus on the key figures of the variable remuneration components as well as a reduction of administrative expenses. The Supervisory Board also approved the capital decrease and the cancellation of treasury shares. In addition, the Supervisory Board focused primarily on the annual and consolidated financial statements for 2016 and approved the proposed resolutions to the Annual General Meeting. In accordance with the recommendation of the Audit Committee, the Supervisory Board proposed to the Annual General Meeting that the accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, be elected to conduct the external audit of the annual and consolidated financial statements for 2017. The Annual General Meeting approved this proposal on May 24, 2017. Ms. Karen Somes is the responsible auditor for Bilfinger at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, a role she has carried out in six annual audits to date.

At the meetings on April 20 and May 11, 2017, the Supervisory Board dealt with specific compliance-related topics.

On May 12, 2017, discussions focused on the refinancing of Group financing, the North-South urban rail line in Cologne, the sustainability report as well as the topic of compliance and management development.

On May 24, 2017, the Supervisory Board discussed in particular the targets for the share of women in the Executive Board.

At the meeting on July 25, 2017, the Supervisory Board again focused on Group strategy and specific compliance issues.

On August 11, 2017, the Supervisory Board dealt again with the refinancing of Group financing. On the basis of the authorization granted by the Annual General Meeting of May 24, 2017, the Supervisory Board approved the acquisition of the company's own shares by Bilfinger SE. Furthermore, management planning and the results of the efficiency review of the Supervisory Board were discussed and the topics of compliance and corporate governance, including the changes to the German Corporate Governance Code were dealt with.

At the extraordinary meeting on October 4, 2017, the Supervisory Board discussed Executive Board personnel issues.

On November 10, 2017, the Supervisory Board again looked at the Group strategy, financial issues and the topic of compliance. Furthermore, the changes to the German Corporate Governance Code were analyzed in greater detail and Executive Board topics were discussed.

On December 14, 2017, the topic of compliance and information security as well as the investigation into potential breaches of duty by former members of the Executive Board in the past 10 years were on the agenda.

In this connection, after the reporting year on February 20, 2018, the Supervisory Board, following careful review, consultation and consideration, resolved to assert damage claims due to breach of duty in the implementation of an orderly compliance management system against all former members of the company's Executive Board who were in office between 2006 and 2015 but who joined the Executive Board before 2015. In the view of the Supervisory Board, individual former members of the Executive Board can also be accused of breach of duty in connection with M&A projects in the past. It has not yet been determined in what specific amount the damage claims exist which according to preliminary calculations are in the low triple-digit million range and the extent to which these can actually be asserted against the individual former members of the Executive Board.

Work of the committees

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

Presiding Committee of the Supervisory Board

The Presiding Committee of the Supervisory Board consists of *four members*. It partially prepares the plenary meetings and makes recommendations on important resolutions. The main tasks of the Presiding Committee also include the handling of 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 (in such a case the preparation is done by the Presiding Committee), the regulating of Executive Board remuneration and taking decisions assigned to it regarding legal transactions subject to approval and other transactions as well as conflicts of interest.

Seven meetings of the Presiding Committee of the Supervisory Board were held in financial year 2017. The Presiding Committee dealt intensively with the Executive Board remuneration system, among other things. In the reporting year, the Presiding Committee approved, among other things, the conclusion of a new long-term framework agreement for services through Bilfinger Industrier Norge AS in Norway as well as further legal and other transactions subject to approval that are assigned to it. Executive Board personnel issues were regular subjects of meetings in the reporting year. As an exception, a few 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*. It monitors the accounting, the accounting process as well as the functionality and effectiveness of the risk management system, the internal auditing system and the internal control system. It also deals with questions relating to auditing and compliance as well as the compliance system. The Chairman of the Audit Committee, Dr. Marion Helmes, has the particular knowledge required by law and experience in the application of accounting principles, auditing and internal control procedures.

The Audit Committee convened for five meetings in the past financial year. In addition to the Group management report, the Committee primarily dealt with the annual financial statements for 2016 and the quarterly statements and half-year reports for 2017, including the corresponding interim financial statements as of March 31, June 30 and September 30. Representatives of the auditor participated in all meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements 2016, the auditor's review of the half-year report as of June 30, 2017 and on the significant findings for the work of the Audit Committee. The Chairman of the Audit Committee also met individually with the Chief Financial Officer outside the committee meetings and discussed, among other things, the annual financial statements and the interim financial reports with him. The Chairman of the Executive Board and the Chief Financial Officer regularly took part in the meetings of the Audit Committee.

The Audit Committee reviewed the independence of the external auditors and gave a justified recommendation that the Supervisory Board propose their election by the Annual General Meeting in 2017. 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, 2017 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 auditors and, insofar as these were in line with the defined guidelines and other requirements, approved them and reviewed compliance with the relevant fee limits. In addition, representatives of the auditors informed the Audit Committee in detail regarding the new regulations for reporting by the auditors.

The Audit Committee received information on the development of the risk situation from the quarterly reports from Corporate Controlling, which were also submitted to the plenum of the Supervisory Board. The Audit Committee received regular reports on the activities of Corporate Internal Audit & Controls, Corporate Compliance, Corporate Project Controlling and Corporate Internal Control Systems and discussed these topics. In order to allow the Audit Committee to evaluate the risk management, Corporate Internal Audit & Controls, Corporate Compliance and Corporate Project Controlling provided the Audit Committee with quarterly and annual reports, respectively. 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 meet the demands that are made of them. The Audit Committee accompanies the implementation of improvement measures and will ensure that the ongoing development of these systems remains a priority in the future. Furthermore, there were additional financial matters on the agenda in the reporting year, including the capital allocation as well as the examination of efficiency of the Audit Committee.

The Audit Committee dealt in particular with questions of compliance in detail and on a regular basis. The independent Monitor took part in a total of four meetings and reported to the Committee on his findings from the audits he undertook over the course of the financial year. The *General Counsel & Chief Compliance Officer* reported to the committee in all meetings on his activity as well as on the status of the Compliance Management System and its development; he also communicated personally with the Chairman of the Audit Committee on a regular basis.

At the beginning of the reporting year, the existing direct exchange of information between the Supervisory Board and Audit Committee and the risk functions, Head of Internal Audit & Controls, General Counsel & Chief Compliance Officer, was further institutionalized. This was done against the backdrop of the development of corporate governance in the Group and to encourage the effective execution of the monitoring function of the Supervisory Board and its committees in the relevant areas. In addition to information from the Executive Board, a reporting line to the Audit Committee and the Supervisory Board is firmly established for each of the previously mentioned risk functions. This can also refer to a confidential exchange of information with the respective chairmen or the issuing of audit orders with regard to the Executive Board and/or the Supervisory Board. In general, the Executive Board is to be informed about such information exchanges. The reporting lines and obligations of the risk functions to the Executive Board otherwise remain unaffected.

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 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 2017 because no new election of Supervisory Board members was necessary.

Transformation Committee

The *Transformation Committee* as a special committee, accompanies the transformation of the Bilfinger Group, advises on the further strategic positioning of the Group with the Executive Board and, if necessary, prepares recommendations for the Supervisory Board with regard to the further development of the strategy. The committee consists of six members and has equal representation; it convened for nine meetings in financial year 2017.

At its meetings, the Transformation Committee dealt in particular with the strategy 2020, the share buyback program and the issue of digitalization. Further, the committee addressed in detail the individual divisions of the Group as well as the profile of selected subsidiaries of Bilfinger SE. Lastly, the legal restructuring measures of the Bilfinger Group, including in particular legal entities in need of restructuring, were a regular focus on the agendas in the reporting year.

Corporate Governance and Declaration of Compliance

In financial year 2017, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code as well as its amended requirements. On March 9, 2017 and on February 22, 2018, the Executive Board and the Supervisory Board issued a joint Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). The current joint Declaration of Compliance from the Executive Board and the Supervisory Board as well as the previous declarations are permanently available on the Bilfinger website (http://www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/). In addition, in the *Corporate Governance Report* and the *Declaration of Corporate Governance*, the Executive Board also reports on corporate governance for the Supervisory Board.

Examination of efficiency

The Supervisory Board and Audit Committee regularly evaluated the efficiency of their activities in the reporting year with the help of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The examination of efficiency of the Supervisory Board and Audit Committee resulted in a positive to very positive assessment in nearly all matters. No fundamental weaknesses were identified. Potential for further optimization in committee work in individual areas was identified and relevant measures initiated. The next examination of efficiency for the two committees is scheduled for 2019.

Audit of the annual and consolidated financial statements

Accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as appointed auditors, has audited the annual financial statements and the combined management report of Bilfinger SE and the Group prepared by the Executive Board in accordance with the German Commercial Code (HGB) for financial year 2017 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for the year 2017 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB). The consolidated financial statements were also issued with an unqualified audit opinion by the auditors. The audit assignment had been issued by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting of May 24, 2017. The aforementioned financial statements, the audit reports of the external auditors and the proposal of the Executive Board on the appropriation of profits were provided to all members of the Supervisory Board in an orderly manner and in good time. The Audit Committee of the Supervisory Board, in preparation for the review and discussion of these documents by the plenary session of the Supervisory Board, discussed the financial statements and the audit reports as well as the proposal on the appropriation of distributable earnings, with the proposal for a dividend distribution, in the presence of the external auditors. In this context, the Audit Committee dealt in particular with the especially important key audit matters described in the auditor's report, including the audit treatments undertaken by the auditors. In addition, the Audit Committee had the auditor report on the collaboration with Corporate Internal Audit & Controls 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 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 2017, 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 8, 2018. 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 and, in this regard, went into detail for particularly important Key Audit Matters including the audit treatments that were undertaken. They also discussed with the Supervisory Board the internal control and risk management system, in particular as it relates to the accounting process. The Supervisory Board shares the opinion of the Audit Committee on the effectiveness of these systems. 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 applied, 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 8, 2018, the Supervisory Board approved the annual and consolidated financial statements and the combined management report for the 2017 financial year as submitted by the Executive Board. The company's financial statements for financial year 2017 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 distributable earnings, particularly with regard to the stringency of accounting and dividend distribution policy, the effects on liquidity, creditworthiness and future financing needs, as well as with consideration of shareholders' interests. In accordance with the recommendation of the Audit Committee, it consents to the Executive Board's proposal for the appropriation of distributable earnings.

Executive Board personnel matters

There were no personnel changes in the Executive Board in the reporting year. The unchanged Executive Board consists of Tom Blades (Chairman), Dr. Klaus Patzak and Michael Bernhardt.

Supervisory Board personnel matters

The Supervisory Board is unchanged from its composition of the previous financial year. Dr. Eckhard Cordes (Chairman), Ms. Dorothée Deuring, Ms. Lone Fønss Schrøder, Dr. Ralph Heck, Dr. Marion Helmes and Mr. Jens Tischendorf represent the shareholders on the Supervisory Board. Representatives of the employees are Ms. Agnieszka Al-Selwi, Mr. Stephan Brückner (Deputy Chairman), Ms. Susanne Hupe, Mr. Rainer Knerler, Dr. Janna Köke and Mr. Jörg Sommer. The current members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates.

In February 2018, Dr. Helmes announced that she will step down from her position in the Supervisory Board of the company at the end of the Annual General Meeting on May 15, 2018. One position and the chairmanship of the Audit Committee must thus be newly-filled. The Nomination Committee is working intensively to prepare a proposal for the Annual General Meeting regarding the election of a new Supervisory Board member so that the Supervisory Board mandate can be filled directly. On this basis, the Supervisory Board will also decide on the filling of the position in the Audit Committee.

Thanks to Executive Board and 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 and the commitment they have demonstrated to Bilfinger in the past financial year.

Adoption of this report

The Supervisory Board adopted this report in its meeting on March 8, 2018 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 8, 2018

A.4 Corporate governance

A.4.1 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' as it is generally understood 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. It forms the foundation for sustainable business success and fosters trust among our shareholders, customers, employees, business partners and the financial markets.

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 Section 17 of our Articles of Incorporation.

Executive Board

The members of the *Executive Board* are appointed by the Supervisory Board. The Executive Board consists of three members and 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 and business of Bilfinger SE and the Group as well as implementing and monitoring an efficient risk management system. It represents the company to third parties. Its actions are guided by the interests of the company, i.e. the interests of shareholders, employees and other groups affiliated with the company, including the public, with the aim of a sustainably increasing enterprise value. The members of the Executive Board base their actions on the legal requirements, the Articles of Incorporation, the Rules of Procedure and the Schedule of Responsibilities as well as on the other relevant regulations. In accordance with the Schedule of Responsibilities approved by the Presiding Committee of the Supervisory Board, the Executive Board members are each allocated responsibility for the management of certain areas. They take joint responsibility for corporate governance, however. In addition, the Chairman of the Executive Board coordinates the work of Executive Board members. The resolutions of the Executive Board are made primarily in the regular Executive Board meetings. They may, however, also be made in extraordinary Executive Board meetings, in written procedures or through other methods of communication. The Rules of Procedure require a resolution by the entire Executive Board for certain transactions and actions. Approval from the Supervisory Board or one of its committees is required for particularly significant actions and transactions in accordance with the Articles of Incorporation and Rules of Procedure. This includes, among other things, the addition of new business segments or the discontinuation of existing business segments, the purchase and sale of investments above a certain volume as well as entering into long-term financial commitments.

With regard to the composition of the Executive Board, it is incumbent on the Supervisory Board to prepare a diversity concept pursuant to Section 289f Paragraph 2 No. 6 HGB. This is described in greater detail in the *Declaration of Corporate Governance*.

Details of the remuneration of the Executive Board members can be found in the *remuneration report*, which is part of the combined management report.

Supervisory Board

In accordance with Section 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 – as is the case for the Annual General Meeting as well – not involved in the selection procedure for the employee representatives in the Supervisory Board.

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 or one of its committees. Within the context of its *report*, the Supervisory Board informs the shareholders on its activities.

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*. There, the mandates executed by members of the Supervisory Board in the controlling bodies of other companies as well as significant activities beyond the Supervisory Board mandate with the company are listed.

The remuneration of the members of the Supervisory Board is presented in the *Remuneration report* as part of the management report.

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. It decides on the appropriation of profits and on formal approval of members of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders, and the external auditors. In addition, decisions are made on amendments to the Articles of Incorporation and in certain other cases as specified by applicable law or the Articles of Incorporation. Each share entitles its holder to one vote at the Annual General Meeting.

German Corporate Governance Code

The German Corporate Governance Code (GCGC) contains recommendations and suggestions for good and trusting corporate governance and control. It is updated and further developed on an ongoing basis by the responsible Government Commission German Corporate Governance Code. 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 as well as the public and other stakeholders in the management and supervision of German listed and capital market companies.

Objectives for the composition of the Supervisory Board and competence profile

Pursuant to the recommendation in Number 5.4.1 Subsection 2 Sentence 1 of the GCGC, the Supervisory Board should name specific targets for its composition and develop a competence profile for the entire committee. For its composition, it is expected, within the framework of the specific company situation, the international activities of the company, potential conflicts of interest, that the number of independent members of the Supervisory Board, an age limit that is to be defined for members of the Supervisory Board and a standard time limit for membership to the Supervisory Board as well as diversity will all be appropriately considered. The GCGC also recommends that proposals from the Supervisory Board to the Annual General Meeting take these objectives into consideration and, at the same time, that the fulfillment of the competence profile for the full Supervisory Board should be pursued. The status of the implementation shall be published in the Corporate governance report. In addition, the Supervisory Board, pursuant to Section 289f Paragraph 2 Number 6 HGB, shall prepare a diversity concept. This is to be described in greater detail in the *Declaration of Corporate Governance*.

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

Competence profile

- 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 one member should meet the requirements of Section 100 Subsection 5 AktG (so-called ‘financial expert’).
- At least two members should possess particular experience from leading positions in industrial or services companies.
- Overall, the members should be familiar with the sector in which the company operates, Section 100 Subsection 5 AktG.

Independence

- 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.

Age limit and term of office

- 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.
- As a rule, no member of the Supervisory Board should remain a member for longer than three standard terms, as per the term of office specified in the Articles of Incorporation; exceptions are to be justified.

Diversity

- Overall, the members should represent a sufficient degree of diversity. In this regard, the diversity concept resolved by the Supervisory Board and described in the Declaration of corporate governance is to be taken into considerations for the composition of the Supervisory Board, for which a correspondingly diverse composition is sought.
- In addition, for new appointments to the Supervisory Board a defined gender quota of 30 percent is to be followed from January 1, 2016. This means that at least four women and at least four men must be members of the Supervisory Board.

The Supervisory Board intends to consider the objectives mentioned above in the resolutions it proposes to the Annual General Meeting for the appointment of shareholder representatives to the Supervisory Board on the provision that those persons whose personal and professional qualifications make them the best suited for the position be proposed. At the same time, the fulfillment of the competence profile and the diversity concept should be pursued for the full committee. The implementation of the legally prescribed gender quota for the Supervisory Board remains unaffected. The Annual General Meeting is of course in no way bound by the nominations of the Supervisory Board and neither the Supervisory Board nor the Annual General Meeting are involved in the protected procedure for the election of employee representatives to the Supervisory Board.

The composition of the current Supervisory Board complies with the objectives mentioned above and with the competence profile with the following exception: Mr. Rainer Knerler has been a member of the Supervisory Board since 1996 and thus – as the only member of the Supervisory Board – in office longer than three regular periods in office. As a result of his long-standing experience, Mr. Knerler was once more appointed to the Supervisory Board as an employee representative by the SE Works Council on February 10, 2016.

Furthermore, it can be seen from the information on the members of the Supervisory Board in the chapter on *Boards of the company* in the Annual Report, that the Supervisory Board is very diverse and that its composition is in line with the requirements of the competence profile. More than the required two members have professional experience in an international environment and particular knowledge and experience in business administration and finance. The Chairman of the Audit Committee meets the requirements of a financial expert pursuant to Section 100 Subsection 5 AktG. At least three members of the Supervisory Board have experience in the management of industrial or service companies. None of the members of the Supervisory Board were previously active in the Executive Board of the company or holds a board function with a significant competitor. The members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates.

Beyond the previously-mentioned goals and the competence profile for the composition of the Supervisory Board, current members of the Supervisory Board possess the knowledge, skills and professional experience necessary for the orderly execution of their tasks. The age limit was not exceeded by any member of the Supervisory Board.

In the assessment of the Supervisory Board, the appropriate number of independent shareholder representatives in the Supervisory Board under consideration of the ownership structure is four. Dorothée Deuring, Dr. Ralph Heck, Dr. Marion Helmes and Lone Fønss Schrøder are categorized as independent for the purposes of the German Corporate Governance Code. The Supervisory Board has an equal number of men and women.

Declaration of compliance

On February 22, 2018, 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:

“Bilfinger SE complies with all of the recommendations of the German Corporate Governance Code as amended on February 7, 2017 with the following exceptions:

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

Since issuing the Declaration of compliance of March 9, 2017, the company has, until today’s date, complied with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 and in its version of February 7, 2017, since it took effect, with the exception of the recommendations in Section 4.2.3 Subsection 2 Sentence 6 and 4.2.3 Subsection 2 Sentence 8.”

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

Bilfinger also fulfills nearly all non-binding suggestions of the German Corporate Governance Code. Exceptions to this are the accessibility of the proxy representative of the shareholders, also during the Annual General Meeting (Section 2.3.2 Subsection 2 Sentence 2 GCGC) as well as the suggestion that the maximum possible appointment period of five years for the first-time appointment of members of the Executive Board should not be the rule (Section 5.1.2 Subsection 2 Sentence 1 GCGC). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology such as the Internet (Section 2.3.2 of the German Corporate Governance Code) is followed insofar as the speech of the Chairman of the Executive Board is broadcast on the Internet.

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

Pursuant to Article 19 of the (EU) Directive number 596/2014 of April 16, 2014 on market abuse (Market Abuse Directive), the members of the Supervisory Board and Executive Board and other persons with management duties who regularly have access to insider information on the company and who are authorized to make significant business decisions, and certain persons who are in a close relationship with those persons are legally obliged to disclose to Bilfinger SE and the German Federal Financial Supervisory Authority (BaFin) any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €5,000 in any calendar year, as soon as possible and at the latest within three working days. We immediately publish details of such transactions on our website, among other places, at www.bilfinger.com/unternehmen/corporate-governance/meldepflichtige-geschaefte-mit-finanzinstrumenten-der-gesellschaft/.

Compliance system

Compliance with laws and internal regulations is the foundation of successful business activities and a component of good corporate governance. Bilfinger SE, also in this reporting year, put a substantial effort into ensuring compliance with laws and internal regulations and made significant investments in connection with compliance and for the further improvement of our compliance system and will continue to do so unabated. We never compromise on safety and integrity. Our comprehensive Bilfinger Compliance System ensures that compliance violations are avoided ('prevent'), that potential misconduct is recognized at an early stage ('detect') and, once such misconduct is identified, that the reaction is fast and consistent ('respond'). The Bilfinger Compliance System is described in detail in chapter *B.2.6.3 Compliance*.

In order to firmly and sustainably establish compliance in the company, a comprehensive compliance governance and the seamless interaction among all control functions in the company are necessary.

One key component is our comprehensive Code of Conduct, which describes the fundamental principles of our behavior and which is binding for all employees worldwide. It was extensively revised at the beginning of the financial year. The individual subject areas are formulated in specific terms with related guidelines and provide the basis for ethical business conduct within our activities. A training program and broad-based internal communications ensure that all employees are familiar with the Code of Conduct and with all relevant policies. In addition, a Compliance Help Desk is the central point of contact for comprehensive advice for all employees on compliance-related issues. Employees can report – also anonymously – possible misconduct using our whistleblower system insofar as they do not wish to use the normal reporting line to their supervisor or other persons of trust. Such notifications and other potential violations of the compliance rules are investigated by an independent Allegation Management Committee and the Allegation Management Office in order to punish possible misconduct and to continuously optimize the Compliance Program and the effectiveness of controls on an ongoing basis. A Disciplinary Committee deals with potential sanctions and ensures their consistent application. Whistleblowers are protected from reprisals. In addition, the whistleblower system can also be used by third parties (suppliers, subcontractors, business partners and other service providers) using our website.

To further improve the compliance governance, in 2016 Corporate Compliance and Corporate Legal & Insurance were combined into a new Corporate Legal & Compliance department which, since the beginning of the reporting year, has also been responsible for the functions Independent Allegation Management as well as Export Controls. In addition, Corporate Legal & Compliance was strengthened in terms of personnel and now has a total of about 100 employees throughout the Group. Each of the nearly 200 legal entities in the Bilfinger Group today has a responsible Compliance Manager. At the same time, cooperation between the Compliance area and Internal Audit was intensified and formalized. The three fundamental focus areas of the Compliance Program, prevent, detect, respond, are comprehensively managed and led by these functions with a clear set of responsibilities. To strengthen the independence of these compliance-relevant corporate functions from the business segments, in addition to a reporting obligation to the Executive Board for the Head of Internal Audit as well as the General Counsel & Chief Compliance Officer, a reporting line to both the Audit Committee as well as directly to the Chairman of the Supervisory Board and the Supervisory Board was established for special cases. The General Counsel & Chief Compliance Officer of the Group thus reports directly to the Chairman of the Executive Board and regularly informs the Chairman of the Audit Committee of the

Supervisory Board, the full Audit Committee as well as the full Supervisory Board on compliance-related issues and on significant developments.

To manage and monitor the organization and implementation of the entire Bilfinger Compliance System, the Compliance Review Board has been in place since October 2016. This board consists of the members of the Executive Board as well as a number of corporate department heads and convenes at least once per quarter under the chairmanship of the General Counsel & Chief Compliance Officer. Since September 2017, the Compliance Review Board has now been supplemented by Divisional Compliance Review Boards which manage and monitor the implementation of the compliance program in the individual divisions.

In addition, the integration of the Bilfinger Compliance System and its further development in the business processes are reviewed in order to ensure the efficiency of the program and the associated measures. The Internal Audit & Controls department verifies, among other things, the implementation of compliance guidelines as part of so-called anti-corruption audits on site at the individual business units. In these audits, the integrity of the business unit's payment transactions is also analyzed on the basis of mass data analyses. In the 2017 reporting year, a total of 13 such audits were conducted around the world. The relevant audit reports were and will be made available to the Executive Board and the Chief Compliance Officer in the form of relevant audit reports so that – where necessary – improvement measures can be implemented.

The entire Bilfinger Compliance System is continuously reviewed and optimized by us to ensure that regulatory requirements, market changes and the needs of our customers are taken into account. With regard to the case in the USA for violation of the US Foreign Corrupt Practices Act (FCPA) in the years prior to 2005, it was agreed in 2016 with the U.S. Department of Justice (DoJ) that the Deferred Prosecution Agreement (DPA) that has been in place since 2013 would be extended until the end of 2018. Also within the scope of the extended DPA, the appointed Compliance Monitor reviews the effectiveness of our compliance measures and regularly reports on his findings to the company and the DoJ. For this reason, the recommendations of the Compliance Monitor in particular flow into the optimization of our Compliance System. In addition, we take into consideration the comments of the internationally renowned expert Louis Freeh, who advises the Supervisory Board on the topic of compliance.

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.

Declaration of corporate governance

The Executive Board issued a Declaration of corporate governance pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) that has been made available to the general public on the company's website at (http://www.bilfinger.com/en/company/corporate-governance/declaration-of-corporate-governance/).

Mannheim, March 8, 2018

Bilfinger SE

The Executive Board The Supervisory Board

A.4.2 Remuneration report

This remuneration report describes the current remuneration system for the Executive Board, which has been valid since financial year 2015 and was approved by the Annual General Meeting on May 7, 2015, including the amendments decided upon since that time. Partially differing agreements – in terms of value only – were made with Dr. Klaus Patzak, which are subsequently described in greater detail. The remuneration report also includes the remuneration granted and actually paid to the Executive Board members in financial year 2017; it additionally includes information on the remuneration of the Supervisory Board in 2017. The remuneration report is part of the Group management report.

Executive Board remuneration

Executive Board remuneration first of all comprises a fixed annual salary and variable remuneration with two components. Further components of the remuneration system, described below in two separate sections, include non-cash benefits and retirement benefits.

Annual fixed salary The annual fixed salary amounts to €600 thousand for full members of the Executive Board, €700 thousand for Dr. Klaus Patzak and €1,200 thousand for the Chairman of the Executive Board.

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

The STI is based on the achievement of economic success targets defined by the Supervisory Board. With an individual performance factor (IPF), which is also included, the Supervisory Board can take account of the individual performance of each member of the Executive Board as well as unforeseen events that have a material impact on the activities of the members of the Executive Board. The economic success targets and the criteria for the IPF of the respective member of the Executive Board are determined at the beginning of the relevant financial year by the Supervisory Board.

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, €650 thousand for Dr. Klaus Patzak 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 adjusted EBITA and free cash flow from operating activities of the Bilfinger Group. For the purposes of the STI, this free cash flow from operating activities is based on cash flow from operating activities less payments made for property, plant and equipment and intangible assets plus payments received from the disposal of property, plant and equipment and intangible assets. 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. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to a maximum target value of 135 percent to a maximum value of 200 percent of the STI value ('cap'). [The Supervisory Board has resolved, from financial year 2018 and instead of the proportional minimum and maximum values, that the Supervisory Board at the beginning of each financial year should define an absolute upper and lower limit for each success target. The members of the Executive Board had not approved a relevant amendment to their Executive Board contracts prior to the preparation of the remuneration report.]

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 degree of achievement of the two economic success targets and the IPF defined for each member of the Executive Board under evaluation of his individual performance in the financial year (factor 0.8 to 1.2). In the case of the assumption or termination of an Executive Board mandate during the year, there is an entitlement to payment of the STI for this financial year pro rata temporis.

The LTI is designed to reward the sustainable long-term development of the company. It includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). Their number can change over the course of a three-year performance period depending on the degree of target achievement for the two success targets ROCE as well as the development of the relative total shareholder return figure (TSR figure) of the company shares pursuant to the regulations below. The resulting number of PSUs corresponds to the number of real shares of Bilfinger SE which the relevant Executive Board member may 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. For Dr. Klaus Patzak, the allotment value is €850 thousand. In the case of the assumption or termination of an Executive Board mandate during the year, the number of PSUs allocated for this financial year is decreased pro rata temporis.

The ROCE for the tranches 2015-2017 and 2016-2018 is calculated as adjusted ROCE before taxes, from the tranche 2017-2019, the ROCE will be defined as non-adjusted ROCE after taxes. The ROCE degree of target achievement for the performance period is determined on the basis of the average value of the achievement for the annual targets defined by the Supervisory Board. The achievement of the targets counts only within a corridor of 80 to 135 percent of the set target. The degree of target achievement is zero below the minimum value. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to a maximum target value of 135 percent to a maximum value of 150 percent of the ROCE target ('cap').

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

The final number of PSUs is calculated by multiplying the initial number of PSUs with the arithmetical average of the degree of target achievement for the two success targets. The final number is subject to a cap of maximum 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 PSUs. At the end of the performance period, members of the Executive Board receive a number of real Bilfinger shares corresponding to the final number of PSUs. The company is authorized, however, to make a full or partial cash payment in place of the delivery of Bilfinger shares, the amount of which is measured based on the current market price.

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

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.

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

Retirement benefits Retired members of the Executive Board receive pension payments from the age of 62. In case of the death of a member of the Executive Board with pension entitlement and assuming further conditions are met, dependents are entitled to pension benefits in the form of widow and orphan pensions. For new contracts since the third quarter of 2016, benefit entitlements for surviving dependents will exclusively take the form of capital payments. This currently relates only to Dr. Patzak. The entitlements described above have been transferred to an external institution in the form of a reinsured relief fund and are based on contributions made by the company to the relief fund and contractually agreed with the member of the Executive Board in the amount of 45 percent of the fixed remuneration (50 percent in the case of Dr. Patzak). All future pension entitlements are fully funded so that there is no financial burden on the company in the event of a claim. For all contracts there is a right to select between payment of the retirement benefit as a capital payment or as a life-long pension. The benefits of the external institutions also cover the risk of occupational disability.

The following table shows the company's contributions to the relief fund for the year 2017 and the expected annual pension entitlements or the expected amount of principal payments to active members of the Executive Board already achieved by members of the Executive Board upon retirement, assuming a retirement age of 62 years.

RETIREMENT BENEFITS
€ thousand

	Expected amount of the principal payment upon retirement	Expected annual pension entitlement upon retirement	Contribution to the relief fund	
			2017	2016
Tom Blades (from July 1, 2016, Chairman)	1,202	33	540	270
Dr. Klaus Patzak (from October 1, 2016)	4,344	126	350	88
Michael Bernhardt	4,576	142	270	270
			1,160	628

Total remuneration granted for the financial year

Total remuneration granted for 2017, 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 corresponding charts.

Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code recommends that the maximum amount of Executive Board remuneration and the variable components of that remuneration be defined. The company deviates from this recommendation as relates to the remuneration system that has been valid since financial year 2015; this was disclosed most recently in its Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) dated February 22, 2018. As already described, in accordance with the remuneration system in place since 2015, members of the Executive Board receive a certain number of PSUs as part of the LTI. While the final number of PSUs is limited, the share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of share-based remuneration. The table thus contains no maximum amounts.

For members of the Executive Board, the Supervisory Board, as a result of this special situation and the fact that they were not involved in corporate planning for financial year 2016, has reached the following agreements, which differ from the principal regulations of the remuneration system:

For Tom Blades and Michael Bernhardt, the Supervisory Board has also decided to assume a 100 percent fulfillment of the ROCE parameter of the LTI for 2016. For Dr. Patzak, for financial year 2017 with regard to the STI, a gross payment amount corresponding to the STI target value as well as the achievement of the ROCE parameters of the LTI for financial years 2016 and 2017 are each guaranteed at 100 percent.

In addition, the PSUs granted to Mr. Blades and Dr. Patzak for 2016 pro rata temporis were calculated with the current price at the point of hiring (and not at the beginning of financial year 2016). Accordingly, also for the LTI 2016; calculation of the TSR is based on the price at the point of hiring (and not at the beginning of financial year 2016).

Further, the Supervisory Board decided in February 2018 to pay a one-time recognition bonus to Mr. Blades in the amount of €200,000 as well as to Mr. Bernhardt in the amount of €100,000 for their special performance in the reporting year. The granting of the bonus was carried out against the backdrop of the particular situation of the company which demanded performance and commitment on the part of the members of the Executive Board beyond what they are obligated to provide and which would not have been necessary if the company were in a more stable operational state.

No loans or advances were made to the members of the Executive Board in 2017. No remuneration was paid for positions held on supervisory boards or comparable boards of companies by members of the Executive Board of the Group in financial year 2017.

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Tom Blades (from July 1, 2016, Chairman)				Dr. Klaus Patzak (from October 1, 2016, Chief Financial Officer)				Michael Bernhardt (from November 1, 2015 member of the Executive Board)			
	2016[a]	2017	2017 min	2017 max	2016[a]	2017	2017 min	2017 max	2016	2017	2017 min	2017 max
Fixed remuneration	600	1,200	1,200	1,200	175	700	700	700	600	600	600	600
Fringe benefits	19	40	40	40	10	39	39	39	36	37	37	37
One-time payment	2,600	200[d]	–	–	–	–	–	–	–	100[d]	–	–
Total	3,219	1,440	1,240	1,240	185	739	739	739	636	737	637	637
One-year variable remuneration STI	500	0	0	2,000	163	650	650	1,300	500	0	0	1,000
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018 [b]	407	–	–	–	206	–	–	–	505	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019 [b]	–	1,071	0	n/a[c]	–	650	0	n/a[c]	–	482	0	n/a[c]
Total	4,126	2,511	1,240	n/a[c]	554	2,039	1,389	n/a[c]	1,641	1,219	637	n/a[c]
Benefit expense	270	540	540	540	88	350	350	350	270	270	270	270
Total remuneration	4,396	3,051	1,780	n/a[c]	642	2,389	1,739	n/a[c]	1,911	1,489	907	n/a[c]

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Per H. Utnegaard (June 1, 2015 to May 31, 2016, Chairman) [a]				Axel Salzmann (April 1, 2015 to September 30, 2016, Chief Financial Officer) [a]				Dr. Jochen Keysberg (until September 6, 2016, member of the Executive Board) [a]			
	2016	2017	2017 min	2017 max	2016	2017	2017 min	2017 max	2016	2017	2017 min	2017 max
Fixed remuneration	500	–	–	–	450	–	–	–	409	–	–	–
Fringe benefits	5	–	–	–	21	–	–	–	73	–	–	–
One-time payment	–	–	–	–	250	–	–	–	–	–	–	–
Total	**505**	–	–	–	**721**	–	–	–	**482**	–	–	–
One-year variable remuneration STI	–	–	–	–	375	–	–	–	341	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018 [b]	–	–	–	–	379	–	–	–	349	–	–	–
Total	**505**	–	–	–	**1,475**	–	–	–	**1,172**	–	–	–
Benefit expense	225	–	–	–	203	–	–	–	185	–	–	–
Total remuneration	**730**	–	–	–	**1,678**	–	–	–	**1,357**	–	–	–

a Taking into account the proportionate mandate
b Fair value at granting
c Not applicable, as the LTI is not limited due to the payment in real shares
d The granting of a recognition bonus for special performance and the amount of such a bonus are at the discretion of the Supervisory Board

ALLOCATION FOR THE REPORTING YEAR € thousand	Tom Blades (from July 1, 2016, Chairman)		Dr. Klaus Patzak (from October, 1, 2016, Chief Financial Officer)		Michael Bernhardt (from November 1, 2015 member of the Executive Board)	
	2016[a]	2017	2016[a]	2017	2016	2017
Fixed remuneration	600	1200	175	700	600	600
Fringe benefits	19	40	10	39	36	37
One-time payment	2,600	200[c]	–	–	–	100[c]
Total	3,219	1,440	185	739	636	737
One-year variable remuneration STI	500	0	163	650	500	0
Multi-year variable remuneration: LTI (share-based) Tranche 2015-2017	–	–	–	–	–	0
Total	3,719	1,440	348	1,389	1,136	737
Benefit expense	270	540	88	350	270	270
Total remuneration	3,989	1,980	436	1,739	1,406	1,007

ALLOCATION FOR THE REPORTING YEAR € thousand	Per H. Utnegaard (June 1, 2015 to May 31, 2016, Chairman)		Axel Salzmann (April 1, 2015 to September 30, 2016, Chief Financial Officer)		Dr. Jochen Keysberg (until September 6, 2016, member of the Executive Board)	
	2016[a]	2017	2016[a]	2017	2016[a]	2017
Fixed remuneration	500	–	450	–	409	–
Fringe benefits	5	–	21	–	73	–
One-time payment	–	–	250	–	–	–
Total	**505**	**–**	**721**	**–**	**482**	**–**
One-year variable remuneration STI	–	–	0	–	0	–
Multi-year variable remuneration deferral (share-based) 2014-2016 [b]	–	–	–	–	172	–
Multi-year variable remuneration: LTI (share-based) Tranche 2015-2017	–	0	–	0	–	0
Total	**505**	**–**	**721**	**–**	**654**	**–**
Benefit expense	225	–	203	–	185	–
Total remuneration	**730**	**–**	**924**	**–**	**839**	**–**

a Taking into account the proportionate mandate
b Component of the remuneration system valid until December 31, 2014; time of the allocation pursuant to German tax law: after the Annual General Meeting 2017
c The granting of a recognition bonus for special performance and the amount of such a bonus are at the discretion of the Supervisory Board

Additional disclosures

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 have a special right of termination for their contracts of service. In the case of termination of a contract of service due to a change of control, the members of the Executive Board receive severance compensation for the remaining periods of their contracts of service subject to a maximum of three years. Severance compensation comprises the annual fixed salary as well as the variable remuneration, i.e. STI and LTI. The amount accounted for by the STI is calculated based on the average variable remuneration from the last five full financial years; the amount accounted for by the LTI on the annual allotment value of the PSU. 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.

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

Total remuneration of former members of the Executive Board including pensions The amounts paid to members of the Executive Board who left the company prior to the reporting year or their surviving dependents totaled €2,715 thousand in the reporting year (previous year: €4,602 thousand). In addition to compensation for non-competition, this mainly includes pensions paid to former members of the Executive Board who left the company prior to the reporting year or their surviving dependents totaling €2,268 thousand (previous year: €2,210 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €29,978 thousand (previous year: €32,625 thousand).

Supervisory Board remuneration

The members of the Supervisory Board receive, as specified by Section 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 2017 amounted to €1,438 thousand (previous year: €1,363 thousand) not including the value added tax refund. In financial year 2017, members of the Supervisory Board were also reimbursed for expenses or these expenses were assumed, these include travel costs and other individual invoices for expenditures in connection with the activities in the Supervisory Board in the interests of Bilfinger SE, in the total amount of €119 thousand (previous year: €85 thousand). Mr. Knerler was paid for his advisory role with the Group Works Council, approved by the Supervisory Board, a consulting fee in the amount of €103 thousand net in financial year 2017. 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

	2017	2016
Dr. Eckhard Cordes (Chairman, Chairman of the Presiding Committee, from October 25, 2016 Chairman of the Transformation Committee)	187	185.5
Stephan Brückner (Deputy Chairman, member of the Presiding Committee, from October 25, 2016 member of the Transformation Committee)	153.5	150.5
Agnieszka Al-Selwi (from September 7, 2016)	75.5	23.7
Wolfgang Bunge (until May 11, 2016, member of the Audit Committee)	–	43.4
Dorothée Deuring (from May 11, 2016, member of the Audit Committee)	112.5	71.4
Dr. John Feldmann (until May 11, 2016, member of the Presiding Committee, member of the Audit Committee)	–	43.9
Lone Fønss Schrøder	72.5	74
Dr. Ralph Heck (from May 11, 2016, member of the Presiding Committee, from October 25, 2016 member of the Transformation Committee)	116.5	72.4
Dr. Marion Helmes (from May 11, 2016, Chairwoman of the Audit Committee)	147.5	93.4
Susanne Hupe (from September 7, 2016, from October 25, 2016 member of the Transformation Committee)	115	30.7
Thomas Kern (until June 9, 2016, member of the Audit Committee)	–	79.2
Ingo Klötzer (until May 11, 2016)	–	29.2
Rainer Knerler (member of the Presiding Committee, from October 25, 2016 member of the Audit Committee)	117.5	115
Dr. Janna Köke (from May 11, 2016, member of the Audit Committee)	113	71.4
Emma Phillips (May 11, 2016 to September 6, 2016)	–	24.3
Hans Peter Ring (until May 11, 2016, Chairman of the Audit Committee)	–	56
Jörg Sommer (from May 11, 2016, from September 22, 2016 member of the Audit Committee)	113	58.1
Udo Stark (until May 11, 2016)	–	29.2
Jens Tischendorf (from October 25, 2016 member of the Transformation Committee)	114.5	84.5
Marek Wróbel (until May 11, 2016)	–	29.2
	1,438	1.365[a]

a Due to the specification of the first figure after the decimal point, the amount of remuneration for members of the Supervisory Board for 2016 increased slightly as compared to the remuneration report of the previous year from €1,363 thousand to €1,365 thousand.

A.5 Bilfinger in the capital market

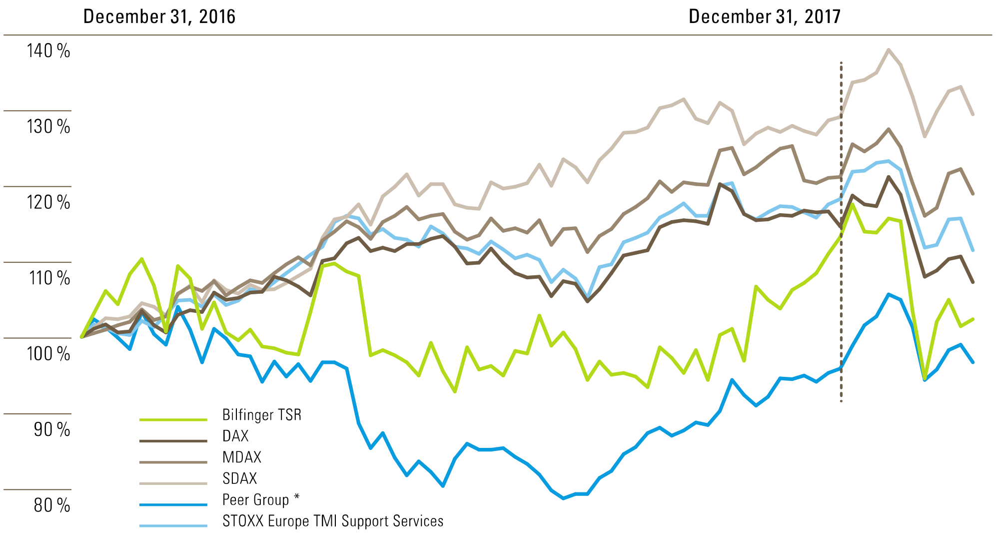
Stock market year 2017

The 2017 stock market year saw a sustained and broad upswing in the capital markets, which was reflected in the significant growth rates of the relevant stock indices. The DAX increased by roughly 13 percent, the MDAX by about 18 percent, the SDAX by about 25 percent and the Europe TMI Support Services by about 16 percent. In light of the company's activities in mostly challenging markets such as oil and gas or energy, our share price was not able to keep pace with these growth rates. The Bilfinger share was, however, much more stable than the weighted average for its peer group which recorded a decrease of about 5 percent.

In the first months, the price of the Bilfinger share developed nearly parallel to the reference indices and reached its high for the year of €40.72 at the end of April. The cautious outlook in the oil and gas market put the Bilfinger share along with the shares of competitors under pressure and, as a result, the share then fell to a low for the year of €32.89 at the end of June. While the share price remained at a low level in the summer, the already high share of short-selling positions increased noticeably in July following an ad hoc release regarding legacy projects in the project business. With reporting on the third quarter 2017, further progress in the stabilization became apparent in November and the share price increased significantly toward the end of the year and the short-selling positions went back to the levels seen at the beginning of the year. The Bilfinger share closed out 2017 at a price of €39.57, which represents an increase of 8 percent. Market capitalization totaled €1.7 billion.

After a strong start in the new stock market year, the development on the capital markets in February was again weaker. Performance of the Bilfinger share, however, was above that of its peer group in the period considered.

RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



* Weighted index of peer group companies by market capitalization as of December 31, 2016 (Aegion, Fluor, CB&I, KBR, Mistras, Petrofac, Spie, Team, Wood Group, Worley Parsons)

KEY FIGURES ON OUR SHARES

€ per share

	2013	2014	2015	2016	2017
Earnings [1]	3.91	-1.62	-11.54	6.13	-2.01
Adjusted earnings [2]	5.69	3.62	-0.68	-0.17	-0.19
Cash flow per share	4.76	0.77	0.88	-5.07	-2.71
Dividend	3.00	2.00	0.00	1.00	1.00
Dividend yield [3]	3.7%	4.3%	–	2.7%	2.5%
Payout ratio [4]	53%	50%	–	–	–
Highest price	84.35	93.05	59.67	44.15	40.72
Lowest price	68.67	41.54	32.63	25.05	32.89
Year-end price	81.53	46.35	43.47	36.57	39.57
Book value [5]	48.67	43.85	33.39	37.30	32.65
Market value / book value [3,5]	1.7	1.1	1.3	1.0	1.2
Market capitalization in € million [3,7]	3,752	2,133	2,001	1,683	1,749
SDAX weighting (until 2016 MDAX) [6]	2.4%	1.1%	0.9%	0.7%	2.6%
Price-to-earnings ratio [3,4]	14.33	12.8	-63.93	-215.12	-208.26
Number of shares (in thousands) [6,7]	46,024	46,024	46,024	46,024	44.209
Average XETRA daily volume (no. of shares)	125,429	283,673	363,671	248,551	208,084

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 special items. Explanation: see chapter B.2.2 Results of operations, adjusted earnings per share
Also adjusted for amortization of intangible assets from acquisitions and goodwill. In addition, the tax rate was normalized to 31%.
3 Based on the year-end closing price
4 Based on adjusted earnings per share
5 Balance sheet shareholder's equity excluding minority interest
6 Based on year-end
7 Including treasury shares

BILFINGER SHARE

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

S&P credit rating unchanged
Corporate bond closes year at prior-year level

The rating agency Standard & Poor's kept Bilfinger's credit rating at BB+, stable outlook.

The corporate bond issued in December 2012 with a volume of €500 million has an interest coupon of 2.375 percent. The Bilfinger bond closed the 2017 stock market year unchanged at 103.

BILFINGER BOND

ISIN / stock exchange symbol	DE000A1R0TU2
WKN	A1R0TU
Listing	Luxembourg (official trading)
Issue volume	€500 million
Interest coupon	2.375%
Maturity	December 7, 2019
Year-end closing price (Stuttgart)	103.39

Dividend policy

We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share for financial year 2017 be distributed. In relation to the share price at the end of 2017, this represents a dividend yield of 2.5 percent. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets a payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback

On September 6, 2017, we started the buyback of own shares that was announced on February 14, 2017. The program will be completed in December 2018 at the latest. During this time, Bilfinger will buy back a maximum of 10 percent of the share capital at a purchase price of up to €150 million.

The share buyback will take place in accordance with the authorization granted by the Annual General Meeting on May 24, 2017, which also specifies the options for the possible use of the shares acquired. The buyback will be carried out through the stock exchange (XETRA) by an independent financial service provider in accordance with applicable EU regulations. As of December 31, 2017, 1,084,302 shares had been bought back at an amount of about €39 million, this corresponds to 2.45 percent of outstanding shares. We regularly report on the further progress of the share buyback program on our website at www.bilfinger.com. Together with our dividend policy, the share buyback program offers an incentive to longer-term investors to accompany Bilfinger on its chosen path forward.

We canceled treasury shares acquired in 2008 in the amount of about 4 percent of share capital with effect from March 9, 2017.

Share indices and coverage of Bilfinger's stock

In September 2017, Deutsche Börse conducted a regular review of the German stocks in the various indices and thereby reclassified the Bilfinger stock from the MDAX to the SDAX. The Investor Relations team is in regular contact with a total of twelve financial analysts. Their recommendations and price targets are regularly updated in the Investor Relations section of our website www.bilfinger.com.

Capital Markets Day 2017

The focus of our Capital Markets Day 2017 in Mannheim was the introduction of our 2-4-6 strategy. The clear positioning on two segments, four core regions, six customer groups and the associated transparency were well received. In addition, we described specific measures to increase efficiency and profitability that will help us to achieve our medium-term goals laid out in defined milestones until 2020.

Annual General Meeting 2017 with higher capital presence

At the Annual General Meeting 2017 it was possible to reverse the trend toward a decreasing presence; it increased to 61 percent (previous year: 54 percent) of the share capital as defined by our Articles of Incorporation. A total of 743 participants attended the event (previous year: 1,135). All the resolutions were passed as recommended by the management with large majorities. We will continue to encourage our shareholders to exercise their voting rights in 2018 – either in person or through a proxy.

B Combined management report

B.1 The Bilfinger Group

B.1.1 Business model

Bilfinger is a leading international industrial services provider. The Group enhances the efficiency of assets in the process industry, ensures they have a high level of availability and reduces maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, construction, maintenance, plant expansion as well as turnarounds and also includes environmental technologies and digital applications.

B.1.2 Legal form and management

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

The Executive Board manages the company in its own responsibility. The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the company. These bodies work in close cooperation for the benefit of Bilfinger. Details are described in the Declaration of Corporate Governance pursuant to Section 289f and Section 315 (5) of the German Commercial Code (HGB) on the company's website at www.bilfinger.com under 'Company/Corporate Governance'.

B.1.3 Organization, strategy and objectives

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

We repositioned the Bilfinger Group at the beginning of 2017. With our comprehensive range of services for plants in the process industry, an organizational structure that is aligned with the needs of our customers and a focus on defined customer industries, we have established the foundation for the successful development of our company. Information on research and development activities is included in chapter B.2.6.6 Innovations (research and development report).

Two business segments

REPORTING STRUCTURE

Engineering & Technologies (E&T)	Maintenance, Modifications & Operations	Other Operations
Division:	Divisions:	
Engineering & Technologies	Continental Europe	Units with activities outside the defined business segments, regions or customer industries
	Northwest Europe	
	North America	
	Middle East	

We report on the Bilfinger's business development in the segments Engineering & Technologies and Maintenance, Modifications & Operations.

The Engineering & Technologies segment bundles activities based on engineering services and technical solutions. The project business is predominant, important drivers are capital expenditures on the part of our customers (CAPEX). We meet the requirements of our customers by means of a centrally controlled project management system in an internationally-active division focused on defined industries and engineering disciplines.

ENGINEERING & TECHNOLOGIES SEGMENT

Areas of Activity	Key clients	Competitors
• Planning: Comprehensive consultative engineering services for the planning of industrial plants • Execution: Generic engineering, basic engineering and process engineering as well as project management, construction and commissioning • Technology: Development, manufacture and installation of assemblies and components for industrial plants • Plant construction: Engineering, manufacturing, delivery and installation of complete plants and as individual trades	• Adnoc Group • BASF • Cargill • CSL Behring • EDF (Areva) • EGA • Formosa Plastics • Kinder Morgan • Linde Group • Novartis • Orascom • Petroleum Development Oman (PDO)	• Aecom • Engie Group (Fabricom) • Fluor/Stork • Jacobs • Primoris • Quanta • Wood Group (AmecFW) • Worley Parsons

In the Maintenance, Modifications & Operations segment, we report on our activities in ongoing maintenance services, modifications and operational management of industrial plants. These activities are dominated by the share of the services business that is based on long-term framework agreements. The main drivers of the business are, in many cases, the budgets of our customers for the ongoing operation of their plants (operational expenditure – OPEX). Because these relate primarily to activities with specific local demand structures, we have organized this business in regions.

MAINTENANCE, MODIFICATIONS & OPERATIONS SEGMENT

Areas of activity	Key clients	Competitors
• Maintenance: Consulting for both planning and execution of maintenance measures over the entire lifecycle of industrial plants • Modifications: Plant engineering, piping construction and steel construction as well as assembly in all trades for the modification and extension of industrial plants • Operations: Performance monitoring, expansions and modifications, resource management, maintenance and repair in the course of the operation of industrial plants	• Borealis • Chevron • ConocoPhillips • Kuwait and Saudi authorities • Norsk Hydro • PKN Orlen • Shell • Statoil • TAQA • Thames Water • Total • U.S. authorities • Yara	• Altrad • Brown and Root • Beerenberg • Doosan • Maintpartner • Kaefer • Fluor/Stork • Wood Group • Worley Parsons • Xervon

Four regions

Bilfinger concentrates its business on the core regions Continental Europe, Northwest Europe, North America and the Middle East. In these regions, we have partially very good market positions and see opportunities to expand our business in selected areas. We have carefully analyzed the respective environments and evaluated our regional development potential in defined customer groups.

Six industries

Bilfinger has exceptional competences and particularly strong customer relationships in the industrial sectors chemicals & petrochemicals, oil & gas as well as energy & utilities which account for the majority of our current output volume. In the pharma & biopharma, cement and metallurgy industries, we intend to further expand our existing business and grow to an even greater extent in future.

Other Operations

We report on operating units that are active outside the defined business segments, regions and industries under Other Operations. These units are not part of the new strategic positioning of the Group. The majority of the loss-making units in this segment was already sold in financial year 2017; those remaining are about to be sold are have been closed. Units with a positive earnings contribution are initially managed independently for value until a suitable owner has been found.

B.1.4 Financial management system

Our key financial management metrics for financial year 2017 include figures for growth, profitability, capital efficiency as well as for liquidity and capital structure. With the Group's repositioning at the beginning of 2017, output volume/revenue, adjusted EBITA, return on capital employed (ROCE) and free cash flow now serve as important indicators for the financial management of the Group.

B.1.4.1 Growth

Output volume/revenue 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. This proportion was historically significant but is now negligible. For this reason, from January 1, 2018, we will manage and report on the business in accordance with revenue, and no longer in accordance with output volume. This is already being reflected in the Outlook for financial year 2018.

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

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

B.1.4.2 Profitability

EBITA / adjusted EBITA The indicator of operating profit of the corporate units and of the Group, and thus the measure of earnings for segment reporting, is 'earnings before interest and taxes and amortization of intangible assets from acquisitions' (EBITA). We are focusing here on 'adjusted EBITA' with adjustments made for special items. For better comparability of operating performance over time, special items are eliminated. These include, for example, gains on disposals, restructuring measures as well as expenses in connection with the further development of our IT landscape and our compliance system.

Net profit Net profit comprises operating profit plus / minus amortization of intangible assets, 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 special items as well as for amortization of intangible assets from acquisitions.

Dividend policy We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group's success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share for financial year 2017 be distributed. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets a payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback On September 6, 2017, we started the buyback of own shares that was announced on February 14, 2017. The program will be completed in December 2018 at the latest. During this time, Bilfinger will buy back a maximum of 10 percent of the share capital at a purchase price of up to €150 million.

The share buyback will take place in accordance with the authorization granted by the Annual General Meeting on May 24, 2017, which also specifies the options for possible use of the shares acquired. The buyback will be carried out through the stock exchange (XETRA) by an independent financial service provider in accordance with applicable EU regulations. We regularly report on the progress of the share buyback program on our website at www.bilfinger.com.

We canceled treasury shares acquired in 2008 in the amount of about 4 percent of share capital with effect from March 9, 2017.

B.1.4.3 Capital efficiency

Value added and ROCE Value added by our business segments and the Group is measured with the help of value and cash-oriented management. We employ our capital in a targeted manner in order to achieve high value added. Positive value added is only achieved for the Group if the return on the average capital employed is higher than the weighted average cost of capital (WACC). We calculate these figures after taxes and considering special items. For further details, please refer to the corresponding explanations in chapter *B.2.2 Results of operations – value added*. The parameters are regularly reviewed and are adjusted for any relevant changes in the market environment.

Free cash flow / adjusted free cash flow / net working capital To facilitate the operationalization of value-oriented management, we have been orienting ourselves on free cash flow since financial year 2017 (in the previous year: adjusted free cash flow). Free cash flow is calculated on the basis of cash flow from operating activities less net investments in property, plant and equipment. A major factor to be considered in this regard is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes toward an increase in the return on capital employed (ROCE) and in the value added by the business segment concerned.

In addition, we also continue to consider adjusted free cash flow at Group level. As described above, it is calculated on the basis of cash inflow from operating activities less net investment in property, plant and equipment as well as under adjustment for special items. These special items correspond to the adjustments in EBITA.

Investments 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.

B.1.4.4 Capital structure and liquidity

Net debt and dynamic gearing ratio To manage liquidity, we focus on the important key figures net debt and the dynamic gearing ratio, which also includes net debt as relates to EBITDA. We also consider – as in the framework of operating profit measurement – adjusted figures for which we eliminate special items.

Note on pro forma key figures

In addition to the key figures prepared in accordance with IFRS, Bilfinger also prepares pro forma key figures (for example EBITA, adjusted EBITA, EBITA margin, adjusted EBITA margin, adjusted earnings per share, adjusted net profit, adjusted cash flow from operating activities, adjusted free cash flow) which are not a component of the accounting regulations and which are also not subject to these regulations. These pro-forma key figures are to be seen as a supplement, not as a substitute for the disclosures required by IFRS. The pro-forma key figures are based on the definitions provided in this Annual Report. Other companies may calculate these key figures differently.

B.2 Economic report

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

PLAN/ACTUAL COMPARISON*	Actual 2017	Forecast interim report H1 2017*	Forecast Annual Report year-end 2016	Actual 2016
Orders received				
Group	€4,055 million / organically +4%	Organic growth	Organic growth	€4,056 million
Output volume				
Group	€4,024 million organically 0%	organic decrease in the mid to high single digit percentage range	organic decrease in the mid to high single digit percentage range	€4,219 million
Engineering & Technologies	€1,106 million	significant reduction	significant reduction	€1,238 million
Maintenance, Modifications & Operations	€2,515 million	slight decrease	slight decrease	€2,461 million
Other Operations	€422 million / organically -5%	stable organic development	stable organic development	€623 million

Plan/actual comparison, continued >

< Plan/actual comparison, begin

PLAN/ACTUAL COMPARISON*	Actual 2017	Forecast interim report H1 2017*	Forecast Annual Report year-end 2016	Actual 2016
EBITA / EBITA margin				
Engineering & Technologies	-€26 million / -2.4 %	at prior-year level	substantial improvement, positive earnings	-€30 million / -2.4 %
Maintenance, Modifications & Operations	€98 million / 3.9%	slight decrease in the adjusted EBITA margin	slight decrease in the adjusted EBITA margin	€120 million / 4.9 %
Other Operations	€3 million / 0.7%	improvement in the adjusted EBITA margin	improvement of a magnitude similar to the Group margin	€5 million / 0.8%
EBITA adjusted	€3 million / 0.1%	break-even	significant increase with further margin improvement of about 100 basis points	€15 million / 0.4 %
Adjusted net profit from continuing operations	-€9 million	below prior-year figure	significant improvement	-€8 million
adjusted free cash flow**	-€69 million	below prior-year figure	significant improvement	-€91 million
Return on capital employed (ROCE)	-5.5%	–	significant improvement but still negative	-13.8%

* Adjustment of the earnings forecast as a result of the risk provisions created in the second quarter in the amount of -€53 million in the Engineering & Technologies segment for individual legacy projects in the USA.
** The structure of the cash flow statement has been changed as compared to the prior year. Interest and dividends received are, as in the past, shown in cash flow from operating activities, while interest paid is now shown in cash flow from financing activities. Presentation of the prior-year figures has been adjusted accordingly.
Due to the rounding of the disclosed figures, it is possible that individual figures do not precisely add up to the totals provided and that percentage figures provided do not precisely reflect the absolute values that they relate to.

In what remains a challenging market environment, Bilfinger largely met the expectations for financial year 2017 that were formulated in the report on the first six months of 2017. We have made progress in the stabilization of our company. In terms of orders received, we have turned the corner: It reached the level of the previous year and grew organically for the first time in three years. The expected decrease in output volume was lower than expected; organic development was stable as compared to the previous year.

In the second quarter, there were burdens in the Engineering & Technologies segment from legacy projects in the USA which meant that the earnings forecast for the full-year had to be adjusted. In net profit, these burdens were more than compensated for by a payment received for a previously not capitalized receivable in connection with a long-standing legal dispute in Qatar.

We further optimized our project management in financial year 2017. The foundation for our internal approval process includes a binding risk classification, risk-based approval levels and regular reviews of projects at Executive Board level.

With the implementation of our new strategic positioning we are on the right path. Despite what remains a challenging and highly competitive environment we were able to solidify our market position in 2017 and even expand it in several growth areas. To increase the profitability of the Bilfinger Group, we are concentrating on reducing complexities, improving our operational procedures and further decreasing costs. At the same time, we are working on entering attractive markets where we can deploy our considerable competences.

Business development

As expected, orders received in the Engineering & Technologies segment of €1,074 million (previous year: €1,220 million) declined. In the Maintenance, Modifications & Operations segment, on the other hand, orders received grew to €2,535 million (previous year: €2,423 million). In the Other Operations segment, there was a decline of 5 percent to €458 million due to the sale of corporate units (previous year: €485 million). At Group level, a figure of €4,055 million (previous year: €4,056 million) meant that the prior-year level was achieved.

Output volume in the Engineering & Technologies segment decreased as expected to €1,106 million (previous year: €1,238 million). In Maintenance, Modifications & Operations it increased slightly to €2,515 million (previous year: €2,461 million). With a reduction to €4,024 million (previous year: €4,219 million) the decrease in output volume for the Group was lower than initially anticipated.

Adjusted EBITA decreased to €3 million (previous year: €15 million). Burdens from legacy projects in the USA had an impact here. In relation to output volume, the adjusted EBITA margin was 0.1 percent (previous year: 0.4 percent). In the Engineering & Technologies segment, adjusted EBITA improved slightly despite the losses of approximately €50 million from the legacy projects to -€26 million (previous year: -€30 million). The adjusted EBITA margin was unchanged at -2.4 percent. In the Maintenance, Modifications & Operations segment, adjusted EBITA dropped to €98 million (previous year: €120 million). This was caused by a weaker turnaround business and burdens from framework agreements with new customers in the ramp-up phase. The EBITA margin was 3.9 percent (previous year: 4.9 percent). In the Other Operations segment, adjusted EBITA was €3 million (previous year: €5 million). With decreasing output volume resulting from the sale of companies, there was a margin of 0.7 percent (previous year: 0.8 percent).

The forecast issued in the interim report on the first half of 2017 for the development of Group output volume was exceeded and the forecast issued for adjusted EBITA was reached.

Net profit was -€89 million (previous year: €271 million). Here it is important to keep in mind that the prior-year figure included a substantial capital gain from the sale of the divisions Building, Facility Services and Real Estate. Net profit adjusted for amortization of intangible assets from acquisitions and goodwill impairment as well as special items remained nearly unchanged at -€9 million (previous year: -€8 million).

Return on capital employed (ROCE) improved on a comparative basis but remained negative at -5.5 (previous year: -13.8 percent) percent.

Investments in property, plant and equipment and intangible assets were nearly unchanged at €71 million (previous year: €70 million). These outflows were countered by lower cash inflows as compared to the prior year of €9 million (previous year: €30 million) so that net investments increased to €62 million (previous year: €40 million). Free cash flow nevertheless improved to -€181 million (previous year: -€244 million) and adjusted free cash flow improved to -€69 million (previous year: -€91 million).

Dividend

We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share for financial year 2017 be distributed. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets the payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on foreseeable medium-term development of the company.

B.2.1.1 Economic environment

Economy as a whole

Following years of crisis, recovery of the economy in Europe continued. Growth in the euro zone expanded at a rate greater than expected to 2.5 percent (Eurostat). The broad recovery in the global economy, very good financing conditions in the wake of what remains an extremely expansive monetary policy on the part of the European Central Bank along with an increasing capacity utilization in industry abetted a stable development of investments in equipment. These showed renewed gains in the euro zone, although growth of 3.8 percent was somewhat more reserved that in the prior year (5.8 percent) (DG ECFIN, p. 165). Europe saw broad economic vigor. The only exception was the United Kingdom, where companies' willingness to invest was noticeably burdened by growing uncertainty concerning Brexit. As was already the case in previous years, Central and Eastern European EU states were able to grow at a greater rate than Western Europe. Growth in Germany reached 2.2 percent, with strong growth in exports as well as a very strong domestic economy each making equal contributions. In Germany, the market for industrial services in this favourable economic environment was able to expand at a rate of 3.2 percent (Lün p. 11), thereby recovering well as compared with the previous year.

The United States found itself in the midst of a robust upswing, but the pace of the expansion (GDP +2.3 percent, BEA) did not exceed that of the euro zone. Additional fiscal impetus is expected as a result of the Trump Administration's tax reform.

Despite a recovery in the price of oil over the course of the year, the economies of the Gulf States were once again impacted by the drastic loss of income from the 2014 price drop. The economy in Saudi Arabia stagnated, state investments, which play a key role also for the further development of industry, continued to decline.

Engineering & Technologies

Chemicals & petrochemicals The chemicals industry in Europe benefited from the economic recovery through an increase in production and market prices in both home and export markets. As a result, sales in the first half-year were 8.2 percent above the level of the prior year (Cefic). The price increase was especially pronounced in petrochemicals. Capacity utilization also increased further, reaching 83.3 percent in the fall of 2017 and thus three percent above the long-term average and only slightly below the maximum of the last ten years (Cefic). This increasing capacity utilization at existing plants led to a boost in demand for planning, construction and commissioning of new plants.

Capacity utilization in the chemicals industry was below average in the United Kingdom and above average in Poland. The strong economic situation in Eastern European countries leads to an ongoing increase in demand that can increasingly be met by growing domestic capacities. The chemicals industry in the Czech Republic in particular found itself in an economic boom in the reporting year with an expansion of production by one fifth and an eagerness to invest (GTAI Tschechien Chemie).

In the USA, too, the chemical industry benefited from rising producer prices and growing volumes.

The countries in the Gulf Cooperation Council are pushing forward with efforts to reduce their dependence on oil. The largest actor in this regard remained Saudi Arabia which, with its *Vision 2030* development plan, is targeting an increase in non-oil income through the expansion of the process industry. As a result of the drastic drop in oil income since 2015, public-sector investments in the expansion of the chemical, petrochemical, pharma, aluminum and steel industries have fallen back considerably and today are less than half the level they were in 2015 (GTAI Saudi Arabia industrial location). Private companies also suffered as a result of payment delays in publicly-financed projects. In Qatar, investment momentum was also hindered by the boycott by neighboring countries and the closing of the border to Saudi Arabia.

Oil & gas The global oil and gas sector in 2017 was marked by a stabilization in the price level of oil. U.S. oil production recovered completely from the slump of previous years. In the second half of the year, daily levels of crude oil production in the USA reached 9.4 million barrels, just slightly below the historical production record of 9.6 million barrels from 1970 (EIA US). As compared to the low from spring 2016, the number of active drilling rigs had more than doubled by the end of 2017 (Baker Hughes Rig Count December). This expansion of production was boosted by further efficiency improvements in combination with the significant recovery in the price for West Texas Intermediate (WTI) since the lows reached in the second half of 2016. The Permian Basin, the shale oil deposits in Texas and New Mexico, saw particularly strong gains in production. The strong expansion of U.S. production capacities was all the more remarkable when the onslaught of Hurricane Harvey in late summer led to severe disruptions in crude oil production, distribution and processing and then in September when refinery production dropped by one-third (EIA Hurricane Harvey).

The transformation of the USA from an energy importer to an energy exporter, a process that has been going on for years, was underscored in the reporting year by a historic turnaround in the natural gas market. The USA has been ahead of Russia as the world's largest producer of natural gas since 2009 and, since last summer, the USA is also now a net natural gas exporter. This is against the backdrop of growing pipeline exports to Canada and Mexico as well increasing capacities for the export of liquefied gas (EIA net exporter).

The oil and gas sector in the United Kingdom has also gradually stabilized following the strong contraction of previous years. From 2014 until 2017 the number of jobs in the sector dropped by about a third from 464,000 to 302,000 (UK Oil, p. 15). Investment spendings in the same period also declined dramatically. In 2017, at nearly GBP 7 billion, they were not even half of what they were in 2014 (GBP 15 billion) (UK Oil, p. 41). At the same time, the drop in production costs due to efficiency enhancements and price decreases for service providers in the British shelf were unprecedented. The international competitiveness of the production region was also improved by a drop in the exchange rate for the pound, a development that only benefited those industrial service providers whose cost basis is determined in the United Kingdom, however.

In Norway, investments in the oil and gas sector in 2017 fell by another 7 percent to about €17 billion. Statoil, which is majority owned by the Norwegian state, cut its budget for organic capital expenditures – i.e. not including acquisitions – by a further USD 1 billion to USD 10 billion (Statoil Report Q3). It was the third year in a row for declining investments.

Energy & utilities The importance of the power plant sector for industrial services decreased further in Central Europe as a result of ongoing upheavals caused by the German energy transformation. The energy industry in Germany was once again unable to make any noteworthy new investments in modern gas-fired power plants or pumped-storage power plants. The German Water and Energy Association (BDEW) reports on comprehensive project planning which, due to poor economic framework conditions, is currently not being brought up for an investment decision (BDEW realization). At the same time, the phasing out of nuclear energy is moving forward with the shutdown of further power plant blocks. This is in addition to the economic-related shut down of fossil fuel power plants. There is no evidence to date that the foreseeable shortage of supply is leading to a sufficient increase in the price of electricity which would then improve the incentive to invest.

In the United Kingdom, various projects in the nuclear power sector are currently being prepared.

In the Eastern European states of the EU, infrastructure investment remains strongly dependent on EU subsidies, also in the energy sector. In 2017, Poland and Hungary benefited from a substantial increase in inflows following a drop in transfers from Brussels in the prior year (GATAI Hungary Economic Outlook). Although the Polish government is considering a diversification of its power generation, about 70 percent of installed power capacity is still accounted for by coal and lignite (GTAI Poland Energy Sources). Energy providers are currently focusing their investment activities on the construction of new coal and gas-fired power plants and efficiency enhancements in existing fossil fuel plants. In the future, dependence on coal will be reduced by new nuclear power plants. Construction of wind and solar power plants has come to a virtual standstill following a reduction in subsidies and stricter approval conditions for new wind parks in 2016 (GTAI Poland Product Markets). The largest Hungarian investment project in energy production is the approved new construction of the Paks II nuclear power plant by Russian state company Rosatom.

In the USA, the government pushed forward with its efforts to deregulate the energy industry and to promote domestic fossil fuel sources of energy. Nevertheless, the transformation away from coal-generated electricity toward natural gas and renewables continued. In the south of the country, considerable expenditures were needed to rebuild the distribution networks following severe hurricane damage (GTAI Industry Check USA).

The Gulf states are pressing ahead with the expansion of their power plant capacities. In Saudi Arabia alone, 7.8 gigawatts of new power plant capacity went into operation in 2017 (GTAI Product Markets Saudi Arabia). The oil-price related severe revenue losses, however, forced the stretching of investment plans. The oil price recovery in 2017 was not yet sufficient to bring about a turnaround as revenues were still at roughly a third of the level of 2013 (EIA OPEC).

Pharma & biopharma The volume of prescribed medications in global health care markets increased only moderately by one percent to USD 774 billion in 2017 (EvaluatePharma). The growing importance of biotechnically produced medication continues unabated with a current share of 26 percent (EvaluatePharma). In the USA, the political discussion on the future of the health insurance system created uncertainty at times in the industry.

Maintenance, Modifications & Operations

Chemicals & petrochemicals The relevance of chemicals and petrochemicals as the most important sectors for externally sourced industrial services increased further (Lün).

Rising producer prices and good volume development allowed sales in the European and American chemical and petrochemical industries to increase sharply. High capacity utilization of the production facilities in combination with a good earnings situation resulted in an expansion of the maintenance budgets.

In the United States, although there were drops in the production of basic chemicals which were especially effected by Hurricane Harvey, the impact over the course of the full year was limited (VCI Quarterly Report) and in the fall and winter led to a boom in maintenance services.

In the Gulf, worsening liquidity in the industry in light of massive state austerity measures and cancellation of publicly-financed development projects had a noticeable impact on the maintenance market.

Oil & gas Oil and gas prices stabilized in 2017. In the USA, in contrast to the Gulf states which are bound by OPEC volume limitations, there was also a significant expansion of production. The need for maintenance services grew with this expansion of volume and, in addition, required repairs following the damage caused by Hurricane Harvey created extremely high demand. The decrease in maintenance budgets in the European production regions slowed considerably. At Norway's Statoil, operating expenditures in the first three quarters were only three percent below the prior-year levels (Statoil Report Q3, p. 5). Price pressure on providers, however, continued unabated. Reduction in productions costs in all regions remained a primary objective of oil and gas producers. According to assessments from the industry association Oil & Gas UK, production costs in British production areas dropped by more than half within a period of two years from about USD 30 to USD 14 per ton (UK Oil, p. 7). Primarily contributing to this development were savings in operational expenditures of GBP 3 billion (UK Oil, p. 7).

Energy & utilities In Germany, further decreases in capacity utilization at conventional coal and gas-fired power plants led to an additional decline in demand for maintenance services in this area. Additional uncertainty was created by political discussions in the context of parliamentary elections about Germany's accelerated withdrawal from coal-fired generation. Demand in connection with wind parks or photovoltaic parks does not provide sufficient compensation for the market because the business has a more patchworked structure and presents a completely different set of requirements. Nevertheless, the serious consequences of the energy transformation on the market for industrial services in Germany have now, for the most part, been handled and are being increasingly compensated for by growth in other sectors (Lün).

The environment in Central and Eastern European states is much more favourable. In Poland, which will continue to be dominated by fossil fuel power generation for the foreseeable future, demand for maintenance services is supported by the necessity of efficiency enhancements in existing plants.

North America, in light of improved framework conditions for coal and gas-fired power plants, was stable. In southern USA, it was necessary to undertake extensive maintenance activities to rebuild the distribution networks following severe hurricane damage.

In the Gulf, framework conditions were clouded by generally unfavourable economic development and the extensive austerity measures that were also observed in the power plant sector.

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B.2.1.2 Factors influencing business development

Structural demand in the industrial services business is shaped by a continuous increase in the number of production facilities in our defined markets. The number of existing older plants is growing – more than three quarters are more than ten years old – and maintenance and modernization needs are increasing accordingly. For our customers, efficiency improvements in their plants are becoming increasingly important, and there is a close connection between this and the growing trend toward digitalization. New production facilities are becoming more and more complex, the legal requirements related to climate protection as well as resource conservation are constantly rising. Both of these factors are perfectly suited to Bilfinger's comprehensive service offering.

The Engineering & Technologies segment brings together engineering services and activities on the basis of technical solutions. The project business is predominant in this segment, important drivers are capital expenditures on the part of our customers (CAPEX). About three quarters of our volume is generated here on the basis of flat rate contracts, the remaining quarter is spread among the invoicing of fixed unit prices as well as of working time and material costs. The average size of individual projects is between €3 and €5 million, project periods generally vary between one month and 36 months. Framework agreements in the Engineering & Technologies segment have an average volume of €2.5 million per year, contract periods are generally between 12 and 60 months.

The Maintenance, Modifications & Operations segment includes all our activities in ongoing maintenance services, modifications and operational management of industrial plants. The predominant factor here is the share of the services business based on long-term framework agreements. The main drivers of the business are, in many cases, the budgets of our customers for the ongoing operation of their plants (operational expenditure – OPEX). For this reason, about half of the volume in this segment is provided based on the invoicing of working time and material costs, the other half on the basis of fixed-price contracts as well as defined unit prices. The average volume of framework agreements in the Maintenance, Modifications & Operations segment is about €5 million per year with contract periods of between 12 and 180 months. The customer retention rate in the Maintenance, Modifications & Operations segment is over 90 percent.

Against this backdrop, our operating business in the Engineering & Technologies and Maintenance, Modifications & Operations segments is subject to specific demand factors in the respective customer industries. In financial year 2017, the following main trends were recorded:

ENGINEERING & TECHNOLOGIES: FACTORS INFLUENCING BUSINESS DEVELOPMENT

Customer group	Share of	Trends
Oil & Gas	25%	• Continued cautious propensity to invest in project business in Europe • Positive dynamic in selected areas such as gas supply and gas pipelines in Europe and Middle East • Positive shale gas development in USA
Chemicals & Petrochemicals	40%	• Market growth in North America with a focus on US Gulf Coast continues • Market remains challenging in Middle East, though there are opportunities in bids with value added • Increasing number of inquiries for small and medium-sized projects in Europe • Generally increasing trend in digitalization, particularly for small and mid caps, with a focus on optimization of production processes, efficiency enhancements
Energy & Utilities	20%	• In Europe, growth prospects especially through nuclear power, in addition through emissions control, modernization and efficiency enhancements at existing plants • Market for fossil fuel power plants remains difficult • In the Middle East, shift away from conventional and toward alternative sources of energy
Pharma & Biopharma	15%	• In Europe, further increase in demand but new competitors on the market • Investments increasingly being made in emerging markets, initial starting points in the Middle East and China

MAINTENANCE, MODIFICATIONS & OPERATIONS FACTORS INFLUENCING BUSINESS DEVELOPMENT

Customer group	Share of	Trends
Oil & Gas	15%	• Customers keeping OPEX budgets at a low despite higher oil price, but generally increased optimism in the offshore market
Chemicals & Petrochemicals	50%	• In Continental Europe stable demand in the maintenance business, though growing willingness to invest, slight increase in inquiries for small projects (Brownfield, e.g. de-bottlenecking) • Key customers in the onshore/downstream market in the United Kingdom with substantial investment budgets • In the Middle East, impetus from expansion of vertical integration and, as a result, necessary import of expertise, plant performance and energy efficiency becoming a focus
Energy & Utilities	15%	• In the Middle East, shift away from conventional and toward alternative sources of energy • In Europe ongoing limited demand for traditional power plant services, instead more decentralization and more outsourcing, digitalization as trend, focus on renewable energy sources
Metallurgy	5%	• Moderate recovery; increase in pilot studies in Middle East and Europe, particularly in Norway
Other	15%	

B.2.2 Results of operations

OUTPUT AND ORDERS OVERVIEW

in € million

	2017	2016	Δ in %
Orders received	4,055	4,056	0
Order backlog	2,530	2,618	-3
Output volume	4,024	4,219	-5

In financial year 2017, orders received for the Bilfinger Group of €4,055 million reached the level of the prior year. Organically, orders received rose by 4 percent. At the end of the year, order backlog amounted to €2,530 million, and was thus 3 percent below the figure for the prior year (organically: +2 percent). With a reduction of 5 percent to €4,024 million, the decrease in output volume was lower than expected. Organically, output volume was stable as compared the prior year.

OUTPUT VOLUME BY REGION

in € million

	2017		2016		Δ in %
Germany	970	24%	1,004	24%	-3
Rest of Europe	2,147	53%	2,221	53%	-3
America	627	16%	641	15%	-2
Africa	129	3%	135	3%	-4
Asia	151	4%	218	5%	-31
Total	**4,024**		**4,219**		**-5**

OUTPUT VOLUME BY BUSINESS SEGMENT

in € million

	2017	2016	Δ in %
Engineering & Technologies	1,106	1,238	-11
Maintenance, Modifications & Operations	2,515	2,461	2
Other Operations	422	623	-32
Headquarters, other	-19	-103	81
Total	**4,024**	**4,219**	**-5**

Engineering & Technologies

ENGINEERING & TECHNOLOGIES
in € million

	2017	2016	Δ in %
Orders received	1,074	1,220	-12
Order backlog	706	806	-12
Output volume	1,106	1,238	-11

In the Engineering & Technologies segment, orders received of €1,074 million were 12 percent (organically: -12 percent) below the level of the prior year. Order backlog of €706 million also decreased. Against the backdrop of the ongoing implementation of our optimized project management, we remained very selective in the bid processing for new projects in 2017, particularly for projects in the USA. Output volume declined by 11 percent (organically: -10 percent) to €1,106 million.

ENGINEERING & TECHNOLOGIES: OUTPUT VOLUME BY REGION
in € million

	2017		2016		Δ in %
Germany	321	29%	363	29%	-12
Rest of Europe	402	36%	472	38%	-15
America	317	29%	284	23%	12
Africa	2	0%	8	1%	-75
Asia	64	6%	111	9%	-42
Total	1,106		1,238		-11

In the Engineering & Technologies segment in Germany, 29 percent of output volume and 36 percent of volume was generated in European countries outside Germany with a focus on Belgium, the Netherlands and Austria. America was also an important international market with a share of 29 percent. The Middle East accounted for 6 percent of output volume.

Maintenance, Modifications & Operations

MAINTENANCE, MODIFICATIONS & OPERATIONS
in € million

	2017	2016	Δ in %
Orders received	2,535	2,423	5
Order backlog	1,564	1,605	-3
Output volume	2,515	2,461	2

In the Maintenance, Modifications & Operations segment, orders received grew by 5 percent (organically: +6 percent) to €2,535 million and were thus at the level of output volume. There was stable demand for ongoing maintenance services for production plants in the European market. However, continued low investment and maintenance demand from our oil and gas customers in particular as well as continued competitive pressure negatively impacted the new business. Output volume at the end of the year of €1,564 million was slightly below the prior-year figure. Output volume increased by 2 percent (organically: +3 percent) to €2,515 million.

MAINTENANCE, MODIFICATIONS & OPERATIONS OUTPUT VOLUME BY REGION
in € million

	2017		2016		Δ in %
Germany	516	21%	505	21%	2
Rest of Europe	1,608	64%	1,526	62%	5
America	307	12%	344	14%	-11
Asia	84	3%	86	3%	-2
Total	2,515		2,461		2

In 2017, about 85 percent of output volume generated in the Maintenance, Modifications & Operations segment came from Europe. Of this, 21 percentage points were attributable to Germany, 64 percentage points were achieved in other European countries, especially Scandinavia, the United Kingdom, in Belgium and the Netherlands as well as Eastern Europe and Austria. 12 percent of segment volume was generated by the American market while the Middle East contributed 3 percent.

Other Operations

OTHER OPERATIONS
in € million

	2017	2016	Δ in %
Orders received	458	485	-5
Order backlog	268	239	12
Output volume	422	623	-32

Because the companies in the Other Operations segment have a major portion of their activities in the project business, orders received and output volume are of course volatile. Orders received decreased by 5 percent to €458 million, but increased organically by 23 percent. Output volume was down by 32 percent (organically: -5 percent) to €422 million. Significant deconsolidation effects as a result of the companies sold in 2017 are reflected here, too.

In Other Operations, we differentiate between units with positive earnings contributions (accretive) and units with negative earnings contributions (dilutive).

Accretive units Five companies with positive earnings contributions that are no longer part of the core business will be developed for value. Our goal is to further increase their profitability. A structured selling process will then be initiated, insofar as in individual cases a retention in the company would not create greater value. For this reason, Bilfinger VAM will be reclassified from Other Operations to the core business from financial year 2018. Here we see significant synergies within the scope of our 2-4-6 strategy. Orders received at the accretive units developed very positively; output volume was still slightly declining.

Dilutive units Of the 13 loss-making units allocated to this category at the beginning of the year, nine of them were sold over the course of the year. In this regard, as expected, disposal and impairment losses in the total amount of €34 million were incurred as was a cash outflow of €13 million. A further unit was sold in January 2018. The remaining units are available for sale in the short term or will be closed.

Revenue / output volume

CONSOLIDATED INCOME STATEMENT (ABRIDGED VERSION)
in € million

	2017	2016
Output volume (for information purposes)	4,024	4,219
Revenue	**4,044**	**4,249**
Cost of sales	-3,708	-3,854
Gross profit	**336**	**395**
Selling and administrative expense	-395	-481
Other operating income and expense	-81	-151
Income from investments accounted for using the equity method	14	6
Earnings before interest and taxes (EBIT)	**-126**	**-231**
Interest result	-12	-22
Earnings before taxes	**-138**	**-253**
Income taxes	-3	-26
Earnings after taxes from continuing operations	**-141**	**-279**
Earnings after taxes from discontinued operations	**55**	**551**
Earnings after taxes	-86	272
thereof attributable to minority interest	3	1
Net profit	**-89**	**271**
Average number of shares (in thousand)	43,975	44,204
Earnings per share (in €)*	-2.01	6.13
thereof from continuing operations	-3.25	-6.33
thereof from discontinued operations	1.24	12.46

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

Group revenue decreased by 5 percent to €4,044 million (previous year: €4,249 million). It primarily comprises revenue from the provision of services and construction contracts, but also from goods and services supplied to joint ventures. The revenue figure does not include our share of the output volumes 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 selling process. The level of these costs in relation to sales revenue differs from period to period and fluctuates from order to order, mainly depending on the extent that subcontractors are used. Whereas order processing in the Group's own output volume is reflected in both material expenses and personnel expenses; all costs for the use of subcontractors are allocated to material expenses.

Cost of sales fell by 4 percent to €3,708 million (previous year: €3,854 million), and in relation to revenue was 92 percent (previous year: 91 percent). Of that total, material and personnel expenses accounted for 85 percentage points (previous year: 86 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions of €8 million (previous year: €10 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 decreased to €72 million (previous year: €99 million). This represents a significant portion of the cost of sales at €64 million (previous year: €88 million), of which €3 million (previous year: €16 million) was unscheduled. The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

Gross profit decreased to €336 million (previous year: €395 million). The gross margin – adjusted for non-cash impairments on property, plant and equipment – decreased to a share of 8.3 percent of output volume (previous year: 9.8 percent) due to losses from legacy projects.

Selling and administrative expense

Selling and administrative expenses decreased to €395 million (previous year: €481 million), adjusted for special items from IT projects as well as restructuring and compliance expenses, they decreased to

9.0 percent of output volume (previous year: 10.3 percent). Here, for the most part, current programs for efficiency enhancement and process optimization had an impact.

Other operating income and expense

The balance of other operating income and expenses was negative at -€81 million (previous year: -€151 million). This includes restructuring expenses of €39 million (previous year: €80 million). Disposals and write-downs on investments as part of the streamlining of the portfolio resulted in an expense of €40 million (previous year: €88 million).

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. It increased to €14 million (previous year: €6 million) mainly due to good business development in the Middle East.

EBITA / adjusted EBITA / EBIT

Adjusted EBITA decreased to €3 million (previous year: €15 million). Exchange rate effects had a positive impact of €1 million. In relation to output volume, the adjusted EBITA margin was 0.1 percent (previous year: 0.4 percent).

	Adjusted EBITA in € million		Adjusted EBITA margin in %	
	2017	2016	**2017**	2016
Engineering & Technologies	-26	-30	-2.4%	-2.4%
Maintenance, Modifications & Operations	98	120	3.9%	4.9%
Other Operations	3	5	0.7%	0.8%
Headquarters, other	-72	-80		
Continuing operations	**3**	15	**0.1%**	0.4%

In the Engineering & Technologies segment, adjusted EBITA improved despite the losses from legacy projects to -€26 million (previous year: -€30 million). The adjusted EBITA margin was unchanged at -2.4 percent.

In the Maintenance, Modifications & Operations segment, adjusted EBITA dropped to €98 million (previous year: €120 million). This was caused by a weaker turnaround business and burdens from framework agreements with new customers in the ramp-up phase. The EBITA margin was 3.9 percent (previous year: 4.9 percent).

In the Other Operations segment, adjusted EBITA was €3 million (previous year: €5 million). With decreasing output volume resulting from the sale of companies, the margin was 0.7 percent (previous year: 0.8 percent).

Adjusted negative EBITA not allocated to the business segments improved to -€72 million (previous year: -€80 million). This is attributable, among other things, to the capacity adjustment at the Group headquarters introduced in the reporting year as well as reduced costs for special projects.

Including the special items described under adjusted earnings per share, EBITA totaled -€118 million (previous year: -€221 million). Respective restructuring costs including special write-offs on property, plant and equipment are included in the figures for the business segments. At Engineering & Technologies, EBITA thus amounted to -€44 million (previous year: -€85 million), at Maintenance, Modifications & Operations €83 million (previous year: €115 million) and at Other Operations -€5 million (previous year: -€12 million).

EBITA not allocated to the business segments amounted to -€152 million (previous year: -€239 million). It includes restructuring costs as well as costs arising in connection with the further improvement of our compliance system. In addition, there were expenses for projects related to process and system harmonization as well as from disposals and write-downs on investments in the course of portfolio adjustments.

After deducting scheduled amortization of intangible assets from acquisitions, an EBIT of -€126 million remains in the Group (previous year: -€231 million).

Interest result

Net interest expense improved to -€12 million (previous year: -€22 million). Interest income increased to €14 million (previous year: €10 million) as a result of interest income from the deferred purchase price claim from the 2016 sale of the divisions Building, Facility Services and Real Estate (Apleona). Current interest expense decreased to €19 million mainly due to lower SWAP premiums (previous year: €23 million). The interest expense from the increase in the retirement benefit obligation – offset against the income from plan assets – was €5 million (previous year: €6 million). The interest expense for minority interest totaled €2 million (previous year: €3 million).

Earnings before and after taxes

Earnings from discontinued operations totaled -€138 million (previous year: -€253 million) before taxes and -€141 million (previous year: -€279 million) after taxes. Despite the negative result before tax, a tax expense of €3 million (previous year: €26 million) was incurred. This has two primary causes. On the one hand, earnings before taxes include non-deductible write-downs and disposal losses and, on the other hand, nearly no deferred taxes in the German tax group were capitalized for tax losses in the current year, as the utilization of tax-loss carryforwards is not reasonably certain in the relevant period. The basic claim in domestic tax-loss carryforwards remains unaffected. In addition, deferred taxes from tax-loss carryforwards and valuation differences had to be adjusted to the reduced tax rate valid from 2018 due to the tax reform in the United States. This led to an additional expense of €9 million.

Earnings after taxes from discontinued operations concern the sold units Building, Facility Services, Real Estate, Water Technologies, Offshore Systems and Grids as well as the former construction activities. Earnings in the amount of €55 million (previous year: €551 million) resulted in the reporting year, with €60 million primarily from the payment received for a previously not capitalized receivable in connection with a long-standing legal dispute in Qatar. A capital gain was incurred in the previous year from the sale of the divisions Building, Facility Services and Real Estate in the amount of € 538 million.

Minority interest

Profit attributable to minority interest amounted to -€3 million in the reporting period (previous year: €1 million).

Net profit / earnings per share

Net profit amounted to -€89 million (previous year: €271 million), earnings per share were -€2.01 (previous year: €6.13). The prior-year figure included a capital gain from the sale of the Building, Facility Services and Real Estate divisions. Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the special items described below was nearly unchanged at -€9 million (previous year: -€8 million); adjusted earnings per share from continuing operations were -€0.19 (previous year: -€0.17).

Dividend

Despite the negative adjusted net profit and with a view to the sound balance sheet as well as the planned positive corporate development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of an unchanged dividend for financial year 2017 of €1.00 per share.

Adjusted earnings per share

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

RECONCILIATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS
in € million

	2017	2016
Earnings before taxes	-138	253
Special items in EBITA	121	236
Amortization of intangible assets from acquisitions and goodwill impairment	8	10
Adjusted earnings before taxes	**-9**	**-7**
Adjusted income tax income / expense	3	2
Adjusted earnings after taxes from continuing operations	**-6**	**-5**
thereof attributable to minority interest	3	3
Adjusted net profit from continuing operations	**-9**	**-8**
Average number of shares (in thousand)	43,975	44,204
Adjusted earnings per share from continuing operations (in €)	**-0.19**	**-0.17**

Special items in EBITA in the amount of €50 million (previous year: €117 million) resulted from restructuring expenses including special write-downs on property, plant and equipment of €3 million (previous year: €17 million). Costs of €12 million (previous year: €23 million) were incurred in connection with the further improvement of our compliance system. €19 million (previous year: €3 million) was spent on projects for process and system harmonization. Disposals and write-downs on subsidiaries as part of the streamlining of the portfolio resulted in an expense of €40 million (previous year: €93 million).

Scheduled amortization of intangible assets from acquisitions and impairment of goodwill totaling €8 million (previous year: €10 million) relates to the amortization of intangible assets resulting from purchase price allocation following acquisitions and is therefore of a temporary nature.

The adjustments to income tax expense take into account the tax effects of the special items in EBITA and the amortization of intangible assets from acquisitions, as well as the non-capitalization of deferred tax assets on losses in the reporting year, the change to write-downs on deferred tax assets on tax-loss carryforwards from previous years and the effect from the tax reform in the United States. The adjusted effective tax rate was 31 percent.

Adjusted earnings figures are metrics that are not defined under IFRSs. Their disclosure is to be regarded as supplementary information.

Value added

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed in € million		Return in € million		ROCE in %		Cost of capital in %		Value added in € million	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Engineering & Technologies	477	451	-3	-25	-0.7	-5.6	10.0	8.0	-51	-62
Maintenance, Modifications & Operations	786	742	77	94	9.8	12.6	8.4	7.6	12	38
Other Operations	154	217	2	0	1.0	0.0	11.0	10.3	-15	-22
Headquarters/consolidation/other	683	379	-191	-316	–	–	8.6	7.0	-249	-337
Continuing operations	**2,100**	**1,789**	**-115**	**-247**	**-5.5**	**-13.8**	**9.0**	**7.6**	**-303**	**-383**

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

To determine the return, we rely on an after taxes calculation, based on EBIT and including interest income. This means that we also consider special items, amortization of capitalized assets from acquisitions as well as goodwill impairments in the calculation of the return. We thus want to ensure that all success components are represented in our return on capital employed. The so-called preferred participation notes transferred in the course of the sale of the Building, Facility Services and Real Estate divisions were eliminated during the calculation of capital employed, as these were not offset by a corresponding current yield in the return.

The weighted average cost of capital (WACC) for the Group amounts to 9.0 percent after taxes (previous year: 7.6 percent). The increased WACC resulted for the most part from higher beta factors in the new peer group that were adjusted as a result of the strategic repositioning. ROCE of the business segments is compared with segment-specific cost-of-capital rates. These also increased for all business segments. Further details can be found in the chapter D.3 Return-on-capital-employed controlling.

The average capital employed of continuing operations increased to €2,100 million in the reporting year (previous year: €1,789 million). This is attributable to the cash inflow at headquarters from the sale of the Building, Facility Services and Real Estate divisions which in the previous year had only a proportionate effect. The return from continuing operations improved significantly due to lower negative special items, but remained negative at -€115 million (previous year: -€247 million). The negative ROCE therefore also improved to -5.5 percent (previous year: -13.8 percent) and the negative absolute value added improved to -€303 million (previous year: -€383 million) despite higher cost of capital. This is primarily attributable to development at headquarters resulting from lower special items. In the Engineering & Technologies segment, value added with a ROCE of -0.7 percent (previous year: -5.6 percent) was -€51 million (previous year: -€62 million). In the Maintenance, Modifications & Operations segment, ROCE decreased to 9.8 percent (previous year: 12.6 percent) and value added decreased to €12 million (previous year: €38 million). At Other Operations, value added with an ROCE of 1.0 percent (previous year: 0.0 percent) amounted to -€15 million (previous year: -€22 million).

B.2.3 Net assets

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)

in € million

	Dec. 31 2017	Dec. 31, 2016
Assets		
Non-current assets		
Intangible assets	804	849
Property, plant and equipment	367	383
Other non-current assets	472	458
	1,643	1,690
Current assets		
Receivables and other current assets	1,198	1,216
Marketable securities	150	0
Cash and cash equivalents	617	1,032
Assets classified as held for sale	12	81
	1,977	2,329
Total	**3,620**	4,019

Consolidated balance sheet (abridged Version), continued >

< Consolidated balance sheet (abridged Version), begin

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)

in € million

	Dec. 31 2017	Dec. 31, 2016
Equity & liabilities		
Equity	**1,383**	1,621
Non-current liabilities		
Provisions for pensions and similar obligations	293	304
Non-current financial debt	509	510
Other non-current liabilities	72	83
	874	897
Current liabilities		
Current financial debt	2	12
Other current liabilities	1,335	1,421
Liabilities classified as held for sale	26	68
	1,363	1,501
Total	**3,620**	4,019

The balance sheet total decreased with a drop in cash and cash equivalents on the assets side and a decrease in equity and in other current liabilities on the liabilities side to €3.6 billion (previous year: €4.0 billion).

On the assets side, non-current assets decreased to €1,643 million (previous year: €1,690 million). Intangible assets decreased to €804 million (previous year: €849 million). The goodwill included in this figure decreased due to exchange rate effects to €789 million (previous year: €822 million). Property, plant and equipment decreased to €367 million (previous year: €383 million).

An increase to €472 million (previous year: €458 million) was recorded in other non-current assets. Included here are the non-cash purchase price components from the sale of the Building, Facility Services and Real Estate divisions – a receivable from a vendor note including accrued interest of

€114 million (previous year: €103 million) as well as a preferred participation note of €210 million (previous year: €195 million); fair value measurement led in the reporting year to an increase in the carrying amount of €15 million.

Receivables and other current assets were nearly unchanged at €1,198 million (previous year: €1,216 million). Receivables from services not yet rendered (WIP) amounted to €315 million (previous year: €300 million).

Cash and cash equivalents as well as marketable securities decreased to €767 million (previous year: €1,032 million) due to the negative cash flow; current and non-current financial debt was nearly unchanged at €511 million (previous year: €522 million). Net liquidity on the balance sheet date was €256 million (previous year: €510 million).

Assets and liabilities classified as held for sale decreased to €12 million (previous year: €81 million) and €26 million (previous year: €68 million) respectively due to disposals.

There was little change from the prior year in pension provisions of €293 (previous year: €304 million). The discount rate in the euro zone remains unchanged compared to the previous year at 1.6 percent.

Other non-current liabilities decreased as a result of lower deferred taxes to €72 million (previous year: €83 million).

Other current liabilities decreased to €1,335 million (previous year: €1,421 million), and advance payments received included here fell to €91 million (previous year: €123 million). Negative working capital decreased to -€137 million (previous year: -€205 million).

Equity dropped to €1,383 million (previous year: €1,621 million). Here, the negative result after taxes with -€86 million, transactions recognized directly in equity with -€71 million and in particular negative effects from currency translation with -€60 million, the dividend payment with -€44 million as well as the share buyback with -€39 million all had an impact. The equity ratio dropped to 38 percent at the balance sheet date (previous year: 40 percent).

B.2.4 Financial position

Principles and objectives of financial management

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

Controlling of market price change risks as well as creditworthiness risks of financial counterparties is also carried out by means of a Group-wide limit and control system. To this end, financial derivatives are also used to a limited extent. We report on the management of financial risks in chapter *B.3.2.3 Risk and opportunity report – Financial risks* and in detail in the notes to the consolidated financial statements under chapter *C.6 Notes to the consolidated financial statements, Note 28 Risks related to financial instruments, financial risk management and hedging transactions*.

GROUP FINANCIAL STATUS RECOURSE LIABILITIES
in € million

	Available credit	Amount utilized	Available credit	Amount utilized
		2017		2016
Bank guarantees	1,175	703	1,735	1,012
thereof with residual term < 1 year	1,175	703	1,735	1,012
Syndicated credit facilities	385	0	426	1
thereof with residual term < 1 year	85	0	126	1
Corporate bond	500	500	500	500
thereof with residual term < 1 year	0	0	0	0
Finance leases	11	11	12	12
thereof with residual term < 1 year	2	2	4	4

Financing

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

For the purpose of general corporate financing, which is carried out under consideration of matching maturities, our main banks have provided a firmly committed, syndicated credit facility of €300 million, available until June 2, 2022, which had not been utilized at the balance sheet date. The respective interest rate for drawings depends on the interest rate period selected, the credit margin is oriented toward a rating grid. The syndicated cash credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA). We also have additional short-term bilateral credit commitments of approximately €85 million. In 2012, a €500 million bond with maturity in 2019 was issued with a fixed interest rate over the entire period. We have credit by way of bank guarantees of €1.2 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized. Information on existing financial debt is provided in chapter *C.6 Notes to the consolidated financial statements, Note 24 Financial liabilities*.

Financial debt amounts to €511 million as of the balance sheet date (previous year: €522 million). Of that total, €509 million is non-current (previous year: €510 million) and €2 million is current (previous year: €12 million). It includes finance leases of €11 million (previous year: €12 million). We do not utilize off-balance sheet financing instruments. Bank deposits in the amount of €2 million have been pledged.

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 chapter *B.5 Takeover relevant information 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 – was nearly unchanged at €71 million (previous year: €70 million). €48 million of the total was invested in operating equipment and office equipment, €15 million in technical equipment and machinery, €6 million in land and buildings and €2 million in intangible assets. Investments were countered by depreciation and amortization of €72 million (previous year: €99 million). This figure includes impairment charges of €3 million (previous year: €17 million).

INVESTMENTS / DEPRECIATION BY BUSINESS SEGMENTS 2017
in € million

	Investments	Depreciation
Engineering & Technologies	8	9
Maintenance, Modifications & Operations	48	40
Other Operations	11	18
Headquarters, other	4	5
Total	**71**	**72**

€8 million (previous year: €14 million) or 11 percent of the investments were accounted for by the Engineering & Technologies segment. With €5 million, these related mainly to fixtures, furniture and office equipment. A further €3 million was invested in technical equipment and machinery.

In the Maintenance, Modifications & Operations segment, we invested a total of €48 million (previous year: €35 million) or 68 percent; of that total, €35 million was invested in fixtures, furniture and office equipment and of that, an amount of €27 million was accounted for by scaffolding. A further €8 million was invested in technical equipment and machinery, €4 million in real estate and €1 million in intangible assets.

Investments in Other Operations totaled €11 million (previous year: €16 million).

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

	2017	2016	Δ in %
Germany	23	22	5
Rest of Europe	41	35	17
America	5	9	-44
Africa	1	1	0
Asia	1	3	-67
Total	**71**	**70**	**1**

The regional focus of investment was again on Europe, which accounted for 90 percent of the total (previous year: 81 percent). Germany accounted for 32 percentage points of European investment (previous year: 31 percentage points).

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

Cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED VERSION)

in € million

	2017	2016
Cash flow from operating activities of continuing operations	-119	-204
thereof special items	*-112*	
Adjusted cash flow from operating activities of continuing operations	*-7*	*-51*
Net cash outflow for property, plant and equipment / intangible assets	-62	-40
Free cash flow from continuing operations	-181	-244
thereof special items	*-112*	*-153*
Adjusted free cash flow from operating activities of continuing operations	*-69*	*-91*
Payments made / proceeds from the disposal of financial assets	-18	966
Investments in financial assets	-5	-2
Changes in marketable securities	-150	0
Cash flow from financing activities of continuing operations	-104	-26
Share buyback	-39	0
Dividends	-46	-3
Repayment of financial debt	0	-3
Interest paid	-19	-20
Change in cash and cash equivalents of continuing operations	-458	694
Change in cash and cash equivalents of discontinued operations	37	-136
Change in value of cash and cash equivalents due to changes in foreign exchange rates	-1	1
Change in cash and cash equivalents	-422	559
Cash and cash equivalents at January 1	1,032	475
Change in cash and cash equivalents of assets classified as held for sale	7	-2
Cash and cash equivalents at December 31	617	1,032

The structure of the cash flow statement has changed as compared to the prior year. Interest and dividends received are, as in the past, shown in cash flow from operating activities, while interest paid is now shown in cash flow from financing activities. Presentation of the prior-year figures has been adjusted accordingly.

The cash flow from operating activities of continuing operations improved to -€119 million (previous year: -€204 million). Contributing here was, in particular, a lower increase in working capital of €83 million as compared to the prior year (€141 million). After eliminating negative special items, in particular due to restructuring, adjusted cash flow from operating activities amounted to -€7 million (previous year: -€51 million).

Investments in property, plant and equipment and intangible assets were nearly unchanged at €71 million (previous year: €70 million). These outflows were countered by lower cash inflows as compared to the prior year of €9 million (previous year: €30 million) so that net investments increased to €62 million (previous year: €40 million). This led to a free cash flow of -€181 million (previous year: -€244 million) and to an adjusted free cash flow of -€69 million (previous year: -€91 million). Disposals of financial assets resulted in a total cash outflow of €18 million from the sale of loss-making units in the Other Operations segment. In the previous year, there was an unusually high cash inflow of €966 million from the sale of the Building, Facility Services and Real Estate divisions as well as Water Technologies and Offshore Systems. Just €5 million (previous year: €2 million) was applied to investments in financial assets. The investment in securities led in the reporting year to a cash outflow of €150 million. The net cash outflow from financing activities amounted to -€104 million (previous year: -€26 million). The increase as compared with the previous year results mainly from the resumption of the dividend payment as well as the share buyback program that was launched in the reporting year. Continuing operations resulted in a net cash outflow of €458 million. In the previous year, the high proceeds from the sale led to an inflow of €694 million. As a result of the cash received from a legal dispute in Qatar, a cash inflow of €37 million was realized from discontinued operations. In the previous year, a cash outflow of €136 million was recorded which related mainly to former construction activities, Offshore Systems as well as the sold Building, Facility Management and Real Estate divisions.

Changes in exchange rates led to an arithmetical decrease in cash and cash equivalents of €1 million (previous year: increase of €1 million). Cash and cash equivalents of activities classified as held for sale saw a change of €7 million in the reporting year (previous year: -€2 million). In total, cash and cash equivalents at the end of the year decreased significantly to €617 million (previous year: €1,032 million).

Origin and distribution of value creation

The Group's value creation originates from revenue, income from investments accounted for using the equity method and other operating income. Depreciation, material expenses and other costs had an impact on value creation. The high revenue figure in the previous year resulted from discontinued operations that include the Building, Facility Services and Real Estate divisions that were sold in the course of 2016.

In the distribution of value creation in 2017, 103 percent was accounted for by employees, 1 percent by creditors and 2 percent by the dividend payment to the shareholders. This led to a negative change in equity.

ORIGIN OF VALUE CREATION

in € million, continuing operations and discontinued operations

	2017	2016
Revenue	4,122	6,016
Income from investments accounted for using the equity method	14	7
Other operating income	37	609
Depreciation and amortization	-80	-132
Material costs	-1,351	-2,330
Other costs of value creation	-704	-994
Value creation	**2,038**	**3,176**

DISTRIBUTION OF VALUE CREATION

in € million, continuing operations and discontinued operations

	2017	in %	2016	in %
To employees	2,106	103	2,838	89
To the state	-1	0	40	1
To creditors	19	1	26	1
To minority interest	3	0	2	0
To shareholders (dividend for the respective financial year)	44	2	44	2
Changes in equity	-133	-6	226	7

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

Results of operations

INCOME STATEMENT OF BILFINGER SE (HGB / ABRIDGED VERSION)
in € million

	2017	2016
Revenue	122	107
Other operating income	35	352
Personnel expense	-49	-76
Amortization of intangible assets / depreciation of P, P & E	-1	-1
Other operating expense	-167	-333
Earnings from financial assets	113	-30
Interest result	-11	-10
Earnings before taxes	**42**	**9**
Income tax expense	0	0
Net profit	**42**	**9**
Profit carryforward	2	313
Allocation to other retained earnings	0	-313
Release from other retained earnings	0	37
Retained and distributable earnings	**44**	**46**

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €122 million (previous year: €107 million) and resulted almost solely from output volume charged to companies of the Group.

Other operating income of €21 million (previous year: €321 million) primarily related to gains from the disposal of equity interests. Other income is mainly derived from write-ups on equity investments and receivables against affiliates.

The decrease in personnel expenses from €76 million to €49 million resulted from the restructuring measures introduced in the previous years and lower bonus payments.

Other operating expenses in the amount of €167 million (previous year: €333 million) primarily in-clude non-personnel administrative expenses, rents and leases, IT costs, insurance premiums, legal and consulting expenses, other service and personnel expenses, losses from the disposal of subsidiaries and additions to provisions. The decline in comparison with the previous year was particularly attributable to significantly lower legal and consulting expenses, a decrease in restructuring expenses as well as lower losses from disposals, write-downs and provisions in the investment area.

Earnings from financial assets of €113 million (previous year: -€30 million) mainly comprised income from profit-and-loss-transfer agreements, dividends received from Group companies and impairments of investments. The improvement was mainly due to a significant reduction in loss transfers from profit-and-loss-transfer agreements in the Engineering & Technologies segment and due to the sale of loss-making entities.

The decrease in the interest result is based primarily on lower interest income from associates.

Earnings before taxes increased from €9 million to €42 million.

In terms of the income tax expense, it should generally be kept in mind that income and expense in the investment area are mainly tax-neutral. Overall, a tax loss was recorded in Germany as in the previous year.

Distributable earnings in the amount of €44 million result from the net profit of €42 million (previous year: €9 million) and retained earnings in the amount of €2 million. It will be proposed that an unchanged dividend for financial year 2017 of €1.00 per share be paid out. This represents a dividend distribution of €43 million in relation to the number of shares entitled to a dividend as of March 1, 2018.

Net assets and financial position

BALANCE SHEET OF BILFINGER SE (HGB / ABRIDGED)
in € million

	Dec. 31 2017	Dec. 31, 2016
Assets		
Non-current assets		
Intangible assets and P, P & E	4	5
Financial assets	2,071	2,061
	2,075	2,066
Current assets		
Receivables and other assets	308	361
Cash and cash equivalents	728	984
	1,036	1,345
Excess of plan assets over pension liabilities	**31**	29
Total	**3,142**	3,440
Equity & liabilities		
Equity	**1,594**	1,634
Provisions	**211**	258
Liabilities	**1,337**	1,548
Total	**3,142**	3,440

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

Total assets of €3,142 million (previous year: €3,440 million) primarily comprised financial assets of €2,071 million (previous year: €2.061 million), receivables of €308 million (previous year: €361 million), and cash, cash equivalents and securities of €728 million (previous year: €984 million).

Financial assets increased by €10 million to €2,071 million. The increase is attributable to the capitalization of the interest claim from the vendor note as part of the sale of the companies in the former Building, Facility Services and Real Estate divisions (Apleona). The selling processes of equity investments carried out in the financial year did not impact the presentation of financial assets because the carrying amounts of the relevant companies had already been nearly fully written off in previous years.

Receivables and other assets of €290 million (previous year: €310 million) mainly comprise receivables from subsidiaries in connection with the Group's centralized corporate financing.

The decrease in cash and marketable securities resulted primarily from lower financial investments from associates within the framework of the cash pool. In addition, €44 million was used for the dividend payments and €39 million for the share buyback program.

The excess of plan assets over pension liabilities resulted from the existing surplus cover of pension provisions and partial retirement benefit obligations through plan assets.

The other side of the balance sheet includes equity of €1,594 million (previous year: €1,634 million), provisions of €211 million (previous year: €258 million) and liabilities of €1,337 million (previous year: €1,548 million).

The decrease in equity resulted from the share buyback program that was started in 2017.

Provisions include defined benefit obligations in the amount of €20 million (previous year: €23 million), tax provisions of €21 million (previous year: €21 million) and other provisions of €178 million (previous year: €215 million). Pension provisions relate to obligations not covered by plan assets.

The reduction in other provisions resulted for the most part from the decrease in personnel-related provisions, restructuring provisions, provisions for process and compliance costs as well as provisions for subsidiaries.

Liabilities in the amount of €795 million (previous year: €993 million) included liabilities to associates from deposits in connection with centralized cash pooling.

They also included financial debt in the amount of €500 million, as in the previous year, for a primary unsecured bond issued in December 2012 with a term until December 2019.

The equity ratio was 51 percent at the balance sheet date (previous year: 47 percent). The increase resulted with slightly decreasing equity from the decrease in the balance sheet total.

Opportunities and risks

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

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

Outlook

As the parent company of the Group without any business operations of its own, Bilfinger SE receives revenue primarily from its subsidiaries. Expectations with regard to the Group’s business development will generally affect the earnings of Bilfinger SE. For financial year 2018, we again expect positive earnings.

Declaration of Corporate Governance in accordance with Section 289f of the German Commercial Code (HGB)

The Declaration of Corporate Governance pursuant to Section 289f of the German Commercial Code (HGB) has been made available on the company’s website (*www.bilfinger.com*) under the heading *Corporate Governance*.

B.2.6 Non-financial aspects of business operations

B.2.6.1 Group declaration pursuant to Section 315b ff HGB and Section 289b ff HGB

Comprehensive reporting on non-financial aspects of business operations for financial year 2017 is provided in our Sustainability Report, which is published separately. It includes, as a separate non-financial report, the information on environmental issues, social issues as well as on respect for human rights and on fighting bribery and corruption as required in accordance with the CSR Guideline Implementation Act (CSR-RL-UmsG) and pursuant to Section 315b ff HGB and Section 289b ff HGB. We will publish our Sustainability Report in April 2018 on our Internet site at www.csrreport.bilfinger.com/sr2017

The required information regarding the diversity concept has been included in the Declaration of Corporate Governance which is published on our Internet site at the following link:
http://www.bilfinger.com/en/company/corporate-governance/declaration-of-corporate-governance/

Focus of the content of our sustainability reporting is derived from a materiality analysis through which we identified the significant topics for our company. In light of Bilfinger's strategic repositioning, we have updated the analysis first conducted in 2015 with the help of a renewed survey of all relevant stakeholder groups. We have evaluated and prioritized the findings gained from the 2017 materiality analysis according to their relevance.

SIGNIFICANT NON-FINANCIAL TOPICS OF BUSINESS OPERATIONS*

- Occupational safety
- Compliance
- Customer satisfaction and quality
- Employee development
- Innovation
- Sustainable industrial services
- Employer attractiveness
- Sustainable supply-chain management
- Equal opportunity
- Energy consumption and emissions
- Waste management
- Water
- Corporate citizenship

* Evaluated and prioritized on the basis of the materiality analysis conducted in 2017

Our company is a member of the UN Global Compact and follows the rules of the German Corporate Governance Code and the German Sustainability Code. Bilfinger also regularly participates in the CDP surveys on emission data, climate strategies and the responsible handling of environmental risks.

B.2.6.2 Occupational safety

The health of our employees is the number one priority for Bilfinger. Our Group-wide management system for health, safety, environment and quality is centrally managed, developed and is certified in accordance with ISO 9001 and ISO 14001, OHSAS 18001 and SCC. A strong training system serves the further education of employees in the operational areas. A central reporting system summarizes reports from the Group units in quarterly reports for the Executive Board. For serious work-related accidents, corrective measures to minimize risks are defined in the Executive Board and maintained.

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.

The effectiveness of our systems for occupational safety in the operating units is verified by certifications in accordance with the standards OHSAS 18001 and SCC which cover about 60 percent of the Group's operating units. We conduct internal and external audits at all levels in order to analyze and improve our occupational safety measures on an ongoing basis.

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 Safety Works! program in all divisions. The program lays out a methodical approach for continuous optimization for the individual units. The accident ratio LTIF (Lost Time Injury Frequency: the number of work-related accidents resulting in at least one day of lost time as relates to one million working hours) Group-wide since 2009; we describe current developments in our annual sustainability report.

Our concept for the promotion of health and performance among our employees consists mainly of the areas sport and exercise, physical and psychological health as well as the optimization of workplace conditions.

Through a framework agreement with a national fitness and wellness provider, our employees have the opportunity to train and relax at fitness studios and sports facilities throughout Germany and Austria at reasonable conditions. The range of online training videos was expanded this year.

We offer seminars, lectures and health days to help our employees deal with stress and maintain their health and performance. We also regularly review workplaces from both administrative and industrial employees to determine how they can be optimized in terms of health.

B.2.6.3 Compliance

Only when the company ensures that all employees act in accordance with the rules is it possible for Bilfinger to assert itself against the competition. Integrity and compliance are therefore vital components of strategy and corporate culture for Bilfinger. We do not compromise in this regard. We understand compliance as the adherence to all applicable laws, internal policies, internationally recognized standards of behavior and voluntary commitments in all our business activities. The focus is on anti-corruption, antitrust and data protection. Developing and maintaining a first-class compliance system is a top priority at Bilfinger. We have substantially intensified our efforts in this regard and have also made significant investments i in recent years.

Establishing a culture of compliance and integrity

Integrity in dealing with customers, suppliers, business partners and colleagues forms the basis of our corporate culture. In order to embed this culture along with the importance of compliance throughout the company and in its business processes, the following measures were taken in 2017:

Code of Conduct and communications A comprehensive, revised Code of Conduct that is binding for all employees worldwide took effect at the beginning of 2017. At the same time, twelve new Group Policies were formulated and implemented which include rules on compliant behaviour in special work situations, for example when dealing with third parties, accepting or giving of gifts, or in cases of conflicts of interest. A training program and broad-based internal communications ensure that all employees are familiar with the new Code of Conduct and with all relevant policies. About 12,500 employees took part in e-learning course on the Code of Conduct. In addition, managers at all levels and from all areas of the company were asked to train their employees on the Code of Conduct within the context of on-site seminars. In our internal media and at internal events we provide comprehensive information for managers and employees on our compliance initiatives as well as our compliance program. From July 2016 to December 2017 alone, more than 60 compliance-specific communications activities took place, in the intranet and in newsletters as well as live events in the form of townhall meetings, management conferences or compliance surveys. In addition, these measures were supplemented by compliance road shows and workshops.

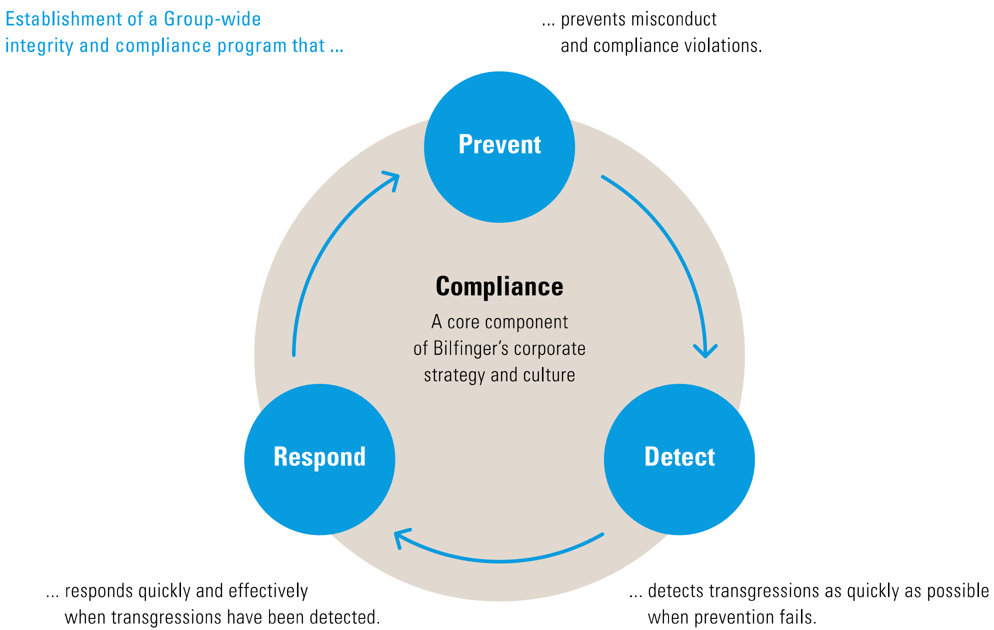
Management accountability Integrity will only be perceived as a component of our corporate culture when managers fulfill their function as role models and employees can orient themselves on the correct and responsible behaviour of their superiors. Since 2016, the annual performance evaluation of managers has included an individual integrity assessment that then forms part of the annual dialogue on career development. This processapplies to both incumbents with significant management responsibility (management levels 1 and 2) as well as new hires and promotion candidates. Incentives for acting with integrity have also been included in manager remuneration. The variable compensation for managers at management levels 1 (since 2016) and 2 (since 2017) takes into account an individual integrity factor. This factor is calculated annually and considers to what extent integrity and compliance are apparent in managers' daily actions and how they drive, encourage and promote both in their areas of responsibility. In July 2017, an *Integrity Day* took place for the first time, a two-day event with presentations and workshops with more than 250 international participants from senior management and other employees. As part of a compliance survey that was conducted internationally, statements related to the importance of integrity were given the highest ratings by those employees surveyed.

Compliance program: Prevent violations, detect misconduct, respond consistently

The cornerstone of Bilfinger's compliance program is a detailed and regularly repeated analysis and assessment of compliance risk factors in the divisions and companies of the Group. The objective is, to gain an accurate assessment of the respective specific compliance risk as well as the risk controls for each business and for each entity on the basis of location, type of business, size of the operating company as well as previous compliance cases,. This forms the basis for an appropriate risk classification and the resulting detailed design of compliance measures for the mitigation of potential risks. In 2016, we carried out a comprehensive compliance risk assessment of all legal entities, i.e. thus 100 percent of the business volume of Bilfinger, and analyzed them accordingly. Building on this, as of 2017 we carry out an annual specific update of the risk landscape of individual group companies which are selected and prioritized based on centrally and decentrally recorded indicators.. For each individual legal entity, specific measures for the management of risk are derived and implemented. From the individual compliance risk assessments, we derive the compliance risk profile of Bilfinger, which leads to specific mitigation measures that are to be implemented Group-wide.

The comprehensive Bilfinger Compliance Program is continuously enhanced and developed further. Its goal is to prevent compliance violations wherever possible and, at the same time, detect potential misconduct at an early stage and, once it is identified, to respond quickly and consistently.

COMPLIANCE OBJECTIVES AT BILFINGER



Prevention as primary goal

The goal of the compliance program is, above all else, to prevent future misconduct. To this end, Bilfinger relies primarily on information, communications, clear policies, training, supporting compliance IT tools as well as specific, practical compliance guidance and advice for employees.

Training program The current compliance training program was even further expanded in 2017 and supplemented with additional topics. The uniformly organized training modules include both on-site training and e-learning programs in order to maximize the reach of our training measures. In this regard, we do not only convey knowledge, but also enable the participants to become sensitive to current compliance issues in line with their respective roles and functions by using real-life case studies and examples.

TOTAL NUMBER OF EMPLOYEES TRAINED IN THE TRAINING CYCLE 2016/2017	Number Persons Target group	Number of trained persons	Share
E-learning module 'anti-corruption & bribery'[1]	14,149	13,117	93%
E-learning module 'Code of Conduct'[1]	14,149	12,587	89%
On-site training "anti-corruption & bribery"[2]	3,502	3,333	95%

1 Status: February 7, 2018 Target group: All active employees with a PC workstation that have been with the company for more than three months.
2 Status: December 31, 2017 Target group: Exposed functions, purchasing, accounting and ICS employees

Compliance Help-Desk Beyond the measures within the context of the Bilfinger Compliance Program, it is necessary that each manager and each employee is aware of his or her own personal responsibility and that everyone behaves correctly at all times. Therefore, Bilfinger maintains a Compliance Help Desk available to all employees worldwide that provides fast and competent guidance regarding compliance questions. As a result, we achieve consistency and certainty in the handling of compliance issues. The importance of the Compliance Help Desk, which was introduced in July 2016, is demonstrated by the significant increase in the number of inquiries received in 2017.

NUMBER OF INQUIRIES TO THE COMPLIANCE HELP DESK	Number	Share	Number	Share
		2017		2016
Gifts and invitations	374	37.7%	45	34.4%
Third party management	358	36.1%	n.a.	n.a.
Policies and internal regulations	111	11.2%	50	38.2%
Contract structure	23	2.3%	n.a.	n.a.
Fraud, breach of trust and money laundering	17	1.7%	3	2.3%
Conflicts of interest	15	1.5%	n.a.	n.a.
Compliance trainings	13	1.3%	8	6.1%
Donations and Sponsoring	11	1.1%	n.a.	n.a.
Other*	71	7.1%	25	19%
Total	**993**	**100%**	131	100%
thereof reports of suspected compliance issues viola-	23	2.3%	9	7%

Inquiries received by the Compliance Help Desk in 2017. In 2016: July (start) until December.
* Includes, among other things, personnel matters, taxes and accounting, depreciation, corruption and competition law for which fewer than ten inquiries were received for each.

Compliance requirements for business partners Bilfinger relies on the cooperation with business partners throughout the world for the provision of our services. Compliant behavior on the part of our business partners is an indispensable requirement for building trust. Following the registration and risk classification of our business partners, the existing process to evaluate their integrity was comprehensively revised and adjusted in a risk-oriented manner over the course of 2017. When carrying out such integrity audits, the business units of Bilfinger and their purchasing departments are supported by the Compliance department in the risk evaluation. The objective is to be able to form a conclusive opinion onexisting or new business partners and the extent to which they meet our integrity requirements by carrying out ex-ante assessments (Integrity Due Diligence).

The process of evaluating integrity is supported by a software application. Of the 38,000 business partners who were registered in the software application in 2017, 315 were identified as business partners with a moderate to high risk. For 37 of these business partners, the integrity audit was concluded with the issue of an approval. For six business partners, the integrity audit was halted and not further pursued by our business units. Five business partners were rejected on compliance grounds. A further 267 business partners with a moderate or high risk are currently still being reviewed as part of the initial reviews that began in 2017. Completion of these reviews is expected in the first quarter of 2018.

Early detection of potential misconduct

Bilfinger does not tolerate unlawful conduct or conduct that violates the company's policies and rules. In addition to prevention, the early detection of potential misconduct is therefore a key component of the Bilfinger Compliance Program. A broad range of internal sources is used to detect suspicious cases. These include results of internal audits, internal information or anonymous whistleblowers, the Compliance and Human Resources organizations as well as data from the due diligence processes. The existing whistleblower system has been consistently and intensively expanded since 2016. Both our employees and external parties can, on a confidential basis and, if desired,also anonymously provide information on potential misconduct and violations of the Code of Conduct on the part of Bilfinger employees.

Allegation management The Allegation Management Office deals with all notifications related to suspicious cases from both internal and external sources, beginning with irregularities identified within the scope of internal audits through to cases that are communicated confidentially (whistleblowing). The Allegation Management Office was established in 2017 and, as part of Corporate Legal & Compliance, combines the functions 'Investigation' and 'Allegation Management' which were previously allocated to the Internal Audit and Compliance departments. In cooperation with the Compliance Organization, the Allegation Management Office conducts a preliminary review of the information received and forwards it to the Independent Allegation Management Committee for evaluation and a decision on the steps to be taken next.

The Independent Allegation Management Committee is a committee of experts from Corporate Legal & Compliance, Internal Audit, Tax and Human Resources. It initially evaluates all reported suspicious cases. In a second step internal investigations are launched where necessary. In this context, all involved persons and/or the respective suspicious cases are dealt with fairly, consistently, transparently and sustainably irrespective of status or position. As a result of the measures taken in the course of financial year 2017 for enhancing the efficiency of the committee work – in particular the introduction of the pre-classification of suspicious cases – the number of meetings in 2017 declined to 27 (previous year: 54).

INFORMATION ON COMPLIANCE VIOLATIONS, INVESTIGATIONS INITIATED AND EMPLOYMENT-RELATED CONSEQUENCES	Number 2017	Number 2016
Indications of compliance violations [1]	125	129
Investigations initiated [2]	97	113
Disciplinary measures as a result of investigations [3]	37	approx. 20

1 Reports in the period from January 1 to December 31 of the respective year.
2 Includes investigations as a result of information received in the financial year and previous years.
3 Includes disciplinary measures as a result of investigations in the financial year and previous years.

Consistent reaction to misconduct

When suspected violations are corroborated on the basis of internal investigations and the misconduct of an individual is proven, Bilfinger ensures the fast, consistent handling of the respective situations and persons involved within the framework of standardized processes.

Disciplinary Committee and sanctions The decision on sanctions in a disciplinary procedure as a result of compliance violations is taken by the Disciplinary Committee, which convenes under the chairmanship of the Labor Director of Bilfinger SE. Possible sanctions range from an informal warning to immediate termination including negative financial consequences. The same kind of misconduct consistently leads to the same kind or level of sanctions, regardless of the position or importance of an employee. In the 2017 financial yea, the Disciplinary Committee was consulted eleven times on the results of 16 investigations. A total of 37 disciplinary measures were taken for 31 employees. In the previous year, 15 meetings were held at which 14 investigations were discussed.

Remediation processes When, according to findings from internal investigations, proven misconduct has been found to be enabled or supported by weak spots in internal company processes or systems, Bilfinger conducts systematic remediation procedures. To eliminate identified weaknesses, countermeasures are initially formulated at the level of the legal entitiy that was investigated. At the same time, a review is conducted to determine whether similar weaknesses could also exist at other legal entities within the Bilfinger Group or if weaknesses have arisen repeatedly. If the weakness in question is not related to entity-specific matters, countermeasures are initiated at division, segment or Group level.

Compliance governance and control functions

Corporate Legal & Compliance In 2016, the Corporate Compliance and the Corporate Legal & Insurance departments were combined to form the new Corporate Legal & Compliance department. At the beginning of 2017, the responsibilities of this corporate department were expanded to include investigation and allegation management as well as export controls. At the same time, cooperation between Compliance and Internal Audit was intensified and formalized. The three fundamental focus areas of our Compliance Program, “prevent, detect, respond”, are comprehensively managed and led by these functions with a clear set of responsibilities. In 2017, Bilfinger hired more than 25 additional experts in order to strengthen the Compliance and Legal department which today has about 100 employees. Each of the 200 legal entities in the Bilfinger Group today has a responsible Compliance Manager.

Independence For all compliance-relevant corporate functions, their independence from the business areas is of great importance. This applies above all to Legal & Compliance and Internal Audit. For this reason, a reporting line was established for the Head of Internal Audit and for the General Counsel & Chief Compliance Officer to both the Audit Committee and in special cases directly to the Chairman of the Supervisory Board. There is also an active, direct dialogue between the Supervisory Board and its committees with the compliance-relevant corporate functions.

Compliance Review Boards For the sustainable establishment of compliance as a management duty in all business areas, Bilfinger established a Compliance Review Board in October 2016. It manages and monitors the organization and implementation of the entire Bilfinger Compliance System. The Committee consists of the members of the Executive Board plus a number of heads of corporate departments and convenes at least once per quarter under the chairmanship of the General Counsel & Chief Compliance Officer. In 2017, the Compliance Review Board met a total of five times. Since September 2017, the Compliance Review Board has been supplemented by Divisional Compliance Review Boards which manage and monitor the implementation of the program in the individual divisions.

Internal Control System (ICS) A new, strengthened Internal Control System (ICS) from Bilfinger will be introduced in all subsidiaries as part of a risk-based approach. The ICS and the specific organization in the legal entities takes into consideration, among other things, results from the compliance risk assessment, as well as information from Internal Audit, Compliance and Human Resources. In this regard, the compliance and control measures are tailored not only to the relevant risk profile, but also to the respective business requirements and necessities on site. Each division and each business unit has its own ICS Officer.

Internal Audit Bilfinger has also further developed the area Internal Audit & Controls. Within the scope of anti-corruption audits, it verifies the implementation of the compliance guidelines and processes in the individual business units on site. The company has also intensified the follow-up of improvement measures and the escalation of internal audit results. As part of repeated, comprehensive internal and external audits, sno systematic compliance violations have been detected at Bilfinger since the end of 2015.

Human Resources As part of the prevention efforts, human resources processes were also revised in order to bring them fully in line with the compliance system. This applies to the areas from the recruitment and hiring of new employees to the promotion, incentivization and remuneration of employees as well as disciplinary procedures.

Many of these processes are supported by the Group-wide implementation of new IT applications. As a result of the standardization and integration of globally-used IT applications in human resources processes, we want to create a greater degree of data transparency, promoting compliant employee behavior.

Compliance Monitorship and Group-wide Bilfinger Compliance Remediation Program

With regard to a violation of the US Foreign Corrupt Practices Act (FCPA) in the years prior to 2005, an agreement was reached in 2016 with the US Department of Justice (DoJ) that the Deferred Prosecution Agreement (DPA) in place since 2013 would be extended until the end of 2018. The key aspect of this DPA is the obligation for Bilfinger to introduce an effective compliance system throughout the Group. As part of the extended DPA, the previously appointed Compliance Monitor continues to report regularly to the company and the DoJ on the effectiveness of our compliance measures. Bilfinger supports the Monitor in the fulfillment of his duties. In order to meet our obligations from the DPA, Bilfinger implements a *Compliance Remediation Program*. The program includes thirteen workstreams, the implementation of which will further improve the Bilfinger Compliance System.

Both the implementation of the Bilfinger Compliance Remediation Program and the effectiveness of the revised Bilfinger Compliance Program are reviewed by the Monitor. By involving our corporate departments and business units closely, and with the support of renowned advisors, we are working to meet our obligations and objectives from the DPA on time.

Outlook

In order to introduce, review and document the effectiveness of its compliance program in all decentral corporate units throughout the world, Bilfinger applies a highly structured project management approach. By the end of 2017, twelve legal entities, accounting for about 30 percent of the total business volume of Bilfinger, had fully completed the implementation of the program or achieved a very advanced stage in this process. By the end of the first quarter 2018, this will include legal entities representing more than 60 percent of the business volume, and by the end of the second quarter 2018, the global roll-out is expected to be fully completed.

The objective for 2018 is the orderly conclusion of the Compliance Monitorship within the framework of the extended DPA. In order to achieve this objective, we will – in addition to the completion of the above-mentioned international implementation of the Compliance Program – push forward with our cultural change by working intensively with our managers and by developing our disciplinary processes further. Continuous improvements to our compliance system are systematically implemented, both at Group level and in the individual legal entities. The experience gained in the international implementation of the Compliance Program is consistently applied in order to to continuously professionalize our compliance processes and make them as robust as possible. This includes, among others the investigation of suspicious cases (allegation management) and the review of business partners as part of the compliance requirements (third party due diligence). All of this also applies to joint ventures in which Bilfinger holds only a minority stake: here, too, we want to introduce and implement our compliance program as extensively as possible within the scope of our *Best Effort* and *Best Practice Approach*.

B.2.6.4 Customer satisfaction and quality

The satisfaction of our customers is absolutely vital to us. We therefore consistently gear our service range to their needs and secure a high standard of quality through a comprehensive quality management system. It starts with the operating units, which are responsible for the quality of their products and services and monitor these systematically. They are supported by the quality management of the divisions as well as by Corporate HSEQ. System requirements and internal audits along with comprehensive training and education measures for quality assurance ensure that our high standards of quality are safeguarded and continuously developed.

In about 75 percent of Bilfinger's corporate units there are management systems in place that have been certified in accordance with DIN EN ISO 9001 and the implementation of these systems includes a regular survey of customer satisfaction, among other things. Since 2015, Bilfinger has also had a matrix certificate in accordance with the most common international quality, environmental and safety standards (ISO 9001, ISO 14001, OHSAS 18001, SCCp and SCP). This will be continuously expanded. From January 1, 2018, data regarding customer satisfaction is collected and made transparent by means of a standardized method for customer satisfaction analysis (Net Promoter Score).

B.2.6.5 Employee development and employer attractiveness

The performance, the knowledge and the motivation of our employees are the key factors for the economic success of our company. Our employees have a decisive influence on the quality of our services and the satisfaction of our customers. With the help of our 2-4-6 strategy and our Mission Statement, we target our initiatives and instruments in the human resources area toward meeting the requirements of our customers as best we can and, in this regard, do not make any compromises when it comes integrity and occupational safety.

The development of our employees and the attractiveness of Bilfinger as an employer are of tremendous importance for the success of the company. The measures and programs implemented in this regard are described in detail in our Sustainability Report:

At the end of 2017, 35,644 people were employed by the Bilfinger Group (previous year: 36,946). The Bilfinger Group employed 7,896 people in Germany (previous year: 8,961 people) and 27,748 outside Germany (previous year: 27,985 people). 8,144 people were employed in countries outside Europe (previous year: 7,829 people). As of the balance-sheet date, 346 apprentices and dual study program participants (previous year: 381) were employed in our Group in Germany alone.

EMPLOYEES BY REGION

	2017	2016	Δ in %
Germany	7,896	8,961	-12
Rest of Europe	19,604	20,156	-3
America	3,257	2,849	14
Africa	803	957	-16
Asia	4,084	4,023	2
Group	**35,644**	**36,946**	**-4**

EMPLOYEES BY BUSINESS SEGMENT

	2017	2016	Δ in %
Engineering & Technologies	8,347	8,977	-7
Maintenance, Modifications & Operations	24,253	23,269	4
Other Operations	2,521	4,140	-39
Headquarters, other	523	560	-7
Group	**35,644**	**36,946**	**-4**

EMPLOYEE GROUPS	Salaried	Industrial employees	total	Salaried	Industrial employees	total
			2017			2016
Engineering & Technologies	5,398	2,949	8,347	5,819	3,158	8,977
Maintenance, Modifications & Operations	5,584	18,669	24,253	5,505	17,764	23,269
Other Operations	1,091	1,430	2,521	1,617	2,523	4,140
Headquarters, other	514	9	523	550	10	560
Group	**12,587**	**23,057**	**35,644**	**13,491**	**23,455**	**36,946**

EMPLOYEES WITH A UNIVERSITY DEGREE	Salaried	University degree in MCNT*-Subjects	University degree in other subjects	Salaried	University degree in MCNT*-Subjects	University degree in other subjects
			2017			2016
Engineering & Technologies	5,398	2,833	418	5,819	3,431	492
Maintenance, Modifications & Operations	5,584	1,097	600	5,505	1,085	562
Other Operations	1,091	184	75	1,617	318	201
Headquarters, other	514	91	194	550	118	226
Group	**12,587**	**4,205**	**1,287**	**13,491**	**4,952**	**1,481**

* Mathematics, computer and information technology, natural sciences, technology

AVERAGE AGE OF EMPLOYEES
In years

	2017	2016
Engineering & Technologies	41.0	40.5
Maintenance, Modifications & Operations	42.4	42.1
Other Operations	42.6	41.9
Headquarters, other	43.4	43.6
Group	**42.1**	**42.1**

AVERAGE YEARS OF SERVICE PER EMPLOYEE
In years

	2017	2016
Engineering & Technologies	8.9	9.1
Maintenance, Modifications & Operations	9.1	9.4
Other Operations	12.7	9.9
Headquarters, other	10.2	10.5
Group	**9.3**	**9.6**

B.2.6.6 Innovation (research and development report)

Research and development activities make a key contribution to the competitiveness of the Bilfinger Group. The focus in this regard is on the market-oriented development of our engineering and service range. The operating units are responsible for the development work. They are well-acquainted with the needs of their customers and can drive innovations forward in a targeted manner. This results in technically sophisticated and economically feasible solutions that provide an immediate customer benefit. We also enter into cooperations with leading universities, research institutes, technology partners and start-up companies.

In financial year 2017, we placed a new focus on digitalization when it comes to innovation projects. In our customer industries, this development is being driven forward with a great deal of commitment under the keyword '*Industry 4.0*'. Bilfinger sees itself as a comprehensive service provider for the process industry in the role of a bridge builder between industrial companies and pure IT providers. We want to help actively shape the transformation as a partner for our clients and contribute, among other things, to giving also medium-sized companies access to a digitally networked production under competitive framework conditions.

In the reporting year, Bilfinger pursued innovation projects with a total expense of €10.9 million. Of that total, €6.5 million was used for developments in the area of digitalization. The activities in this field of innovation relate for the most part to the digitalization of internal company processes, new digital solutions at customer projects as well as cooperations, primarily with research institutes. This resulted in many new solutions and cooperations with international companies in the process industry. A further focus was on the development of the cloud-based service platform *Bilfinger Connected Asset Performance – BCAP ®*, which enables an optimized operation of processing facilities and which will be launched on the market in 2018. In the course of business development, we plan additional expenditures for 2018 in particular for the further development of our digitalization offerings in the amount of €20 million, with more than half of that amount going to research and development expenses.

RESEARCH AND DEVELOPMENT EXPENSES
in € million

	2017	2016
Total expense (€ million)	10.9	7.4
thereof digitalization	6.5	–
thereof industry	3.8	0.9
thereof energy	0.5	3.5
thereof environment	0.1	3.0

B.2.6.7 Sustainable industrial services

With a broad range of services, we enable our customers to achieve their sustainability goals. In this connection, we offer them a diverse range of engineering services, environmental technologies or insulation solutions – particularly thermal insulation and cold insulation – as well as maintenance, conversion, fitting and modernization of industrial plants. With these services, we contribute to an improved energy and process efficiency.

Efforts for climate protection and resource conservation are being intensified at many locations throughout the world, and these are often associated with stricter statutory environmental requirements. We therefore expect that the performance enhancement of plants optimized from an environmental perspective will continue to become increasingly important in the future. It is therefore our goal to expand our range of services for the increase of energy and process efficiency and thus to implement sustainable solutions in the plants of our customers with increasing frequency.

B.2.6.8 Sustainable supply chain management

MATERIAL COSTS

	2017	2016
Material costs (€ million)	1,352	1,779
thereof services purchased	62 %	46 %
thereof raw material and supplies	38 %	54 %
Share of material costs in cost of sales	36 %	46 %

Bilfinger's purchasing activities were realigned in 2017 to correspond with the divisional structure. The new structure has a clear focus on bundling potentials within the purchasing categories beyond the individual companies. The focus here is on direct materials in particular for which significant savings potential can be leveraged.

The sustained improvement in indirect costs was supported by a range of measures. Notable here are initiatives for the optimization of the cost structures in vehicle fleet management – where the number of vehicle manufacturers and models, for example, was significantly reduced – and in telecommunications. Both will contribute to cost reductions in the near and medium term.

In the course of the comprehensive project for the harmonization of the internal Group systems, a standardized procurement process was defined which significantly improves the efficiency of the purchasing function. The negotiating results that are achieved are measured on an ongoing basis and their implementation accompanied accordingly.

In our Code of Conduct for Suppliers and Subcontractors and Service Providers, we express clear expectations regarding integrity, compliance with the law and ethical conduct in line with the principles of the Global Compact initiative. Core elements of the Code of Conduct also relate to counteracting corruption, bid rigging and illegal employment practices as well as respecting the fundamental rights of employees and environmental protection requirements. We also unequivocally demand that our suppliers require their own suppliers to adhere to these principles. The process for the evaluation of the integrity of suppliers and subcontractors is described in chapter B.2.6.3 Compliance.

B.2.6.9 Equal opportunity

Equal opportunity plays a key role in daily business at Bilfinger. By offering employees around the world the same opportunities, we foster creative solutions, individual developments and thus increase the profitability of the company.

At Bilfinger, individual ideas, backgrounds and perspectives are valued. Each employee – regardless of their ethnicity, gender, age, sexual identity, religion, disability or ideology – is equally integrated, listened to and understood. In the implementation of our global processes and initiatives, we pay very close attention to consideration for the various languages in the countries and units and offer relevant information in a wide range of languages.

In order to ensure equal opportunity with regard to gender, we have set the goal of attracting more women for management positions. To this end, we have since 2011 implemented a targeted promotion and retention program for women. It includes, among other things, the Cross-Company Mentoring program. Through this company-wide program, female employees seeking a management role are supported. Over the course of one year, they are accompanied by a selected mentor who is herself an experienced manager in one of the cooperating companies and is available to provide advice and support.

At the end of the reporting year, the share of women in the workforce was 9.9 percent worldwide (previous year: 10.1 percent).

EMPLOYEES BY GENDER	male	female	total	male	female	total
			2017			2016
Engineering & Technologies	6,940	1,407	**8,347**	7,448	1,529	**8,977**
Maintenance, Modifications & Operations	22,607	1,646	**24,253**	21,683	1,586	**23,269**
Other Operations	2,229	292	**2,521**	3,702	438	**4,140**
Headquarters, other	339	184	**523**	359	201	**560**
Group	**32,115**	**3.529**	**35,644**	**33,192**	**3,754**	**36,946**

In relation to the law on the equal participation of women and men in management positions in the private sector and in the civil service which took effect in Germany in May 2015, we achieved the targets set until June 30, 2017 as follows and for the period until December 31, 2020 defined the following new targets. In addition, the legally required minimum share of women and men in the Supervisory Board was achieved as follows.

Target achievement as of June 30, 2017: For new appointments to the Supervisory Board in 2016, with regard to the fixed gender quota of 30 percent that is to be met, the Supervisory Board followed the goal of filling the quota equally. On June 30, 2015, the decisive date for the definition of the target, this share was eight percent. Following the regular new election of the shareholder representatives during the Annual General Meeting on May 11, 2016 and the simultaneously newly-appointed seats held by employee representatives, six of the twelve Supervisory Board members are female, the share of women is thus at 50 percent. The goal of at least 30 percent is thus exceeded by far.

COMPOSITION OF THE SUPERVISORY BOARD BY GENDER

	2017	2016
Number of members (on December 31)	12	12
Shareholder representatives	6	6
thereof female	3	3
thereof male	3	3
Employee representatives	6	6
thereof female	3	3
thereof male	3	3

As a target for the share of women in the Executive Board, the Supervisory Board agreed that there will continue to be no female members until June 30, 2017. If a vacancy should become available by then, the Supervisory Board would attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. In the reference period, there were no female members of the Executive Board.

Management level 1 includes employees who belong to management level 1 and management level 1a in accordance with the internal company definition. The Executive Board decided to reach a target of an eight percent share of women in management level 1 of Bilfinger SE by June 30, 2017. On June 30, 2015, the date for the definition of the target, this share was four percent. The target as of June 30, 2017 in management level 1 was not fully met. As a result of restructuring at headquarters, particularly in the upper levels of management, in level 1 an increase from four percent to six percent was achieved and the target of eight percent was nearly achieved.

Management level 2 includes employees who belong to management level 2, in accordance with the internal company definition. The Executive Board decided to reach a target for Bilfinger SE of a ten percent share of women in management level 2 below the Executive Board by June 30, 2017. On June 30, 2015, the date for the definition of the target, this share was six percent. At level 2, the goal of ten percent, with a share of women of 23 percent as of June 30, 2017 was clearly exceeded.

New targets for December 31, 2020: At the end of the reference period on June 30, 2017, with regard to the law on the equal participation of women and men in management positions in the private sector and in the civil service, we set new goals for the future. For Bilfinger SE, the following targets should be achieved by December 31, 2020:

For the Supervisory Board, a minimum requirement as of December 31, 2020 remains the statutory gender quota of 30 percent share of women and men.

With regard to the share of women in the Executive Board, the target of zero percent remains unchanged. If a vacancy should become available by December 31, 2020, the Supervisory Board will attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board.

With regard to management level 1, the Executive Board decided to achieve a target of a 10 percent share of women in Bilfinger SE by December 31, 2020. On June 30, 2017, the share was at six percent. For management level 2 at Bilfinger SE, the Executive Board determined to achieve a target of a 23 percent share of women by December 31, 2020 and thus to maintain the level reached on June 30, 2017.

Beyond the statutory requirements, Bilfinger already several years ago set voluntary company internal targets. For example, the share of female managers throughout the Group should be at 15 percent in management levels 1-3 by the end of 2020. In 2011, the figure was 5.2 percent, at the end of 2017 it was 9.1 percent.

SHARE OF WOMEN IN MANAGEMENT POSITIONS (MANAGEMENT LEVELS 1-3) in percent	2017	2016
Engineering & Technologies	6.1	7.7
Maintenance, Modifications & Operations	10.5	11.0
Other Operations	4.2	4.1
Headquarters, other	13.8	14.7
Group	**9.1**	**9.4**

The differentiation of the management levels is undertaken on the basis of sales responsibility and the importance of the area of responsibility that is managed.

B.2.6.10 Energy consumption, emissions and waste management

To consistently reduce the negative environmental impact of our business activities, we constantly expand our requirements across the entire value chain.

The careful and intelligent handling of energy and the reduction of CO2 emissions, which we monitor on the basis of the Greenhouse Gas Protocol in the categories Scope 1-3, is of tremendous importance for us. At all levels of the Group there are initiatives to reduce energy consumption and CO_2 emissions, for example through the use of low-emission vehicles and the recommendation that rail travel be used for business trips.

We also place great importance on waste and resource management and therefore take ecological criteria into consideration already in the procurement of materials. We pay close attention to local availability and try to reuse unavoidable waste or to initiate a recycling or disposal procedure. The centralized collection of dangerous waste has been carried out since 2012. In the years to come, we will gradually expand the scope of key environmentally-relevant key performance indicators.

About 50 percent of our business units are certified in accordance with the environmental management standard DIN EN ISO 14001 or the energy management standard DIN EN ISO 50001.

B.3 Risk and opportunity report

The recognition of opportunities and risks is an integral part of the process management system at our operational units. We define risks as negative deviations and opportunities as favorable deviations from our plans.

Bilfinger has a systematic management system to identify, evaluate and manage risks. Opportunities are identified, evaluated and managed as part of our strategic planning.

For reasons of consistency with chapter B.4 Outlook the underlying timeline for the likelihood of risks and opportunities includes financial year 2018.

B.3.1 Risk management

B.3.1.1 Basic principles

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

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

Bilfinger began a comprehensive redesign of the risk management system at the end of 2015. The objective was to the optimize the risk management system using consistent and future-oriented methods. To this end, a systematic approach to the identification, evaluation and control of relevant risks was defined. It is oriented on *Enterprise Risk Management – Integrated Framework (2004)* from the *Committee of Sponsoring Organizations of the Treadway Commission (COSO).* As part of this redesign, Bilfinger introduced an integrated, top-down / bottom-up process throughout the Group and began with the implementation of effective risk management tools. The implementation of the redesign was primarily carried out in the fourth quarter of 2017 with the introduction of a robust risk management organization with clear roles and responsibilities. We will press ahead further with its completion in the first quarter of 2018 on the basis of newly implemented risk management tools.

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

To summarize, the following applies:

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

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

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

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

- First line: operative
  - **Division heads (Executive President/Financial Director)** Divisional management is responsible for the functionality of the risk management system and its monitoring at divisional levels and in the local units. Divisional management regularly itemizes risks, as well as providing the final evaluation and prioritization of significant risks for the divisions. This also includes the classification of risks to a defined risk owner and the approval of a division's risk portfolio in the context of the reporting process.
  - **Division risk officer** In its entirety, specific responsibility for the operational implementation of the risk management process and for monitoring and identifying risks lies with the division risk officer. This function is normally performed by a division's financial director. The tasks of the division risk officer include, among other things, the plausibility of the overall risk situation with regard to its completeness and the evaluation of significant risks as well as the appropriateness and effectiveness of the mitigation measures – including the evaluation of necessary investments or expenses – and regular updates on the risk situation.
  - **Division risk coordinator** Division risk coordinators consolidate the individual risks at divisional levels in the course of risk inventory. They support the heads of the divisions in the consistent application of risk management methods and in reporting to Corporate Risk Management.
  - **Risk owner** The risk owners are responsible for the identification, analysis and evaluation of individual risks. This also includes the evaluation and implementation of appropriate mitigation measures and the regular analysis and monitoring of the current situation regarding individual risks. This also comprises the evaluation of necessary investments and other expenses.

- Second line: functional supervision at Group headquarters

  - **Bilfinger Risk Committee** The Bilfinger Risk Committee generally meets every quarter on behalf of the Executive Board. Members include the Chief Financial Officer (CFO), the Financial Directors of the divisions, the Group Risk Officer as well as the heads of Corporate Controlling, Corporate Accounting, Tax & M&A, Corporate Treasury, Corporate Legal & Compliance, Corporate Internal Audit & Controls and the Head of Internal Control Systems.

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

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

  - **Corporate functions** In consultation with the Executive Board, the corporate functions at headquarters perform specialist monitoring tasks throughout the Group. They have wide-ranging obligations to request and receive information, to intervene in some cases and to issue individually defined guidelines, and be actively involved with their specialist colleagues at the divisions and subsidiaries. Corporate functions partially assume primary responsibility for risks or makes tax-related interventions in the context of their Group-wide functional supervision.

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

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

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

B.3.1.2. Identification

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

Risk identification takes place as part of an ongoing, institutionalized process to achieve comprehensive transparency within the Group:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan (n+1)
Risk workshop			at least one workshop yearly per division										
Bottom-up update			●			●			●			●	
Alignment – Bilfinger Risk Committee				●			●			●			●
Audit Committee meetings				●			●			●			●
Fast Track (part of the reporting process)			contingent on events										

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

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

The operating companies and divisions as well as units at headquarters entrusted with company-wide functional supervision immediately report relevant risks occurring on short notice to the responsible corporate departments and, if relevant, to the Executive Board.

In accordance with the COSO standard, the identified risks are identified in four categories: strategic risks, operational risks, financial risks and compliance risks. The cause of a risk is a decisive factor in its categorization.

B.3.1.3 Evaluation

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

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

Evaluation scale of effect

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

Evaluation scale of likelihood within the next twelve months

Category	Level	Likelihood of risk occurring and forecast horizon
Very limited	1	0 - 5%
Limited	2	6 - 15%
Possible	3	16 - 30%
Increased	4	31 - 50%
More likely than not	5	> 50%

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

B.3.1.4 Control

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

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

Avoid Risks are avoided by, for example, not accepting projects with a high risk class and only accepting tasks with regard to the regional environment and when there exists sufficient expertise of the technical requirements.

Transfer Risks are contractually transferred to third parties such as insurers, subcontractors and customers outside the Group.

Manage Risks or their impact are limited by better operational execution, strengthened control or other mitigation measures (hedging etc.).

Accept Manageable risks are accepted as such in their current respective form because further mitigation measures are not economically viable.

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

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

B.3.2 Significant risks

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

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

Risk title	Rank	Risk field	Evaluation	
			Effect (1-5)	Likelihood (1-5)
Adverse market developments	1	Strategic	●●●	●●●
Risks from projects and framework agreements	2	Operational	●●	●●●●
Risks regarding the introduction of an effective compliance system	3	Compliance	●●●●	●●
Lack of adequate personnel	4	Operational	●●	●●●
Insufficient speed for the achievement of necessary operational excellence	5	Operational	●●	●●●
Litigation and completed legacy projects	6	Compliance	●●●●	●
Overloading of the organization	7	Strategic	●	●●●●
Changes in local legal requirements	8	Strategic	●	●●●
Serious HSEQ incident	9	Operational	●●	●
Inadequate focus on working capital / cash management	10	Financial	●	●●

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

Risks are monitored in accordance with COSO requirements. Additional risks with a lesser meaning for Bilfinger are presented alongside identified significant risks. Obligatory information, such as on risks from financial instruments, is explained in chapter *C.6 Notes to the consolidated financial statements*.

B.3.2.1 Strategic risks

Adverse market developments

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

In addition to this general situation and in light of the major activities in the oil and gas segment, Bilfinger is dependent on the development in the price of oil and its effect on the spending behavior of customers in this market segment. A volatile development in the price of oil is thus a potential risk for our activities. A long-term regression in the oil price to a lower level or significant fluctuations could adversely impact the net assets and financial position of Bilfinger. This primarily impacts our business in the Middle East, as well as the Maintenance, Modifications & Operations segment in the United Kingdom and Scandinavia and the Engineering & Technologies segment in the USA.

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

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

Bilfinger carried out a reorganization in order to better represent the typical market structure in the Engineering & Technologies and Maintenance, Modifications & Operations segments and to better manage market risks described here. At Engineering & Technologies, the focus is on global projects and the delivery of technology components, and at Maintenance, Modifications & Operations, local maintenance activities are at the forefront. The strengthening of regional responsibilities in Business Development should also lead to a further improved understanding of market conditions and customer requirements. Bilfinger is also working on increasing strategic *value propositions.* The goal is to consolidate Bilfinger's broad offerings for a range of common industrial plant models. By doing this, we will be in an even better position to offer the customer a range of uniform services and to improve our competitive position. At the same time, all units will continuously and rigorously manage capacity, making it possible to react flexibly to potential short-term market fluctuations.

Overloading the organization

Bilfinger's strategic transformation is comprehensive and applies to all levels and areas of the company. As a result, a multitude of requirements must be reconciled.

Group-wide programs should ensure that the standards at Bilfinger are implemented and applied with equal measure. A few examples worth mentioning here are the compliance program, process and system harmonization through the introduction of a uniform ERP system or also the worldwide introduction of a uniform standard for project management. In addition to these, there are also strategic initiatives such as the development and further refinement of sales activities across the divisions. At the same time, a clear goal is the reduction of costs for sales and administrative functions to a competitive level.

The number of tasks as well as their interconnected dependencies lead to considerable complexity in their implementation. Errors in implementation, delays or unplanned additional costs as part of the implementation can occur as a result of concurrent time and cost pressure. Furthermore, individual employees and managers may become overloaded due to their involvement in various projects and activities, which can lead to them leaving the company or to an insufficient focus on daily business activities.

Bilfinger estimates the risk of overloading the organization as limited in effect, but its likelihood as probable by comparison. In order to counter this risk, Bilfinger relies on a professional project and program management, effective coordination with the local units regarding the timing of roll-out activities and, where necessary, the involvement of additional temporary resources. Reserves have also been provided to the budgets of major projects in order to finance any additional resources necessary.

Changes in local legal requirements

Bilfinger is active in many different countries worldwide. The local requirements of each need to be met in their various forms, though regulatory requirements in particular are subject to constant change.

Here, with respect to the business model of Bilfinger, particular relevance is placed on changes in requirements regarding the localization, meaning increasing requirements on the employment of local workers in markets like the Middle East or South Africa. The regulations have been tightened in recent years and it has been an increasing struggle to find local talent. This may lead to key positions in local units only being filled with significant effort and at less attractive conditions than planned. This can also result in higher fluctuation, as employees are recruited by other employers with inflated offers. This increased fluctuation risk then leads to additional training costs in order to increase the productivity of newly hired employees to the level of those who left.

There are also general political and social risks in each region that can significantly influence operating activities, for example, the situation with regard to businesses in Iran and with Iranian companies.

In addition to risks with regard to localization, there may also be problems in the proper implementation of new requirements, primarily arising from smaller units as a result of potential fundamental changes in local conditions, such as the initial introduction of taxes in the Middle East.

In total, the risks for Bilfinger from changing local legal requirements are limited to markets with strong dynamics, but where current business activity is still manageable. As a result, Bilfinger calculates the effect of the risks as limited, with a not insignificant probability of occurrence In order to address the risks, Bilfinger strengthened its regional presence and local management. Local requirements are complied with continuously and accompanied by relevant projects. At the same time, local units and the Bilfinger Group coordinate closely among themselves when filling positions, implementing necessary personnel and compliance processes, financially securing customer defaults or when implementing necessary legal frameworks and structures. Bilfinger also significantly increased its activities in export controls for 2017.

B.3.2.2 Operational risks

Risks from projects and framework agreements

When planning and executing projects, significant calculation and execution risks exist which are often larger than in the service business due to the project volumes and higher degree of technical complexity. Risks from the project business therefore primarily relate to the Engineering & Technologies business segment.

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

Bilfinger takes responsibility for the engineering, procurement and construction (EPC) in a number of project orders. Plant construction projects carried out as part of EPC/turnkey fixed price contracts are often complex, require substantial purchasing volumes and a qualified project management. Such project contracts are typically concluded with the obligation to provide turnkey construction of the plant or plant components. A key risk lies in the fact that the calculated prices are inadequate for the contractual performance for diverse reasons (e.g. construction site conditions, delays due to weather conditions, mistakes by subcontractors) and that further claims cannot be obtained from the customer. This can result in a decreased profit margin and in some cases can lead to significant losses from the contract.

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

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

As regards a particularly relevant project risk, reference is made to the construction of a methanol plant in the United States which led to significant project write-downs and losses in 2017. The construction schedule was already interrupted at an early stage in the project due to missing preliminary work on the side of the customer. This led to significant inefficiencies and delays in its construction. Supplemental to the substantial cost increases resulting from this were additional costs stemming from Hurricane Harvey. Furthermore, design and quality problems resulted in significant supplementary claims. Negotiations with the customer concerning the payment of outstanding claims were concluded in the fourth quarter of 2017. In total, the adjusted project loss at the end of 2017 was approximately €50 million. As of the balance sheet date, the percentage of completion for the project was at 87 percent. The work there is scheduled for completion in spring 2018.

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

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

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

Lack of adequate personnel

The strategic repositioning of Bilfinger and the necessary optimization of the organizational structures are of course associated with uncertainty for employees. The organizational and strategic repositioning, however, have again led to an increase in employees' confidence in the company. There is, however, a continued risk that qualified staff will leave the company and potential new employees will be reluctant to move to Bilfinger. Because the company is reliant on technically qualified and motivated employees in many areas in order to meet the requirements of its customers, this could have a negative impact on customer satisfaction. If this affects the regular business and order acquisition, negative effects on the net assets and financial position are possible.

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

We counter attempts by competitors to recruit our employees with attractive wage and salary structures and a targeted identification of personal development prospects. Overall, we counter human resources risks that could arise from a lack of young talent, fluctuation, a lack of qualifications, limited motivation or an aging of the workforce with a broad range of measures that are described in chapter *B.2.6.5 Employee development and employer attractiveness*.

Insufficient speed for achieving required operational excellence

The achievement of our medium-term margin goals requires a substantial increase in productivity in both the direct and indirect functions. At the same time, we face an ongoing high level of pressure in the market and in our margins, with customers demanding that we pass on cost reductions to them. Steady increases in inflation also cannot be readily carried over to the customer in full. Newly accepted framework agreements in the Maintenance, Modifications & Operations business segment are less profitable due to set-up costs and the initial training necessary for a specific plant in the start phase.

In light of the required productivity increases, Bilfinger views the risk's effect as relevant, with a likelihood in the area of possible.

The situation requires the cost basis to be managed consistently and a questioning of the status quo at regular intervals. In so doing, productivity management is the task of all those with operational responsibilities. Parallel to this, the BTOP productivity management system was introduced in 2017 and its roll-out has been completed for the most part. It is targeted towards deriving productivity improvements needed each year for the achievement of financial goals and to support these improvements with ongoing measures. This includes consistent monitoring of the measures taken using fulfillment rates on a monthly basis and their concrete effect on the consolidated income statement.

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

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

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

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

Details of HSEQ management at Bilfinger can be found in chapters *2.6.2 Occupational safety* as well as *2.6.4 Customer satisfaction and quality*.

B.3.2.3 Financial risks

Inadequate focus on working capital / cash management

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

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

In total, the effect of this risk can be classified currently as limited because refinancing costs are very low at the moment due to the financing and interest rate situation.

The mitigation measures focus on a consistent local management of receivables and liabilities, which is formalized in the Group policy on the minimum standards in working capital management, to which all employees are bound. This extends comprehensively to the order to cash (OtC) and purchase to pay (PtP) processes. The Executive Board placed greater significance on working capital management in 2017 by strengthening cash flow performance initially in the individual target agreements at all levels. This factor is generally recognized in all management bonuses in the next step. Bilfinger is currently driving forward a comprehensive process and system harmonization which should lead to an enhanced Group-wide exchange of best practice approaches and to better system support in working capital management.

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

An unexpected negative business development may give rise to increased financing needs in the operating units affected. At the same time, this can entail a change in creditworthiness, particularly from rating agencies and banks, which can lead to more difficult and expensive financing or a more difficult and expensive provision of securities and guarantees. External financing can also result in a worsening of the dynamic gearing ratio. Within the scope of the agreed financial covenant, it is ensured that this gearing ratio is met. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. Economically less relevant regions notwithstanding, 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 with consideration of matching maturities. To finance working capital, we have a €300 million pre-approved credit line in place until June 2022. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio net debt / EBITDA. The value as of December 31, 2017 is negative and substantially below the contractually agreed cap due to a net cash position. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and service business with a volume of €1.2 billion 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.

For a presentation of the risks we refer to chapter *C.6 Notes to the consolidated financial statements, Note 28 Risks related to financial instruments, financial risk management and hedging transactions*. You will also find further information in chapter *C.6 Notes to the consolidated financial statements, Note 27 Additional information on financial instruments*.

B.3.2.4 Compliance risks

Litigation and completed legacy projects

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

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

Important ongoing cases include the incident regarding the collapse of the Cologne Municipal Archives in 2009. There are multiple ongoing independent investigations to determine the cause of the collapse and the magnitude of the resulting damages. The cause of the damages as well as the size of the claim have not yet been determined. Bilfinger participates with a share of one third in the joint venture that was commissioned with the construction of an underground rail line in front of the former location of the municipal archives. In 2018, legal proceedings commenced against individual and, in part, former staff of the employer and the joint venture construction company.

There now exists a preliminary assessment of the potential magnitude of the damages to the contents of the archive. For legal reasons amongst others, this assessment is highly controversial. From today’s perspective, we expect that in case of a proportionate availment we would, if necessary, have sufficient insurance coverage. Should risks from this case occur, claims would also be made against the owners of the commissioned joint venture who are jointly and severally liable. Bilfinger, however, assesses the risk of the sole claim in relation to third parties with a simultaneous refusal of a settlement from the partners in an internal relationship from joint liability as relatively low. There are no specific indications that the shareholders of the joint venture will not meet their obligations.

The insurance coverage does not include the costs of rehabilitation that go beyond the original construction costs for the structure, among other things. From today's perspective, sufficient provisions have been taken for any burdens that may arise as a result.

In the United States a suit has been filed against Bilfinger for arbitration proceedings by a customer in connection with a plant project in Texas. The customer is claiming the costs of a replacement measure following termination of the works contract. The volume of the suit is in the mid double-digit million US dollar range. We have filed a counter-suit for payment for our services also in the mid-double digit million U.S. dollar range. A decision from the court of arbitration is expected in 2018.

Additional lawsuits in various courts of the United States relate to the services of an American subsidiary and open compensation claims against the customers. The customer's claim is an amount in the mid double-digit million U.S. dollar range, but here too there are also substantial counter-claims in the mid double-digit million range.

In connection with the concluded sale of former Group units, claims have been asserted against us in two cases. In this regard, claims each of which is in the mid double-digit million euro range are being made.

In Malaysia, we have been sued for damages in the lower double-digit million range in connection with a project that is currently in arbitration hearings. Legal briefs are currently being exchanged between the parties. A decision is not expected before 2019.

For individual projects in Germany, Poland and other countries, clients have made claims for various reasons with a total volume in the double digit million euro range. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays and disagreement related to the technical features of the plants.

A leniency agreement was concluded with the responsible authorities in Brazil in order to settle a corruption case going back to 2008. The leniency agreement stipulates a payment in the low single digit million euro range as well as improvements in the compliance system. the agreement has a term of two years from August 2017. In return, the Brazilian authorities renounced any further prosecution of the incidents.

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

Risks regarding the introduction of an effective compliance system

At Bilfinger, the overall importance of compliance and of specific compliance risks remains high.

With regard to a violation of the US Foreign Corrupt Practices Act (FCPA) in the years prior to 2005, an agreement was reached in 2016 with the US Department of Justice (DoJ) that the Deferred Prosecution Agreement (DPA) in place since 2013 would be extended until the end of 2018. The key aspect of this DPA is the obligation for Bilfinger to introduce an effective compliance system throughout the Group. As part of the extended DPA, the previously appointed Compliance Monitor continues to report regularly to the company and the DoJ on the effectiveness of our compliance measures. Bilfinger supports the Monitor in the fulfillment of his duties.

There is a risk -- especially if new transgressions in connection with the FCPA were to be determined or if the company would not be able to fulfill its obligations under the DPA on time --, that the duration of the DPA, and therefore the monitorship, would have to be extended again or that the suspended proceedings against Bilfinger would come to prosecution. The costs resulting from these proceedings would have a significant impact on the company's net assets and financial position. Adding to this would be a substantial reputational risk.

To counteract these risks, Bilfinger follows a comprehensive Compliance Remediation Program. The program is comprised of thirteen workstreams, the implementation of which should further improve the effectiveness of the Bilfinger Compliance System and consistently close any identified gaps. Progress in this program is presented directly to the Supervisory Board, the Compliance Monitor and the DoJ at regular intervals. In connection with the enhancement and the re-design of our compliance system, we have investedt €12 million in 2017, mainly in the development of our HR compliance processes, our internal control system and third party management as well as in internal compliance investigations.

In general, corruption, antitrust or similar proceedings and accusations against Bilfinger can lead to criminal or civil prosecution as well as fines, sanctions, injunctions, disgorgement of profits, to the exclusion from direct or indirect participation in certain business activities, or to other restrictions. In addition, corruption and antitrust cases or other misconduct could have a detrimental effect on our involvement in business with public-sector customers – up to exclusion from public-sector contracts. Criminal prosecution could also result in the cancellation of some of our existing contracts and third parties, including competitors, could initiate proceedings against us on a large scale.

In order to prevent and mitigate these general compliance risks, Bilfinger has had a comprehensive Compliance Program in place since 2015, introduced and continuously improved upon in the course of the Compliance Remediation Program. The foundation for this Compliance Program is a detailed analysis repeated at regular intervals and an assessment of compliance risk factors in the divisions and companies of the Group. These risk analyses form the basis for a corresponding compliance risk classification and a detailed structure for compliance measures. Details on the Compliance Program areprovided in chapter *B.2.6.3. Compliance*.

Since the end of 2015 and as part of regular internal and external audits, no further systematic compliance violations have been discovered at Bilfinger. Individual and suspected cases do however occur from time to time, which we generally detect ourselves, investigate in detail and, where required, impose strict sanctions.

Details on our allegation management can be found in chapter *B.2.6.3. Compliance*. Where necessary, we cooperate with the authorities. From the current investigations, we have no specific indication of any risks of corporate fines, disgorgement of profits or of specific liability claims against third parties.

B.3.3 General assessment of the risk situation

The evaluation of the overall risk is the result of a consolidated consideration of all significant individual risks. Bilfinger expects that the general risk situation of the Bilfinger Group improved slightly as compared with the previous year. The risk management system has been fundamentally revised and new processes for project selection and for productivity management have been rolled out, and, with the introduction of the new, regional organization that has now taken effect, the company is moving forward in its implementation of a target compliance culture. At the same time, volatility in the environment remains high and Bilfinger's financial goals for 2020 should be regarded as ambitious. Once again, the 2017 financial year also showed that the risks from project activities can be significant.

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

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

B.3.4 Opportunity management

B.3.4.1 Principles, identification, evaluation and control

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

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

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

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

B.3.5 Significant opportunities

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

1 Advantageous market developments
2 Effective project and contract execution
3 Positive outcomes in pending legal cases
4 Optimization of personnel availability and costs
5 Digitalization and business development
6 Value development in Apleona shares
8 Compliance and safety culture as a positive differentiation feature
9 Successful selling of companies
10 Accelerated implementation of productivity measures

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

B.3.5.1 Strategic opportunities

Advantageous market developments

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

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

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

Successful selling of companies

Operating units that are active outside the defined business segments, regions or industries are allocated to the Other Operations segment. These units are not part of the strategic positioning of the Group. The majority of the loss-making units in this segment were already sold in financial year 2017; those remaining are about to be sold or have been closed. Units with a positive earnings contribution are initially developed independently for value until a suitable owner is found.

In the case of the selling of these companies or for other strategic considerations, cash inflows can have an additional positive effect on the liquidity of the Group and can be put to use for the expansion of growth areas. If it should come to a sale with proceeds below the current carrying amounts, this would be associated with a corresponding disposal loss.

B.3.5.2 Operational opportunities

Effective project and contract execution

Supplementary earnings opportunities are present in the effective management of project execution and the identification of additional potential contracts resulting from this. The realization of these potentials relies on the excellent application of project management processes and instruments, which are also used in the mitigation of project risks. This also requires a profound understanding of the underlying contracts in each case. Bilfinger therefore utilizes professional project managers with comprehensive experience and training.

Optimization of personnel availability and costs

A positive deviation from the underlying planning on the availability of cost-efficient personnel resources presents an opportunity for Bilfinger. In particular, the possibilities here are in a more effective integration of qualified suppliers and subcontractors as well as in a moderate development of labor and incidental wage costs in our focus regions. There are also additional modern methods for personnel deployment as part of a better process and system landscape, among other things, with regard to an even more effective administration of necessary training.

Digitalization and business development

The digitalization of processes in our customer industries is being driven forward with a high degree of commitment under the keyword *Industry 4.0*. We consider ourselves to be a comprehensive service provider for the process industry in the development of new digital solutions, and view ourselves as a link between industrial companies and pure IT providers. We want to actively shape the transformation and, among other things, to contribute to enabling digitally networked production, even for medium-sized companies. To this end, in 2017 we installed a competence centre and in future will undertake targeted investments in this area (see chapter *B.2.6.6 Innovations*). An acceleration of market development beyond our underlying planning can, along with an additional boost in growth, also lead to a business that can more easily scale and thus to the use of economies of scale. Both can have a significant, positive impact on the financial position of Bilfinger.

Accelerated implementation of productivity measures

The achievement of our medium-term margin goals requires a substantial increase in productivity in all areas of the Group. We expect the implemented improvement measures to take effect at a later timeframe in the planning period. If the measures can be implemented more quickly or effectively, this would generate additional finance and earnings potentials for Bilfinger.

B.3.5.3 Financial opportunities

Value development of Apleona

The selling price for the Bilfinger Building, Facility Services and Real Estate divisions sold in 2016 included non-cash components that are to be paid when new owner EQT resells the company, at the latest. Bilfinger will therefore be entitled to 49 percent of the resale proceeds from EQT for Apleona in its current state, and will thus continue to participate in a proportionate amount in the development of the business. If its value should develop better than currently expected, at the time of a resale there is an opportunity of positive effects on Bilfinger's results of operations, net assets and financial position.

Realization of tax-loss carryforwards

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

B.3.5.4 Compliance opportunities

Compliance and safety culture as a positive differentiation feature

Our customers place a greater focus on compliance and HSEQ performance when choosing their partners. In light of the optimization of our integrity and HSEQ culture described in chapter *B.2.6.3 Compliance*, Bilfinger rigorously meets these requirements and can gain an important positive differentiation feature in the competitive environment. This is proven by the contracts awarded to Bilfinger in 2017, for which the compliance system was an important factor in the customer's decision. This trend presents us with new opportunities for additional growth and earnings potentials.

Positive outcomes for pending legal cases

Bilfinger's business activities occasionally lead to disputes with customers concerning the appropriateness of certain requirements. Bilfinger has reflected the current expectations through relevant balance-sheet provisions. Should the processes end more favorably than currently expected, this would, in some instances, provide significant potentials for our net assets and financial position. We see opportunities here, particularly for our project business, which is bundled in the Engineering & Technologies segment.

At its meeting on February 20, 2018, the Supervisory Board of Bilfinger SE resolved to assert claims for damages against former members of the company's Executive Board. This relates to all former members of the Executive Board in office from 2006 to 2015 but who joined the Executive Board prior to 2015.

The Supervisory Board took this decision on the basis of the findings from the investigation it initiated in March 2016. The former members of the Executive Board are accused of breach of duty in the implementation of an orderly compliance management system. In the view of the Supervisory Board, some former members of the Executive Board also breached their duties in connection with M&A projects in the past.

According to the current provisional calculation, the amount of damages recoverable by Bilfinger as a result of these breaches is in the low triple-digit million euro range. In what exact amount damage claims exist and to what extent these can actually be asserted has not yet been determined. If claims can be asserted, this would have a positive effect on the net assets and financial position.

B.3.6 General assessment of the opportunities situation

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

As compared to the previous year, the opportunities situation for Bilfinger has improved to the effect that opportunity management has been accorded more significance along with the new Risk management system. Furthermore, a range of measures for the realization of opportunities have been initiated, for example, the implementation of the productivity management system BTOP. At the same time, a significant opportunity potential was realized with the conclusion of the legal case relating to the Doha Expressway in Qatar and the cash inflow that followed it over the course of the 2017 financial year.

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

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

Accounting process

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

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

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

Internal control and risk management system

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

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

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

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

- The IT systems used in accounting are protected from unauthorized access through appropriate security measures.
- Uniform accounting is defined in Group-wide guidelines, which are regularly updated.
- Accounting data is randomly reviewed on a regular basis for completeness and accuracy. Programmed plausibility audits are carried out by software that is designed for that purpose.
- Appropriate controls have been implemented for all accounting relevant processes (including the dual control principle, functional separation and analytical audits). They are also reviewed regularly by Corporate Internal Audit & Controls.
- On the basis of the reports received from the external auditors and from Corporate Internal Audit & Controls, the Supervisory Board, through its Audit Committee, reviews the functionality of the internal control and risk-management system as relates to the accounting process.

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

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

Within the scope of the internal control and risk management system with regard to the accounting and consolidation process, Bilfinger has taken the measures described above for the identification and evaluation of risks that could counter the objective of conformity with standards in the consolidated financial statements and the combined management report (especially inaccuracies, violations of standards and requirements, manipulation, data collection and security, elimination of existing internal controls, inaccurate assessments of situations, inappropriate exercise of organization and assessment latitude as well as inaccurate estimates and evaluations). These relate primarily to systematic and manual coordination processes at Group, divisional and company level.

To limit the identified risks that exist with regard to the Group accounting processes, Bilfinger, within the scope of the internal control and risk management system with regard to the accounting and consolidation process, Bilfinger has taken the measures described above, primarily the establishment of the internal control system, the requirement of a conceptual framework and the establishment of quality assuring control and monitoring mechanisms.

B.4 Outlook

B.4.1 Economic development

Engineering & Technologies

For the market for outsourced industrial services in Germany, in addition to the ongoing reductions in investments in conventional power plants, substantial price pressure and increasing shortage of skilled workers remain the key challenges (Lün). Chemical and petrochemical industries should further expand their role as the dominant customer industry, not least because the power plant business in Continental Europe and, mainly, in Germany continues to lose importance.

In Poland, Hungary and the Czech Republic, the process industry's ability to invest remains strongly dependent on EU financed infrastructure investments. These are temporarily secured until the end of the current EU finance framework in 2020. Noticeable capping of the transfers to Poland or Hungary that are being discussed in the context of the political conflict between the EU and the governments of Poland and Hungary would negatively impact the market.

In the oil and gas industry in Norway, there are indications that a corner is being turned after years characterized by cost reduction programs, job cuts and reductions in the investment budgets. According to estimates from the Norwegian government, investments in the Norwegian shelf in 2018 of around USD 15 billion will remain stable as compared to the prior year and could increase by 15 percent in 2019. This will be associated with personnel increases after the sector had lost nearly 50,000 jobs since 2014. By 2023, a further increase in oil and gas production is expected which may reach the record levels of 2004 (NPD).

For the oil and gas industry in the United Kingdom, the recovery in the price of oil and gas has led to renewed growth in confidence in the industry. In the short term, production in the British North Sea will also benefit from ongoing production at the kinds of projects for which development has started by 2014. In the medium term, the drastic drop in exploration and evaluation activities after 2014 is seen as a danger for production potential. This is in addition to the fact that parts of the infrastructure in the important British production fields are increasingly viewed as outdated, which in the future – as was recently the case with the breakdown of the Forties Pipeline in December – can be reflected in harmful drops in production (S&P).

If the stabilization of the oil price continues, then the prospects of an increase in investments in the British oil and gas industry are good – especially with a view to the now unmistakable investment backlog. Industry experts calculate the investment plans of the industry for the coming years at a magnitude of about GBP 40 billion. Of that amount, about two thirds are accounted for by the modernization of existing production fields and one third by new developments.

The British chemicals industry expects that in 2018, despite uncertainties from the Brexit, its sales and exports will again be able to increase moderately. However, investments in new plants have been clearly dampened since 2017 as a result of the uncertain access to the EU domestic market, this investment hesitation is likely to continue in 2018 (Protel).

The government of the United Kingdom has committed to new investments in nuclear power and confirmed construction of the first new nuclear power plant in a generation, Hinkley Point C. Others are expected to follow this reference project for new British nuclear power plants. Over the course of the next 20 years, investments in the magnitude of GBP 60 billion are expected for new atomic power plants (WTW). Globally, the capacities for the nuclear-based generation of electricity will increase at an annual rate of 1.6 percent until the year 2040, according to a forecast from the American Energy Information Administration (EIA nuclear).

Brexit and the uncertain prospects for the future integration of the United Kingdom in the European single market present a risk for the industrial location. This risk, however, is limited in the area of oil and gas production because these raw materials are not subject to duties in international trade. Should there be a too strong burden on British exports, this could, however, impact processed products and then damage the British refinery and chemicals location. Further risks result form the higher bureaucracy costs of a new customs regime and a potential tightening of immigration rules because the British oil and gas location depends to no small extent on qualified EU personnel. It is to be expected, however, that the already relatively moderate tax burden on oil and gas production could make the location even more attractive in an international comparison.

In the USA at the end of the year there was an agreement on a tax reform which is expected to generate positive investment incentives as a result of the lowering of corporate taxes. This will further increase the willingness on the part of industry to expand investments in new plants throughout the process industry.

Maintenance, Modifications & Operations

Digitalization is providing demand in the maintenance area new impetus. The expansion of sensors and digital diagnostics results in an increasing number of new possibilities for predictive maintenance that are more plannable and that reduce downtimes. Currently, the share of diagnosis and inspection services in relation to total revenue is increasing and favoring predictive maintenance (Lün). The importance of consulting is also growing: Industrial services providers are increasingly acting as consultants for new maintenance concepts (Lün).

For the industry in Germany, further cuts in maintenance budgets in the energy and electricity producing sectors are to be expected. On the other hand, the importance of the chemical and petrochemical industries should continue to grow. The prospects of the energy industry in Eastern European EU states with their considerable more careful reversal in energy production are significantly more stable than in Germany.

Demand in the Gulf states should continue to recover if the stabilization of the price of oil proves lasting.

For the United Kingdom, against the backdrop of the Brexit, a near-term end to uncertainty in with regard to the country’s further integration in the European single market is not anticipated.

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B.4.2. Assumptions

We are subject to currency translation effects, primarily with regard to the US dollar, British pound, Norwegian krone and South African rand. Planning is based on the assumption that the exchange rates will be within the range of the average level of 2017.

In our forecast we anticipate a sustainable stabilization of the price of oil at a level of USD 60 to 70/bbl, which is not likely to have a positive effect on the maintenance budgets of our oil and gas customers before the second half of the year. Nevertheless, due to the market weaknesses of recent years, we still tentatively expect intensive competition. This applies to all areas of the market within the production chain, even at a local level we see few differences.

In addition to possible impacts on the currency development and overall economic demand, the Brexit does not have any significant specific risks for our business because value creation in the United Kingdom takes place nearly entirely within the country itself.

B.4.3 Expected business development in 2018

OUTLOOK 2018	Initial situation Financial year 2017	Outlook Financial year 2018
Revenue	€4,044 million	organically stable to slightly growing
Adjusted EBITA	€3 million	significant increase to mid to high double-digit million euro range

Revenue As explained in chapter *B.1.4.1 Growth*, from January 1, 2018, we will no longer manage and report on the basis of output volume, but rather on the basis of revenue. After Group revenue in the reporting year of €4,044 million developed better than expected, for 2018 we anticipate organically stable to slightly growing revenue as a result of the now higher base level.

In the Engineering & Technologies segment, despite the low order backlog, we expect a stabilization of revenue on the condition that there are increasing orders received in the course of the year. In the Maintenance, Modifications & Operations segment, we expect revenue at the level of the prior year or slightly growing. At Other Operations, also considering the sale of further companies, a declining development is anticipated.

From financial year 2018, orders received for the Group will be calculated on the basis of revenue (reporting year: €4,079 million). Here we expect an organic increase in the mid single digit percentage range. As of December 31, 2017, order backlog was €2,530 million. We expect that most of this amount will translate into revenue in 2018.

EBITA / adjusted EBITA For adjusted EBITA (reporting year: €3 million), we expect a significant increase to a figure in the mid to higher double-digit million euro range. Included in this figure is an increase in expenses by about €20 million for intensified activities in business development, particularly for the further development and market launch of the digitalization offerings. These activities will also contribute to an acceleration of growth in the coming years.

The basis for the significantly higher Group EBITA is a substantial improvement in the Engineering & Technologies segment. Following a loss in the reporting year due to individual legacy projects, we expect a positive result here. In addition, in the Maintenance, Modifications & Operations segment, we expect a slight improvement in adjusted EBITA. Adjusted EBITA at Other Operations is expected to improve significantly as compared to the previous year, not least as a result of the sale of loss-making units.

Significant special items in 2018 From today's perspective, we expect special items on EBITA from expenses for restructuring and efficiency enhancements in administration, investments in IT systems for the standardization of the system landscape and expenses in connection with the further development of our compliance system totaling about €50 million. Further, the reported net profit will likely be burdened by the non-capitalization of deferred tax assets on the negative result of the holding company.

Adjusted net profit Net profit will improve significantly as compared to the figure from the previous year, but will remain negative as a result of special items. For adjusted net profit, however, we expect a significant improvement to a positive value (reporting year: -€9 million).

Return on capital employed In 2018, we expect a significantly improved return on capital employed after taxes – though it will remain negative as a result of special items.

Dividend policy We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group's success. Despite the negative adjusted net profit and with a view to the sound balance sheet as well as the planned positive corporate development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of a dividend for financial year 2017 of €1.00 per share. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets a pay out to shareholders of between 40 and 60 percent of adjusted net profit, depending on foreseeable medium term development of the company.

Share buyback On September 6, 2017, we started the buyback of own shares that was announced on February 14, 2017, the program will be concluded in December 2018 at the latest. During this time, Bilfinger will buy back a maximum of 10 percent of the share capital at a purchase price of up to €150 million.

The share buyback will take place in accordance with the authorization granted by the Annual General Meeting on May 24, 2017, which also specifies the options for the possible use of the shares acquired. The buyback will be carried out through the stock exchange (XETRA) by an independent financial service provider in accordance with applicable EU regulations. We regularly report on the progress of the share buyback program on our website at www.bilfinger.com.

Free cash flow In 2018, free cash flow will improve significantly as compared to the reporting year (-€181 million) but will again be negative. Under the elimination of special items, however, we expect to break-even in adjusted free cash flow (reporting year: -€69 million).

Capital expenditure on property, plant and equipment We expect capital expenditure on property, plant and equipment in 2018 to again be at the level of the prior year (€71 million). At a share of approximately 2 percent of our revenue, this is at the upper end of the sustainable level of between 1.5 and 2 percent.

Financing We have a syndicated cash credit line of €300 million available which is due in 2022. We expect that the limit defined in the loan agreement for the covenant (dynamic gearing ratio = adjusted net debt / adjusted EBITDA) will be maintained.

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

In financial year 2018, we anticipate organic growth in orders received in the mid single-digit percentage range. In terms of revenue, we expect an organically stable to slightly growing development. At the same time, we anticipate a significant improvement in earnings. Return on capital employed and free cash flow will improve significantly, too, though in 2018 both figures will again be negative due to special items.

Following the stabilization successes in 2017, we are now increasingly concentrating on our business development and digitalization activities as a foundation for accelerated growth in the future. We will also forge ahead with the programs to reduce fragmentation in the Group and thus further increase efficiency. Not least, the newly created project management processes that have been standardized throughout the Group form the basis for increased bidding activities, also in the US-American units which have recently taken a very selective approach.

B.5 Takeover relevant information 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 €132,627,126 is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share. Each share entitles its holder to one vote at the Annual General Meeting.

Limitations relating to voting rights or the transfer of shares

We are not aware of any limitations to voting rights beyond the legal limitations – such as in accordance with Sections 136 and 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 Thursday, March 9, 2017 that its shareholding in Bilfinger was 29.53 percent of the voting rights. In accordance with Section 22 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 and Cevian Capital Partners Limited with 25.53 percent of the voting rights and Cevian Capital II Co-Investment Fund LP with 3.99 percent of the voting rights.

Shares with special rights

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

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

Within the scope of the employee share program, there are employee shareholdings from current and former employees who do not exercise their control rights directly, but have transferred these to a shareholder association that represents their interests. The proxies can be revoked at any time. On the balance sheet date, a total of 10,172 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 has a casting vote.

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

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

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 these, a total of 59,517 shares were issued during financial years 2013, 2014 and 2015 as part of employee stock ownership plans and another 9,298 were issued for the same purpose during financial year 2016. Afterwards, the company held 1,815,085 treasury shares; this corresponded to 3.94 percent of the voting rights at that time. These 1,815,085 treasury shares were canceled as of March 9, 2017.

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

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

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

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

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

On September 6, 2017, the company started a program to buy back its own shares. The program will be completed between September 2018 at the earliest and December 2018 at the latest. During this time, Bilfinger will buy back a maximum of ten percent of the share capital at a purchase price of up to €150 million. The buyback will be carried out through the stock exchange (XETRA) by an independent financial service provider in accordance with applicable EU regulations. We regularly report on the progress of the share buyback program on our website at www.bilfinger.com.

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 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

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

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

Agreements related to a change of control

In the case of a change of control resulting from an offer to take over Bilfinger SE, as is common business practice, termination possibilities exist for the providers of credit for our syndicated cash credit lines of €300 million, for the bilateral credit lines of €1,200 million, and for 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 chapter *A.4.2 Remuneration report*.

B.6 Executive Board remuneration

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

C. Consolidated financial statements

C.1 Consolidated income statement

€ million

	Notes	2017	2016
Revenue	(6)	4,044.2	4,248.6
Cost of sales		-3,708.8	-3,853.4
Gross profit		**335.4**	**395.2**
Selling and administrative expense		-394.8	-480.8
Other operating income	(7)	36.9	40.1
Other operating expense	(8)	-117.9	-191.4
Income from investments accounted for using the equity method		14.3	6.1
Earnings before interest and taxes (EBIT)		**-126.1**	**-230.8**
Interest income	(11)	14.3	9.5
Interest expense	(11)	-23.8	-28.8
Other financial result	(11)	-2.3	-2.8
Earnings before taxes		**-137.9**	**-252.9**
Income tax income / expense	(12)	-2.5	-25.9
Earnings after taxes from continuing operations		**-140.4**	**-278.8**
Earnings after taxes from discontinued operations	(5.1)	**54.5**	**551.0**
Earnings after taxes		-85.9	272.2
thereof attributable to minority interest		2.6	1.6
Net profit		**-88.5**	**270.6**
Average number of shares (in thousands)	(13)	43,975	44,204
Earnings per share* (in €)	(13)	-2.01	6.13
thereof from continuing operations		-3.25	-6.33
thereof from discontinued operations		1.24	12.46

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

C.2 Consolidated statement of comprehensive income

€ million	2017	2016
Earnings after taxes	-85.9	272.2
Items that will not be reclassified to the income statement		
Gains / losses from remeasurement of net defined benefit liability (asset)		
Unrealized gains / losses	0.9	-99.2
Income taxes on unrealized gains / losses	-26.4	30.8
	-25.5	-68.4
Items that may subsequently be reclassified to the income statement		
Gains / losses on fair-value measurement of securities		
Unrealized gains / losses	12.6	-13.8
Reclassifications to the income statement	1.4	15.0
Income taxes on unrealized gains / losses	-0.2	0.0
	13.8	1.2
Gains / losses on hedging instruments		
Unrealized gains / losses	0.0	-1.6
Reclassifications to the income statement	0.1	2.3
Income taxes on unrealized gains / losses	0.0	0.1
	0.1	0.8
Currency translation differences		
Unrealized gains / losses	-51.8	-19.5
Reclassifications to the income statement	2.5	0.9
Income tax on unrealized gains / losses	-10.2	0.0
	-59.5	-18.6

Consolidated statement of comprehensive income, continued >

< Consolidated statement of comprehensive income, begin

€ million

	2017	2016
Gains / losses on investments accounted for using the equity method		
Gains / losses on hedging instruments		
Unrealized gains / losses	0.0	0.0
Reclassifications to the income statement	0.0	1.4
	0.0	1.4
Currency translation differences		
Unrealized gains / losses	0.0	0.0
Reclassifications to the income statement	0.0	0.0
	0.0	0.0
	0.0	1.4
	-45.6	-15.2
Other comprehensive income after taxes	**-71.1**	**-83.6**
Total comprehensive income after taxes	**-157.0**	**188.6**
attributable to shareholders of Bilfinger SE	-161.1	189.6
Minority interest	4.1	-1.0

See also further explanations on the components of other comprehensive income in section 21 of the Notes to the consolidated financial statements.

C.3 Consolidated balance sheet

€ million

		Notes	Dec. 31, 2017	Dec. 31, 2016
Assets	**Non-current assets**			
	Intangible assets	(14)	803.5	848.8
	Property, plant and equipment	(15)	367.0	382.7
	Investments accounted for using the equity method	(16)	22.4	10.3
	Other assets	(17)	364.0	326.8
	Deferred taxes	(12)	86.1	121.1
			1,643.0	1,689.7
	Current assets			
	Inventories	(18)	82.3	57.3
	Receivables and other financial assets	(19)	1,031.1	1,061.6
	Current tax assets		29.6	27.4
	Other assets	(20)	54.9	69.5
	Marketable securities		149.8	0.0
	Cash and cash equivalents		617.1	1,032.2
	Assets classified as held for sale	(5.2)	12.5	81.2
			1,977.3	2,329.2
			3,620.3	4,018.9

Consolidated balance sheet, continued >

< Consolidated balance sheet, begin

€ million

		Notes	Dec. 31, 2017	Dec. 31, 2016
Equity & liabilities	**Equity**	(21)		
	Share capital		132.6	138.1
	Capital reserve		764.6	762.2
	Retained and distributable earnings		532.1	780.8
	Other reserves		17.2	64.4
	Treasury shares		-38.7	-96.3
	Equity attributable to shareholders of Bilfinger SE		1,407.8	1,649.2
	Attributable to minority interest		-24.7	-28.3
			1,383.1	**1,620.9**
	Non-current liabilities			
	Provisions for pensions and similar obligations	(22)	293.2	304.4
	Other provisions	(23)	26.7	28.7
	Financial debt	(24)	509.0	509.8
	Other liabilities	(26)	0.0	0.0
	Deferred taxes	(12)	44.7	54.7
			873.6	**897.6**
	Current liabilities			
	Current tax liabilities	(23)	34.1	38.6
	Other provisions	(23)	442.0	489.7
	Financial debt	(24)	2.3	11.5
	Trade and other payables	(25)	639.8	681.5
	Other liabilities	(26)	219.3	210.9
	Liabilities classified as held for sale	(5.2)	26.1	68.2
			1,363.6	**1,500.4**
			3,620.3	4,018.9

C.4 Consolidated statement of changes in equity

€ million

	Equity attributable to the shareholders of Bilfinger SE								Attributable to minority interest	Equity
				Other reserves						
	Share capital	Other reserves	Retained and distributable	Fair valuation of currencies reserve	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2016	138.1	759.8	578.7	0.0	-2.3	79.2	-96.8	1,456.7	-39.3	**1,417.4**
Earnings after taxes	0.0	0.0	270.6	0.0	0.0	0.0	0.0	270.6	1.6	272.2
Other comprehensive income after taxes	0.0	0.0	-68.5	1.2	2.2	-15.9	0.0	-81.0	-2.6	-83.6
Total comprehensive income after taxes	0.0	0.0	202.1	1.2	2.2	-15.9	0.0	189.6	-1.0	**188.6**
Dividends paid out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.9	-3.9
Share-based payments	0.0	2.4	-0.1	0.0	0.0	0.0	0.5	2.8	0.0	2.8
Changes in ownership interest without change in control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	15.9	16.0
Balance at December 31, 2016	138.1	762.2	780.8	1.2	-0.1	63.3	-96.3	1,649.2	-28.3	**1,620.9**

Consolidated statement of changes in equity, continued >

< Consolidated statement of changes in equity, begin

€ million

	Equity attributable to the shareholders of Bilfinger SE								Attributable to minority interest	Equity
				Other reserves						
	Share capital	Other reserves	Retained and distributable	Fair valuation of currencies reserve	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2017	**138.1**	**762.2**	**780.8**	**1.2**	**-0.1**	**63.3**	**-96.3**	**1,649.2**	**-28.3**	**1,620.9**
Earnings after taxes	0.0	0.0	-88.5	0.0	0.0	0.0	0.0	-88.5	2.6	-85.9
Other comprehensive income after taxes	0.0	0.0	-25.4	13.8	0.1	-61.1	0.0	-72.6	1.5	-71.1
Total comprehensive income after taxes	**0.0**	**0.0**	**-113.9**	**13.8**	**0.1**	**-61.1**	**0.0**	**-161.1**	**4.1**	**-157.0**
Dividends paid out	0.0	0.0	-44.2	0.0	0.0	0.0	0.0	-44.2	-0.5	-44.7
Share-based payments	0.0	2.4	0.5	0.0	0.0	0.0	0.0	2.9	0.0	2.9
Changes in ownership interest without change in control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cancellation of treasury shares	-5.5	0.0	-90.8	0.0	0.0	0.0	96.3	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	-38.7	-38.7	0.0	-38.7
Other changes	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	-0.3	0.0	-0.3
Balance at December 31, 2017	**132.6**	**764.6**	**532.1**	**15.0**	**0.0**	**2.2**	**-38.7**	**1,407.8**	**-24.7**	**1,383.1**

C.5 Consolidated statement of cash flows

€ million	2017	2016
Earnings before taxes from continuing operations	-137.9	-252.9
Interest and other financial income / expense	11.8	22.1
Amortization of intangible assets from acquisitions	7.8	10.1
EBITA	-118.3	-220.7
Depreciation of property, plant and equipment and amortization of intangible assets (except from acquisitions)	72.1	98.6
Other impairments	23.9	37.4
Gains / losses on disposals of non-current assets	15.6	43.0
Income from investments accounted for using the equity method	-12.4	-7.7
Dividends received	4.5	8.7
Interest received	4.0	9.5
Income tax payments	-23.1	-27.0
Change in advance payments received	-39.3	-10.4
Change in trade receivables	-7.1	71.0
Change in trade payables and advance payments made	-4.4	-44.0
Change in net trade assets	-50.8	16.6
Change in current provisions	-32.8	-33.0
Change in other current assets (including other inventories) and liabilities	0.3	-124.9
Change in working capital	-83.3	-141.3
Change in non-current assets and liabilities	-2.4	-4.2
Cash flow from operating activities of continuing operations	-119.4	-203.7
Cash flow from operating activities of discontinued operations	36.4	-123.3
Cash flow from operating activities, total	-83.0	-327.0

* Figures adjusted for the 2016 financial year. See Notes, section 31.

Consolidated statement of cash flows, continued >

€ million

	2017	2016
Investments in property, plant and equipment and intangible assets	-70.9	-69.7
Payments received from the disposal of property, plant and equipment and intangible assets	9.0	30.0
Acquisition of subsidiaries net of cash and cash equivalents acquired	-5.1	-0.8
Payments made / proceeds from the disposal of subsidiaries net of cash and cash equivalents disposed of	-18.1	965.5
Payments received from the disposal of / investments in other financial assets	0.3	-0.8
Investments in securities	-149.9	0.0
Cash flow from investing activities of continuing operations	**-234.7**	**924.2**
Cash flow from investing activities of discontinued operations	0.6	-10.5
Cash flow from investing activities, total	**-234.1**	**913.7**
Acquisition of own shares	-38.7	0.0
Dividends paid to the shareholders of Bilfinger SE	-44.2	0.0
Dividends paid to minority interest	-2.4	-2.5
Borrowing	2.1	2.8
Repayment of financial debt	-1.9	-5.9
Interest paid	-19.2	-20.7
Cash flow from financing activities of continuing operations	**-104.3**	**-26.3**
Cash flow from financing activities of discontinued operations	0.0	-2.5
Cash flow from financing activities, total	**-104.3**	**-28.8**
Change in cash and cash equivalents	**-421.4**	**557.9**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	-0.4	1.5
Cash and cash equivalents at January 1	1,032.2	475.1
Cash and cash equivalents classified as assets held for sale at January 1 (+)	7.0	4.7
Cash and cash equivalents classified as assets held for sale at December 31 (-)	0.3	7.0
Cash and cash equivalents at December 31	**617.1**	**1,032.2**

* Figures adjusted for the 2016 financial year. See Notes, section 31.

C.6 Notes to the consolidated financial statements*

1 Segment reporting

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

At the beginning of financial year 2017, the Bilfinger Group was restructured and now consists of the following three business segments: *Engineering & Technologies, Maintenance, Modifications & Operations* and *Other Operations*. Segment reporting, including prior-year figures, has been adjusted accordingly. The reportable *Maintenance, Modifications & Operations* business segment includes the divisions *Continental Europe, Northwest Europe, North America and Middle East*, which are also operating segments. The other two reportable business segments are also divisions and operating segments.

Description of reportable segments:

The Engineering & Technologies business segment bundles activities based on engineering services and technical solutions. The project business is predominant; important drivers are capital expenditures on the part of our customers (CAPEX) in their property, plant and equipment. We meet the requirements of our customers by means of a centrally controlled project management system in an internationally-active division focused on defined industries and engineering disciplines.

The Maintenance, Modifications & Operations business segment includes activities in ongoing maintenance services, modifications and operational management of industrial plants. These activities are dominated by the share of the services business that is based on long-term framework agreements. The main drivers of the business are, in many cases, the budgets of our customers for the ongoing operation of their plants (operational expenditure - OPEX). Because these relate primarily to activities with specific local demand structures, we have organized this business in regions.

* Figures in € million, unless stated otherwise.

The Other Operations business segment includes operating units that are active outside of the business segments, regions or customer groups defined above. These units are not a focus of the new strategic positioning of the Group, but rather are up for sale in the short term or independently managed for value with the goal of a later sale.

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 internal accounting policies. The allocation of external revenue to the regions is carried out according to the location of the service provision.

The reconciliation of segment assets in particular includes cash and cash equivalents as well as the non-current and current assets that are not allocated to the business segments. The segment liabilities shown in the reconciliation include the liabilities of Group headquarters and interest-bearing liabilities such as debt and provisions for pensions and similar obligations. 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 €1.6 million (previous year: €2.0 million). Reconciliation of the total of segment assets or segment liabilities to the total of assets or liabilities results from the carrying amount of the assets classified as *held for sale* or the liabilities classified as *held for sale* which are not included in the segment assets or segment liabilities.

SEGMENT REPORTING BY BUSINESS SEGMENT

€ million

	Engineering & Technologies		Maintenance, Modifications & Operations		Other Operations		Total of segments		Headquarters / Consolidation / Other		Total continuing operations	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Output volume	**1,105.5**	1,237.8	**2,515.2**	2,460.9	**422.3**	623.3	**4,043.0**	4,322.0	**-19.5**	-103.3	**4,023.5**	4,218.7
External revenue	1,106.8	1,238.4	2,496.7	2,408.8	405.0	571.3	4,008.5	4,218.5	35.7	30.1	4,044.2	4,248.6
Internal revenue	11.0	5.7	29.6	50.6	26.1	55.0	66.7	111.3	-66.7	-111.3	0.0	0.0
Total revenue	1,117.8	1,244.1	2,526.3	2,459.4	431.1	626.3	4,075.2	4,329.8	-31.0	-81.2	4,044.2	4,248.6
EBITA adjusted (segment earnings)	**-25.5**	-30.4	**98,0**	120.5	**2.8**	5.0	**75.3**	95.1	**-72.1**	-80.2	**3.2**	14.9
Special items	-18.9	-54.1	-14,7	-5.3	-8.1	-17.5	-41.7	-76.9	-79.8	-158.7	-121.5	-235.6
EBITA (segment earnings)	**-44.4**	-84.5	**83,3**	115.2	**-5.3**	-12.5	**33.6**	18.2	**-151.9**	-238.9	**-118.3**	-220.7
Amortization of intangible assets from acquisitions and goodwill impairment	-6.2	-6.5	-1.0	-1.2	-0.5	-2.0	-7.7	-9.7	-0.1	-0.4	-7.8	-10.1
EBIT (segment earnings)	**-50.6**	-91.0	**82.3**	114.0	**-5.8**	-14.5	**25.9**	8.5	**-152.0**	-239.3	**-126.1**	-230.8
thereof depreciation of property, plant and equipment and amortization of other intangible assets	-9.5	-21.7	-39.7	-40.7	-17.6	-26.0	-66.8	-88.4	-5.3	-10.0	-72.3	-98.4
thereof income from investments accounted for using the equity method	10.7	1.3	3.7	4.2	0.3	0.6	14.7	6.1	-0.4	0.0	14.3	6.1
Segment assets at December 31	**836.2**	865.6	**1,335.7**	1,317.3	**231.6**	311.1	**2,403.5**	2,494.0	**1,216.8**	1,443.7	**3,620.3**	3,937.7
thereof investments in associates and joint ventures accounted for using the equity method	**12.1**	4.9	**3.5**	3.1	**2.2**	2.3	**17.8**	10.3	**4.6**	0.0	**22.4**	10.3
Segment liabilities at December 31	**426.5**	517.4	**582.1**	555.5	**143.9**	189.8	**1,152.5**	1,262.7	**1,084.7**	1,067.1	**2,237.2**	2,329.8
Capital expenditure on P, P & E	**8.7**	14.4	**47.7**	35.8	**10.8**	16.0	**67.2**	66.2	**3.7**	4.4	**70.9**	70.6
Employees at December 31	**8,347**	8,977	**24.253**	23.269	**2,521**	4,140	**35,121**	36,386	**523**	560	**35,644**	36,946

SEGMENT REPORTING BY REGION
€ million

	Germany		Rest of Europe		America		Africa		Asia		Australia		Total continuing operations	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Output volume	969.5	1,004.1	2,147.3	2,221.4	627.3	641.1	129.0	134.5	149.3	217.4	1.1	0.2	4,023.5	4,218.7
External revenue	994.9	1,048.6	2,158.4	2,230.9	611.3	616.7	129.2	134.7	149.3	217.5	1.1	0.2	4,044.2	4,248.6
Non-current assets at December 31	577.3	446.6	326.1	501.5	240.2	265.7	3.7	5.1	23.3	12.6	0.0	0.0	1,170.6	1,231.5

2 General information

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 European SE regulations and the German law on implementing an SE as well as the German SE Employee Involvement Act. The company is registered with the Commercial Register of the Mannheim District Court under HRB 710296 and has its headquarters at Carl-Reiß-Platz 1-5, 68165 Mannheim, Germany.

Bilfinger is an internationally-oriented industrial services company, which offers engineering and other industrial services to customers in the process industry.

The consolidated financial statements of Bilfinger SE for financial year 2017 were released for publication by the Executive Board on March 1, 2018.

The consolidated financial statements of Bilfinger SE have been prepared in accordance with International Financial Reporting Standards (IFRSs), as they are to be applied in the European Union, and the complementary guidelines that are applicable pursuant to Section 315e Subsection 1 of the German Commercial Code (HGB), and are published in the electronic version of the German Federal Gazette ('Bundesanzeiger').

All amounts are shown in millions of euros (€ million), unless otherwise stated.

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, 2017 are:

- IAS 7 *Statement of Cash Flows*
- IAS 12 *Income Taxes*
- *Improvements to IFRSs* 2014-2016 cycle

The effects of these changes are as follows:

IAS 7 *Statement of Cash Flows*
The amendments to IAS 7 are part of the disclosure initiative of the IASB and concern the extension of the disclosures required in the notes to the consolidated financial statements on changes to financial liabilities included in cash flow from financing activities. The application of the amended standard led to an extension of the required disclosures.

IAS 12 *Income Taxes*
The amendments to IAS 12 clarify that write-downs of debt instruments measured at fair value which are the result of changes in the market interest rates and lead to a lower market value give rise to deductible temporary differences. Furthermore, the IASB clarifies that the entirety of deductible temporary differences must principally be assessed in order to determine whether sufficient future taxable profit will be generated to utilize against the temporary differences, and gives details on the determination of future taxable income. The changes have not led to any significant effects on the consolidated financial statements.

Improvements to IFRSs 2014-2016 cycle
The improvements in the collective standards published in the context of the Annual Improvements Process include improvements to several IFRSs (IAS 28, IFRS 1 and IFRS 12), mainly to remove inconsistencies and to clarify wording. The changes have not led to any effects on the consolidated financial statements.

IFRSs already published but not yet applied:

IFRS 2 *Share-based Payment*

The changes to IFRS 2 include the following clarifications: While the determination of fair value for cash-settled share-based remuneration has not been clearly regulated in the past, in future the measurement is to be carried out in accordance with the measurement requirements for share-based remuneration with settlement through equity instruments. A further clarification concerns the classification of share-based remuneration while withholding tax. Following the changes, share-based remuneration is to be considered as remuneration with settlement in equity instruments, insofar as this classification would have been approved for application without a net settlement clause. As a third clarification, the changes to IFRS 2 include specifications for the accounting of share-based remuneration with cash settlement, which are to be reclassified as shared-based remuneration with settlement in equity instruments as a result of modifications (initial application for annual periods beginning on or after January 1, 2018).

IFRS 4 *Insurance Contracts*

The amendments to IFRS 4 offer the possibility of mitigating certain accounting consequences such as temporary volatilities arising from the application of IFRS 9 using the so-called overlay approach until the new IFRS 17 standard takes effect (initial application for annual periods beginning on or after January 1, 2018).

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 new guidance regarding hedge accounting and the impairment of financial assets. The significant effects of the application of IFRS 9 result from the new impairment model on the basis of expected credit losses, mainly with regard to receivables, as well as the future measurement of investments in equity instruments through profit or loss which are currently classified as available for sale and for which the irrevocable election of presenting subsequent changes in the fair value through other comprehensive income is not made. In accordance with IFRS 9, credit losses are to be recognized earlier than was the case with IAS 39. The determination of the probability of default will be based on customer specific ratings in future, whereby we expect according to the analyses conducted that the expected average probability of default for receivables will be around 2 percent. Additionally, the application of IFRS 9 is accompanied by additional disclosures requirements in accordance with IFRS 7. Bilfinger will apply IFRS 9 without adjusting previous year figures from January 1, 2018.

The amendments to IFRS 9 (published in October 2017), stipulate that measurement at amortized cost and at fair value through other comprehensive income is also permissible for financial assets for which a contract party receives or pays financial compensation upon its termination (reasonable compensation). Previously, the SPPI criterion (cash flows) for such compensation payments would not have been met as a requirement for the corresponding measurement methods (initial application for annual periods beginning on or after January 1, 2019).

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 (the date of mandatory initial application has been postponed to an unspecified time).

Another amendment to IAS 28 clarifies that long-term interests that are classified as a net investment in an investment accounted for using the equity method, but which are not themselves accounted for using the equity method, must be recognized and measured in accordance with IFRS 9. These long-term interests must still be included in the allocation of loss in accordance with the equity method (initial application for annual periods beginning on or after January 1, 2019).

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. Bilfinger recognizes revenue in accordance with both IAS 11 and IAS 18. Changes to the total amount and the timing of revenues recognized from contracts with customers are currently only expected to a very limited extent. On the basis of analyses carried out, it is expected that the majority of construction contracts, which are currently accounted for in accordance with the percentage of completion method, fulfill the prerequisites for recognition of revenues over time. In addition, Bilfinger expects changes to the balance sheet (new items, insignificant increase in the carrying amount of receivables and payables) and further quantitative and qualitative disclosures in the notes. Bilfinger does not expect any significant impact on the consolidated financial statements. Bilfinger will apply IFRS 15 using the modified retrospective method from January 1, 2018.

IFRS 16 *Leases*

IFRS 16 replaces the previous standard as well as the associated interpretations for the accounting for leases (IAS 17, IFRIC 4, SIC 15 and SIC 27) and regulates the recognition, the measurement, the presentation and the disclosures in the notes for leases in the financial statements of the lessee and lessor. In accordance with IFRS 16, a lessee has to recognize a right-of-use asset and a lease liability for basically all leases (initial application for annual periods beginning on or after January 1, 2019). This will lead to the following effects on the financial position, cash flows and profitability of the Bilfinger Group: Non-current assets will increase as a result of the capitalization of the right-of-use assets. Accordingly, financial liabilities will rise as a result of the recognition of the lease liabilities. Due to this increase in the balance sheet total, the equity ratio will decline. The straight-line recognition of expense for operating leases in accordance with IAS 17 will be replaced by amortization of the right- of-use assets and interest expense on the lease liabilities. EBIT will improve as a result. This changed expense recognition will on the one hand lead to an improved cash flow from operating activities and to a worsened cash flow from financing activities.

IFRS 17 *Insurance Contracts*

IFRS 17 was published in May 2017 and will replace IFRS 4 in the future for accounting for insurance contracts. IFRS 17 aims at unifying and standardizing recognition and measurement principles for insurance contracts. The standard stipulates three approaches to accounting for insurance contracts: building block approach, premium allocation approach and variable fee approach (initial application on January 1, 2021).

IAS 40 *Investment Property*

The amendments to IAS 40 clarify the regulations as regards the transfer of property to the portfolio or out of the portfolio of properties held as financial investments (initial application on January 1, 2018). The amendments have no impact on Bilfinger.

IFRIC 22 *Advance Payments in Connection with Foreign Currency Transactions*

IFRIC 22 clarifies the accounting for transactions, which include the receipt or payment of considerations in foreign currency (initial application on or after January 1, 2018). The clarifications do not lead to any effects on Bilfinger.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 contains requirements on assessing and accounting for uncertainties in income taxes and closes the previous loophole from IAS 12 *Income Taxes,* which makes every tax balance sheet item uncertain until a definitive assessment has been presented. The expected date for the initial application of the interpretation is January 1, 2019.

At the balance-sheet date, IFRS 17, IFRIC 22 and IFRIC 23, as well as the amendments to IFRS 2, IFRS 10 and IAS 28, IFRS 9, IAS 28 and IAS 40 and the improvements to IFRSs 2014-2016 cycle 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 Significant accounting policies

Intangible assets with a finite life are capitalized at cost of acquisition and amortized over their expected useful lives on a straight-line basis. The expected useful life is generally regarded as being between three and eight years. 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 three and 20 years; other equipment including office and factory equipment is usually depreciated over three to 12 years.

For intangible assets and property, plant and equipment, an impairment charge is recognized wherever the recoverable amount of an asset has fallen below its carrying value. The recoverable amount is the higher of an asset's net selling price and the present value of estimated future cash flows (value in use). If the reason for an impairment loss recognized in prior years no longer applies, the carrying value is increased again accordingly, at the most up to the amount of the amortized cost of acquisition. Impairment tests are carried out at the level of the smallest cash-generating unit.

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 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 values are increased accordingly. Production costs include all costs that are directly or indirectly attributable to the production process. Overheads are calculated on the basis of normal employment. Financing costs are not taken into consideration.

Other assets comprise non-financial assets that are not allocated to any other balance-sheet item. They are measured at the lower of cost of acquisition or fair value.

The purchase, sale or withdrawal of treasury shares are recognized directly in equity. At the time of acquisition, treasury shares are entered in equity in the amount of the acquisition costs.

Provisions for pensions and similar obligations are measured for defined benefit pension plans using the projected-unit-credit method, with consideration of future salary and pension increases. As far as possible, pension plan assets are set off. Net interest expense or income resulting from the net pension obligations is presented within financial income / expense. Actuarial gains or losses from pension obligations and gains or losses on the remeasurement of plan assets are recognized in other comprehensive income.

Other provisions are recognized if there is a present obligation resulting from a past event, its occurrence is more likely than not, and the amount of the obligation can be reliably estimated. Provisions are only recognized for legal or constructive obligations toward third parties. Provisions are measured at their settlement amounts, i.e., with due consideration of any price and/or cost increases, and are not set off against profit contributions. In the case of a single obligation, the amount of the most likely outcome is recognized as a liability. If the effect of the time value of money is material, provisions are discounted using the market interest rate for risk-free investments.

The amounts of provisions are estimated with consideration of experiences with similar situations in the past and of all knowledge of events up to the preparation of the consolidated financial statements. The general conditions can be very complex, in particular with provisions for risks relating to contracts and litigation as well as warranty risks. For this reason, uncertainty exists with regard to the timing and exact amounts of obligations.

Other liabilities comprise non-financial liabilities that are not allocated to any other balance-sheet item. They are measured at cost of acquisition or settlement value.

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and an equity instrument or financial liability of another entity. A financial instrument is to be recognized in the balance sheet as soon as 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. No use has been made of the option to designate financial instruments upon initial recognition to be measured at fair value through profit or loss (fair value option).

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

Initial recognition of non-derivative financial assets is at the settlement date. Initial measurement of derivative financial instruments is at the trading date.

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 and equipment) or the discounted-cash-flow method (e.g. OTC derivatives and shares in non-listed companies).

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 directly in equity, taking into account deferred taxes, if that value can be reasonably estimated; otherwise they are measured at amortized cost (AfS-AC). 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.

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 with 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.

Listed securities are measured at fair value. Non-listed securities are measured at fair value using a suitable valuation technique. Changes in the market prices of securities held for trading are recognized in profit or loss. Changes in the market prices of other securities measured at fair value are recognized in retained earnings (fair value measurement 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 significant or 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 and currency options.

In accordance with IAS 39, derivative financial instruments are recognized at their fair values as assets (positive fair value) or liabilities (negative fair value).

The fair values of the derivatives used are calculated on the basis of recognized financial-mathematical methods (discounted-cash-flow method and option-pricing model).

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 balance-sheet 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 recognized assets or liabilities or from unrecognized firm commitments and from highly probable forecast transactions. 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 and 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, the expense is shown by recognizing a provision; in the case of equity-settled share-based payment transactions, the expense is entered directly in equity.

Non-current assets held for sale and **disposal groups** as well as **related liabilities** are classified as such and presented separately in the balance sheet. Assets are classified as held for sale if the carrying amounts are primarily to be realized through a sale transaction rather than through continuing use. The sale must be highly probable and the assets or disposal groups must be immediately 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 reversals of impairment losses due to an increase in fair value less cost to sell are limited to the previously recognized impairment losses. Impairment charges allocated to the carrying amount of goodwill are not reversed.

Assets and liabilities of discontinued operations are treated as disposal groups. A discontinued operation is a separate major line of business or geographical area of operations which is held for sale. In addition, earnings after taxes from discontinued operations are presented separately in the income statement.

Revenue from 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. Depending on reliability, the stage of completion is determined on the basis of the ratio of the output volume already delivered at the end of the reporting period to the total output volume to be delivered or on the basis of the ratio of costs already incurred to the estimated total contract costs. 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).

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 €10.9 million (previous year: €7.4 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)
Securities (AfS, FAHfT)	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	Undiscounted assessment on the basis of the tax rates expected to be applicable for the period in which an asset is realized or a liability is settled
Assets held for sale / liabilities in disposal groups	Lower of carrying amount upon classification or fair value less cost to sell (no systematic amortization / depreciation, indication-induced impairment tests)

3.3 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 financial year 2017, revenue in the amount of €2,458.2 million (previous year €2,613.5 million) was realized by the percentage-of-completion method. 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, 2017 was €996.0 million (previous year: €1,019.3 million), whereby allowances for default risks for trade receivables amounted to €22.3 million (previous year: €24.5 million). Disclosures on the sensitivities of the extent of possible effects of changes in estimates cannot reasonably be made due to the large number of 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 22 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 on December 31, 2017 was €468.7 million (previous year: €518.4 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 hand. 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, 2017 was €86.1 million (previous year: €121.1 million).

- Goodwill impairment: Bilfinger tests goodwill for impairment at least annually. Determining the recoverable amount of a cash-generating unit to which goodwill is allocated involves estimates by the management. It is equivalent to the value in use resulting from the discounted cash flows calculated on the basis of financial planning approved by the management. See Note 14.1 of the notes to the consolidated financial statements for further details.

- Disposal groups: Non-current assets held for sale and disposal groups as well as related liabilities are measured at the lower of carrying amount or fair value less cost to sell. The measurement of fair value involves estimates by the management.
- Other financial assets: Equity-like participation rights, reported under other financial assets, which were used as non-cash purchase price components for the former Building, Facility Services and Real Estate divisions, are measured as non-listed securities (available for sale) at fair value in level 3 in accordance with the IFRS 13 hierarchy. The measurement of fair value involves estimates by the management. See Note 27 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 on the balance sheet date are entered separately under other comprehensive income.

Currency translation took place using the following significant exchange rates:

€ 1 =		Annual average		At December 31	
		2017	2016	2017	2016
Australia	AUD	1.4732	1.4878	1.5349	1.4593
Canada	CAD	1.4648	1.4656	1.5042	1.4184
Czech Republic	CZK	26.3248	27.0338	25.5400	27.0200
India	INR	73.5398	74.3472	76.6268	71.6285
Nigeria	NGN	377.9586	287.6781	431.8677	331.6201
Norway	NOK	9.3287	9.2899	9.8420	9.0866
Oman	OMR	0.4351	0.4260	0.4620	0.4050
Poland	PLN	4.2583	4.3637	4.1709	4.4240
Qatar	QAR	4.1599	4.0294	4.3871	3.8310
Saudi Arabia	SAR	4.2384	4.1506	4.5019	3.9467
Sweden	SEK	9.6355	9.4700	9.8438	9.5508
Switzerland	CHF	1.1119	1.0901	1.1704	1.0738
South Africa	ZAR	15.0485	16.2535	14.8233	14.4535
United Arab Emirates	AED	4.1505	4.0645	4.4092	3.8641
United Kingdom	GBP	0.8767	0.8199	0.8872	0.8554
United States	USD	1.1298	1.1066	1.1997	1.0543

4 Consolidated group

4.1 Changes in the consolidated group and inclusion

43 (previous year: 53) companies in Germany and 92 (previous year: 99) based outside of Germany have been included in the consolidated financial statements. Of these, 2 (previous year: 5) based outside of Germany have been consolidated for the first time in the reporting period. In addition, 10 (previous year: 87) companies in Germany and 9 (previous year: 92) companies based outside of Germany were no longer included in the consolidated group due to sale or merger. A further 17 (previous year: 10) have been accounted for using the equity method.

In general, all subsidiaries are fully consolidated with the exception of, in particular, inactive companies such as shelf companies and companies in liquidation. Subsidiaries are all entities that are controlled directly or indirectly by Bilfinger SE. Bilfinger controls an investee where Bilfinger has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. This is generally the case where Bilfinger has more than half of the voting rights of a company or where, as an exception, Bilfinger is able in another way to exercise power over an investee on the basis of contractual arrangements or the like for purposes of influencing the returns to which Bilfinger is entitled.

Associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence by participating in its financial and business policy but which is not controlled by the Group. Significant influence is generally presumed when Bilfinger has voting rights of 20 percent or more.

Joint ventures are also accounted for using the equity method. A joint venture exists where the owners contractually agree to control the arrangement jointly and the shareholders have rights to the arrangement's net assets.

Information disclosed pursuant to Section 313 Subsection 2 of the German Commercial Code (HGB) is summarized in the list of subsidiaries and equity interests. That list also includes a definitive list of all subsidiaries that make use of the disclosure exemption pursuant to Section 264 Subsection 3 HGB.

As of the balance-sheet date, there were no significant minority interests in the Group with respect to its equity. The list of subsidiaries and equity interests shows the subsidiaries in which minority interests were held.

Furthermore, the Group was not subject to any significant restrictions regarding access to or use of assets from subsidiaries.

4.2 Acquisitions

As was the case in the prior-year, no acquisitions were made during financial year 2017.

4.3 Disposals

In financial year 2017, the following Group companies that were held for sale were sold, in addition to the discontinued marine construction activities: Bilfinger MCE Aschersleben GmbH, Bilfinger Babcock Hungary Kft., Bilfinger IT Hungary Kft., Bilfinger Scheven GmbH, STS Steinmüller Siemers GmbH, Envi Con & Plant Engineering GmbH, Bilfinger ELWO S.A., Bilfinger Babcock CZ s.r.o., Hydrobudowa-6 S.A. and Kin Sun Construction & Engineering (Macau) Ltd.

In the previous year, the former Building, Facility Services, Real Estate and Water Technologies divisions, the steel and mechanical engineering activities, the Asia-Pacific activities from the Engineering Solutions division, activities related to the manufacturing and installation of offshore foundations of the former Offshore Systems and Grids division and the investments in the Bilfinger Duro Dakovic Montaza Group and Bilfinger Rosink GmbH of the Power business segment were sold and the acquisition of the Mauell Group was reversed.

The overall effects of the sales were as follows:

EFFECTS AT THE TIME OF SALE

	2017	2016
Disposal of goodwill	–	-109.9
Disposal of other non-current assets	–	-59.5
Disposal of current assets	–	-118.5
Disposal of cash and cash equivalents	–	-28.0
Disposal of assets classified as held for sale	-78.7	-1,740.8
Disposal of assets	**-78.7**	**-2,056.7**
Disposal of non-current liabilities	–	14.1
Disposal of current liabilities	–	67.7
Disposal of liabilities classified as held for sale	56.2	1,047.1
Disposal of liabilities	**56.2**	**1,128.9**
Disposal of net assets	**-22.5**	**-927.8**
Derecognition of minority interest	0.1	17.9
Disposal of intercompany receivables / renewal of liabilities	-22.2	-37.1
Disposal of loans	–	-0.9
Reclassification of other comprehensive income to the income statement	-2.5	
Other changes	**-24.6**	**-20.1**
Sale price less selling transaction expenses	18.3	1,465.5
Capital gain / loss after selling transaction expenses	**-28.8**	**517.6**
Risk provision	–	-49.1
Capital gain including risk provision	**-28.8**	**468.5**

A capital gain (including a risk provision in the previous year), in the amount of minus €9.3 million (previous year: €516.2 million) is reported in earnings from discontinued operations and a capital loss in the amount of €19.5 million (previous year: €47.7 million) in other operating expense. The sale price for the former Building, Facility Services and Real Estate divisions included the following non-cash components, which were recognized at fair value at the time of sale and are presented as non-current other financial assets:

- an interest-bearing vendor claim of €100.0 million (LaR), as well as
- equity-like participation rights (available for sale) of €195.4 million

4.4 Changes in ownership interest without change in control

In the reporting year as in the previous year, there were no changes in equity interests in consolidated subsidiaries that did not lead to the gain or loss of control.

5 Discontinued operations and disposal groups

5.1 Earnings from discontinued operations

Discontinued operations comprise:

- the disposed divisions Building, Facility Services and Real Estate from the former Building and Facility Services business segment,
- the disposed former Water Technologies division,
- the disposed significant portion of the former Offshore Systems and Grids division,
- the disposed and abandoned construction activities.

In accordance with the provisions of IFRS 5, the investments put up for sale have been recognized as discontinued operations as of the time of reclassification:

- In the consolidated balance sheet, the affected assets and liabilities (disposal group) are presented separately under ‘Assets classified as held for sale’ and ‘Liabilities classified as held for sale’.
- In the consolidated income statement, the income and expenses of discontinued operations are presented separately from the income and expenses of continuing operations, and are summarized separately in one item as earnings after taxes from discontinued operations.
- In the consolidated statement of cash flows, cash flows from discontinued operations are also presented separately from the cash flows from continuing operations.

Since the dates of their reclassification, non-current assets classified as held for sale have no longer been subject to depreciation or amortization and subsequent measurement according to the equity method was ceased for the investments accounted for using the equity method.

The amounts in the consolidated income statement and the consolidated statement of cash flows for the prior-year period have been adjusted accordingly.

All discontinued operations with the exception of *Building, Facility Services, Real Estate* and *Water Technologies* are reported together under *Construction activities*.

Earnings from discontinued operations are allocated to *Construction activities, Building, Facility Services, Real Estate* and *Water Technologies* as follows:

	2017	2016
Construction activities	54.5	-9.9
Building, Facility Services, Real Estate	–	580.5
Water Technologies	–	-19.6
Earnings after taxes from discontinued operations	**54.5**	**551.0**

Earnings after taxes from discontinued operations are fully attributable (previous year: in the amount of €546.8 million) to the shareholders of Bilfinger SE.

5.1.1 Construction activities

	2017	2016
Output volume (for information purposes)	30.1	155.4
Revenue	21.2	156.8
Expenses / income	40.1	-159.9
Capital gain / loss including impairment	-10.6	-5.1
EBIT	**50.7**	**-8.2**
Interest result	0.1	-1.6
Earnings before taxes	**50.8**	**-9.8**
Income tax income / expense	3.7	-0.1
Earnings after taxes	**54.5**	**-9.9**

A capital loss in the amount of €10.6 million resulted from the sale of the marine construction activities of the former Offshore Systems and Grids division and of Kin Sun Construction & Engineering (Macau) Ltd.

Income and expenses include a positive effect in the amount of €60 million from the received payment on an impaired receivable in connection with a long-standing legal dispute in Qatar.

5.1.2 Building, Facility Services, Real Estate

	2017	2016
Output volume (for information purposes)	–	1,556.2
Revenue	–	1,557.6
Expenses / income	–	-1,496.7
Capital gain on disposal	–	538.4
EBIT	**–**	**599.3**
Interest result	–	-5.6
Earnings before taxes	**–**	**593.7**
Income taxes	–	-13.2
Earnings after taxes	**–**	**580.5**

Under consideration of a risk provision of €49.1 million, a capital gain in the amount of €538.4 million resulted from the sale of the former Building, Facility Services and Real Estate divisions in the previous year.

5.1.3 Water Technologies

	2017	2016
Output volume (for information purposes)	–	52.6
Revenue	–	53.6
Expenses / income	–	-55.1
Capital gain / loss including impairment	–	-17.1
EBIT	**–**	**-18.6**
Interest result	–	-0.6
Earnings before taxes	**–**	**-19.2**
Income taxes	–	-0.4
Earnings after taxes	**–**	**-19.6**

Under consideration of an impairment loss, a capital loss in the amount of €17.1 million resulted from the sale of the former Water Technologies division in the previous year.

5.2 Assets classified as held for sale and liabilities classified as held for sale

As of the balance-sheet date, *assets classified as held for sale* and *liabilities classified as held for sale* comprise the disposal groups of Bilfinger Neo Structo Private Limited as well as the power plant service activities from the *Other Operations* business segment.

As of December 31, 2016, the following disposal groups were present:

- the marine construction activities of the former Offshore Systems and Grids division not yet sold,
- the shares of Julius Berger Nigeria plc (16.5 percent) that have been put up for sale,
- the Group companies MCE Aschersleben GmbH, Bilfinger Babcock CZ s.r.o. and Bilfinger Babcock Hungary Kft. of the Power business segment, that have been put up for sale,
- the Bilfinger Scheven GmbH and Envi Con & Plant Engineering GmbH Group companies of the Engineering Solutions division, which have been put up for sale,

- the Group company Bilfinger IT Hungary Kft. of the Industrial Maintenance division, which has been put up for sale.

For more information on disposals during the reporting year see Note 4.3.

In the second and fourth quarters of 2017, Neo Structo Private Limited and the power plant service activities from the Other Operations business segment were classified as held for sale and were measured at fair value less cost to sell. Fair value was measured on the basis of the expected selling price. This resulted in an impairment loss in the amount of €13.2 million (see Note 10).

The shares in Julius Berger Nigeria plc (16.5 percent) previously classified as assets held for sale, were reclassified in the second quarter of 2017 as not held for sale because a sale was no longer considered highly probable. The reclassified shares are now again presented under non-current other financial assets.

The assets classified as held for sale and liabilities classified as held for sale are comprised as follows:

	Dec. 31, 2017	Dec. 31, 2016
Goodwill	1.3	4.0
Other non-current assets	3.0	42.9
Current assets	7.9	27.3
Cash and cash equivalents	0.3	7.0
Assets classified as held for sale	**12.5**	**81.2**
Non-current liabilities	0.0	1.6
Current liabilities	26.1	66.6
Liabilities classified as held for sale	**26.1**	**68.2**

The disposal group's cumulative other comprehensive income after taxes as of the balance sheet date amounts to minus €3.3 million (previous year: minus €0.6 million), of which minus €0.1 million (previous year: €0.0 million) is attributable to minority interest.

Notes to the income statement

6 Revenue

Revenue comprises revenue resulting from the application of the percentage-of-completion method in the amount of €2,458.2 million (previous year: €2,613.5 million).

7 Other operating income

	2017	2016
Income from the reversal of other provisions	8.1	9.0
Income from the reversal of impairments on trade receivables	4.5	3.5
Income from operating investments	3.8	2.5
Gains on the disposal of property, plant and equipment	3.6	7.6
Income from currency translation and hedging	0.4	1.9
Other income	16.5	15.6
Total	**36.9**	**40.1**

Other income includes numerous items of minor individual importance.

8 Other operating expenses

	2017	2016
Expenses from operating investments	45.3	87.9
Restructuring expenses	39.2	80.3
Expenses from additions to other provisions	10.6	1.2
Impairment of trade receivables	7.6	7.9
Impairments of other receivables (excluding trade receivables) and other financial assets	4.8	1.1
Expenses from currency translation and hedging	4.4	2.9
Losses on the disposal of property, plant and equipment	1.2	3.2
Other expenses	4.8	6.9
Total	**117.9**	191.4

Expenses from operating investments primarily include losses from the disposal of and impairments to investments (see Notes 4.3 and 5.2).

Restructuring expenses primarily include expenses for workforce reductions.

Other expenses include numerous other items of minor individual importance.

9 Personnel expenses and average number of employees

The following table shows personnel expenses as well as the average number of employees.

	2017	2016
Personnel expenses (€ million)	**2,032.8**	**2,098.3**
Wages and salaries	1,689.3	1,738.0
Social security costs	303.1	316.4
Pension obligation expenses	40.4	43.9
Average number of employees		
Salaried	**12,625**	**14,109**
Germany	3,535	4,031
International	9,090	10,078
Industrial employees	**22,743**	**23,836**
Germany	4,249	4,854
International	18,494	18,982
Total employees	**35,368**	**37,945**

The total number of employees relates to continuing operations.

10 Depreciation, amortization and impairments

Scheduled amortization of €7.8 million was carried out on intangible assets from acquisitions (previous year: €10.1 million). These are included in cost of sales. Depreciation of property, plant and equipment and the amortization of other intangible assets amount to €72.3 million (previous year: €98.4 million). This includes impairment losses of €3.4 million (previous year: €15.9 million). In addition, impairment losses on financial assets in the amount of €10.5 million (previous year: €16.1 million) were recognized.

The measurement of disposal groups resulted in a total impairment loss in the amount of €13.2 million (previous year: €22.9 million). This is recognized in other operating expenses.

11 Interest and other financial income / expense

Interest and other financial income / expense comprise the following items of the income statement:

		2017		2016
Interest income		**14.3**		**9.5**
Current interest expense		-19.3		-23.1
Interest expense from defined benefit obligation (DBO)	-7.3		-9.5	
Interest income on plan assets	2.8	-4.5	3.8	-5.7
Interest expense		**-23.8**		**-28.8**
Income on securities		-0.3		0.0
Interest expense for minority interest		-2.0		-2.8
Other financial result		**-2.3**		**-2.8**
Total		**-11.8**		**-22.1**

Interest income is primarily earned on accrued interest from the interest-bearing vendor claim from the sale of the former Building, Facility Services and Real Estate divisions (see Note 4.3), as well as from deposits of cash and cash equivalents with variable interest rates.

Current interest expense is mainly incurred on financial 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 reflects the share in profits of the minority interest which is classified as borrowing due to contractual regulations, in particular preemption rights pursuant to IAS 32.

12 Income tax

Income taxes are the taxes on income and earnings paid, owed or deferred in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. Those expected tax rates are derived from the statutory regulations that are in force or enacted at the end of the reporting period.

	2017	2016
Actual taxes	12.1	25.6
Deferred taxes	-9.6	0.3
Total	**2.5**	**25.9**

The tax expense calculated with the tax rate of Bilfinger SE can be reconciled with the reported tax expense as follows:

	2017	2016
Earnings before taxes	-137.8	-252.9
Theoretical tax expense at 30.95%	-42.6	-78.3
Tax-rate differences	-6.2	-6.9
Tax-rate change United States	9.1	–
Tax-rate effects of non-deductible expenses and tax-free income	14.9	26.5
Losses for which no deferred tax assets are capitalized and changes in value adjustments	26.7	86.1
Taxes from other accounting periods	0.6	-1.5
Income tax expense	**2.5**	**25.9**

The combined income tax rate for Bilfinger SE was 30.95 percent, as in the prior year, consisting of corporate income tax at a rate of 15 percent and the solidarity surcharge, which is levied at a rate of 5.5 percent of the applicable corporate income tax, as well as trade tax at an average municipal multiplier of 432 percent.

Deferred tax assets on tax-loss carryforwards are only recognized insofar as their realization is reasonably certain. Based on current assessments, this is not the case, in particular for the losses incurred in the current financial year at Bilfinger SE and its tax-group companies, so that, as in the previous year, no deferred tax assets on tax-loss carryforwards were recognized as of December 31, 2017.

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, 2017	Dec. 31, 2016	**Dec. 31, 2017**	Dec. 31, 2016
Non-current assets	17.4	12.6	49.8	37.9
Current assets	47.3	55.7	53.1	59.5
Provisions	71.3	98.0	18.5	17.5
Liabilities	28.8	32.5	27.3	47.0
Tax-loss carryforwards	25.3	29.5	–	–
Corporate income tax (or comparable taxes outside Germany)	25.3	29.5	–	–
Trade taxes	–	–	–	–
Offsetting	-104.0	-107.2	-104.0	-107.2
Carried in the balance sheet	**86.1**	**121.1**	**44.7**	**54.7**

At the end of the reporting period, deferred taxes in the amount of €11.9 million (previous year: €48.7 million) mainly from the measurement of retirement benefit obligations pursuant to IAS 19 were offset against equity. It should be kept in mind in this regard that the reassessment of the value of the deferred tax assets from valuation differences from provisions for pensions of Bilfinger SE and its tax group companies as of December 31, 2017 led to an adjustment recognized directly in equity of -€26 million.

The total amount of deferred tax assets of €86.1 million (previous year: €121.1 million) includes future reductions in tax payments of €25.3 million (previous year: €29.5 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 €725.6 million (previous year: €689.6 million) and for trade tax to €683.5 million (previous year: €639.0 million). Of the tax-loss carryforwards not recognized as deferred tax assets, €6.2 million (previous year: €32.3 million) will expire within the next five years, €36.4 million (previous year: €35.6 million) within the next ten years, €15.3 million (previous year: €15.3 million) within the next 20 years.

As of December 31, 2017, no deferred tax liabilities were recognized for temporary differences in connection with subsidiaries in the amount of €486 million because it is not likely that in the foreseeable future a reversal will take place.

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.

13 Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

	2017	2016
Net profit	-88.5	270.6
Weighted average number of shares issued	43,975,136	44,204,393
Earnings per share, basic / diluted (in €)	**-2.01**	**6.13**
thereof from continuing operations	-3.25	-6.33
thereof from discontinued operations	1.24	12.46

Notes to the balance sheet

14 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, 2017	**62.2**	**1,230.2**	**71.5**	**0.0**	**1,363.9**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.8	6.5	0.0	0.0	7.3
Additions	1.5	0.0	0.0	0.1	1.6
Disposals	1.2	0.0	0.0	0.0	1.2
Reclassifications	0.1	0.0	0.0	-0.1	0.0
Currency adjustments	-0.8	-30.6	-3.2	0.0	-34.6
Reclassification of disposal group	-1.0	-10.4	0.0	0.0	-11.4
December 31, 2017	**60.0**	**1,182.7**	**68.3**	**0.0**	**1,311.0**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.6	5.3	0.0	0.0	5.9
Additions	4.7	0.0	7.7	0.0	12.4
Disposals	1.0	0.0	0.0	0.0	1.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.8	0.1	2.0	0.0	2.9
Reclassification of disposal group	1.0	9.2	0.0	0.0	10.2
December 31, 2017	**55.1**	**394.0**	**58.4**	**0.0**	**507.5**
Carrying amount December 31, 2017	**4.9**	**788.7**	**9.9**	**0.0**	**803.5**

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, 2016	**123.7**	**2,056.3**	**175.7**	**0.8**	**2,356.5**
Additions to the consolidated group	0.1	0.0	0.0	0.0	0.1
Disposals from the consolidated group	58.2	818.1	96.1	0.5	972.9
Additions	2.0	0.0	0.0	0.0	2.0
Disposals	3.4	0.0	8.4	0.0	11.8
Reclassifications	0.5	0.0	0.0	-0.3	0.2
Currency adjustments	0.5	3.5	0.3	0.0	4.3
Reclassification of disposal group	-3.0	-11.5	0.0	0.0	-14.5
December 31, 2016	**62.2**	**1,230.2**	**71.5**	**0.0**	**1,363.9**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2016	**93.8**	**478.1**	**91.9**	**0.0**	**663.8**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	40.5	64.1	40.8	0.0	145.4
Additions	5.6	0.0	9.8	0.0	15.4
Disposals	2.8	0.0	8.4	0.0	11.2
Reclassifications	0.2	0.0	0.0	0.0	0.2
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.5	0.0	0.2	0.0	0.7
Reclassification of disposal group	-3.0	-5.4	0.0	0.0	-8.4
December 31, 2016	**53.8**	**408.6**	**52.7**	**0.0**	**515.1**
Carrying amount December 31, 2016	**8.4**	**821.6**	**18.8**	**0.0**	**848.8**

Under 'disposals from the consolidated group', those items are presented that are allocated to deconsolidated business units which, as of January 1 of the respective financial year were not presented as a disposal group. Under 'reclassification in disposal groups' those items are presented that in the respective financial year were reclassified to 'assets classified as held for sale' regardless of whether these disposal groups were deconsolidated in the respective financial year or not (see also Notes 4.3 and 5.2).

14.1 Goodwill

Within the context of carrying out annual impairment tests in accordance with IFRS 3 and/or IAS 36, goodwill was allocated to the relevant divisions as cash-generating units. The divisional structure was changed in the reporting year (see Note 1). Goodwill is distributed among the divisions as shown in the following table:

	2017	2016
Division / business segment		
Engineering & Technologies	**328.2**	
Continental Europe	217.9	
Northwest Europe	138.8	
North America	70.4	
Middle East	8.2	
Maintenance, Modifications & Operations	**435.3**	
Other Operations	**25.1**	
Industrial Maintenance		191.8
Insulation, Scaffolding and Painting		96.0
Oil and Gas		60.0
Engineering Solutions		397.8
Industrial		745.6
Power		26.8
Government Services		49.1
Continuing operations		**821.5**
Total	**788.6**	**821.5**

The annual impairment test pursuant to IAS 36 takes place at the divisional level. In addition to the annual impairment test, an impairment test is also to be carried out when there are indications for the impairment of a cash-generating unit. The recoverable amounts of the cash-generating units at the balance-sheet date correspond to their values in use, which are derived from their discounted future cash flows. The calculation is based on the most recent planning figures over a five-year period, as approved by the Group's management. In the steady state for the period thereafter, cash flows are assumed for which future growth only in the form of expected inflation-related price increases is considered and organic growth is not taken into account. The long-term growth rates for the key divisions were 1.03 percent for *Engineering & Technologies*, 0.96 percent for *Continental Europe* and 1.01 percent for *Northwest Europe*.

The planning is based on existing contracts and external benchmarks, past experience and best possible assessment by the Group's management of future economic developments. Market assumptions, for example development of interest rates, exchange rates and raw-material prices, are taken into consideration with the use of external macroeconomic and industry-specific sources in the relevant markets.

The development of the divisions in the business segment *Maintenance, Modifications & Operations* as well as the *Engineering & Technologies* division are influenced by long-term developments in the oil price and the resulting demand of customers in the oil and gas industry for maintenance and operation services as well as for modifications, conversions and extensions. In the medium term, we anticipate the price of oil to remain relatively stable at the current level. Furthermore, we anticipate an increasingly positive macroeconomic environment for all divisions in our relevant markets as well as a moderate development in costs (salary increases, cost of materials), which can also be passed on to the customer, at least partially. Moreover, intensifying the cooperation of the units in both the *Maintenance, Modifications & Operations* business segments and the *Engineering & Technologies* division will lead to better access to customers and with it, to growth. We also anticipate an improvement in the margin from the stronger orientation toward higher-value services.

In the *Engineering & Technologies* division, we plan for an expansion of business activities within the North American market, for growth in the (bio) pharma segment, for participation in upcoming new construction projects in the nuclear energy market and for a strengthened market position in the Middle East. Furthermore, the measures we've already introduced to further improve project and risk management as well as restructuring measures will have a positive impact.

In the *Maintenance, Modifications & Operations* business segment, we plan to strengthen our position in the markets of the Middle East and North America as well as to round out our activities in Europe. Additionally, we anticipate a continuous improvement in productivity through the newly introduced productivity management system 'BTOP', particularly in this business segment.

The discount rates before taxes calculated using the capital asset pricing model for the cash-generating units are shown in the table below.

CASH GENERATING UNIT in %	Dec. 31, 2017	Dec. 31, 2016
Engineering & Technologies	12.5	
Continental Europe	10.8	
Northwest Europe	10.8	
North America	10.1	
Middle East	10.6	
Other Operations	14.4	
Industrial Maintenance		9.4
Insulation, Scaffolding and Painting		9.6
Oil and Gas		9.4
Engineering Solutions		9.7
Power		11.7
Government Services		7.3

As of the balance-sheet date, the peer group used to determine the discount rates was changed as compared to the previous year in order to adjust it to Bilfinger's new strategic positioning.

As in the previous year, a comparison of the recoverable amounts of the units with their carrying amounts including goodwill did not result in any need for impairments as of December 31, 2017.

The figures for revenue in the five-year planning period for the significant cash-generating units are based on an average annual growth rate of between 1.7 and 10.4 percent. For all cash generating units, even a significant increase in the discount rate (around 1 percentage point) or a significantly negative deviation from the cash flows (around 10 percent) assumed in the planning figures would not have resulted in a need to impair goodwill. For the significant cash-generating units with high planned growth rates such as in particular the divisions *North America* and *Engineering & Technologies* even an increase in the discount rate of about 5 percentage points or a negative deviation of the cash flows used as a basis for the planning figures in the amount of about 50 percent would not have resulted in a need to impair goodwill.

14.2 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.

15 Property, plant and equipment

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equip-ment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2017	**315.2**	**383.8**	**486.3**	**3.4**	**1,188.7**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.8	0.3	0.0	1.1
Additions	5.6	14.6	46.1	3.2	69.5
Disposals	6.4	11.7	17.3	0.4	35.8
Reclassifications	2.3	-0.1	1.7	-3.9	0.0
Currency adjustments	-3.8	-8.7	-5.1	0.0	-17.6
Reclassification of disposal group	-6.0	-17.0	-7.2	0.0	-30.2
December 31, 2017	**306.9**	**360.1**	**504.2**	**2.3**	**1,173.5**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equip-ment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2017	**149.8**	**301.7**	**354.5**	**0.0**	**806.0**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	1.5	0.2	0.0	1.7
Additions	7.5	20.5	39.6	0.0	67.6
Disposals	3.3	10.1	15.7	0.0	29.1
Write-ups	0.0	0.1	0.0	0.0	0.1
Reclassifications	0.0	0.2	-0.2	0.0	0.0
Currency adjustments	1.4	6.1	4.0	0.0	11.5
Reclassification of disposal group	4.1	14.6	6.0	0.0	24.7
December 31, 2017	**148.5**	**289.6**	**368.4**	**0.0**	**806.5**
Book value December 31, 2017	**158.4**	**70.5**	**135.8**	**2.3**	**367.0**
thereof finance leases **Carrying amount December 31, 2017**	**13.3**	**0.0**	**1.3**	**0.0**	**14.6**

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2016	**461.4**	**526.2**	**651.9**	**6.6**	**1,646.1**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	79.8	101.5	157.1	3.5	341.9
Additions	2.5	22.7	41.7	1.7	68.6
Disposals	36.1	34.5	40.1	0.6	111.3
Reclassifications	0.9	-2.4	2.1	-0.8	-0.2
Currency adjustments	1.4	5.2	-2.7	0.0	3.9
Reclassification of disposal group	-35.1	-31.9	-9.5	0.0	-76.5
December 31, 2016	**315.2**	**383.8**	**486.3**	**3.4**	**1,188.7**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2016	**205.2**	**387.4**	**466.8**	**0.0**	**1,059.4**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	42.6	77.1	110.7	0.0	230.4
Additions	20.3	29.0	43.5	0.0	92.8
Disposals	21.9	27.7	36.6	0.0	86.2
Write-ups	0.3	0.0	0.0	0.0	0.3
Reclassifications	0.1	-0.7	0.4	0.0	-0.2
Currency adjustments	1.1	4.5	-1.4	0.0	4.2
Reclassification of disposal group	-12.1	-13.7	-7.5	0.0	-33.3
December 31, 2016	**149.8**	**301.7**	**354.5**	**0.0**	**806.0**
Book value December 31, 2016	**165.4**	**82.1**	**131.8**	**3.4**	**382.7**
thereof finance leases **Carrying amount December 31, 2016**	**13.8**	**0.0**	**1.4**	**0.0**	**15.2**

See Note 14 on explanations relating to the lines 'disposals from the consolidated group' and 'reclassification disposal group'.

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
2017				
Lease payments	2.3	6.7	5.5	14.5
Interest portion	0.0	0.4	2.9	3.3
Carrying amount / present value	**2.3**	**6.3**	**2.6**	**11.2**
2016				
Lease payments	2.5	7.1	6.3	15.9
Interest portion	0.0	0.5	3.2	3.7
Carrying amount / present value	**2.5**	**6.6**	**3.1**	**12.2**

16 Investments accounted for using the equity method

For an overview of the investments accounted for using the equity method, please see the list of subsidiaries and equity interests (see Note 38).

The carrying amounts of or income from investments accounted for using the equity method are distributed to associates and joint ventures as follows:

	Associated companies	Joint ventures	Total
2017			
Carrying amount of investments accounted for using the equity method	7.2	15.2	22.4
Income from investments accounted for using the equity method	-0.1	14.4	14.3
2016			
Carrying amount of investments accounted for using the equity method	2.0	8.3	10.3
Income from investments accounted for using the equity method	0.4	5.7	6.1

If the proportionate losses – including other comprehensive income – exceed the carrying amount of the investment, neither losses nor gains are recognized.

16.1 Associated companies

Aggregated disclosure concerning insignificant associates:

	2017	2016
Carrying amount of the investee accounted for using the equity method	7.2	2.0
Group's share of profit / loss from continuing operations	-0.1	0.4
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	-0.1	0.4

16.2 Joint ventures

Significant joint ventures:

Name		Tebodin & Partner LLC
Principal place of business		Muscat, Oman
Activity		Engineering
Bilfinger's share	50.0 %	50.0%
	2017	**2016**
Dividends received from the investee	**2.4**	**8.4**
Non-current assets	2.6	2.5
Current assets not including cash and cash equivalents	15.9	18.4
Cash and cash equivalents	41.3	15.9
Non-current liabilities not including financial debt	5.6	5.3
Non-current financial debt	0.0	0.0
Current liabilities not including financial debt	31.2	22.0
Net assets/equity	**23.0**	**9.5**
Group's share of net assets	11.5	4.8
Carrying amount of the investee using the equity method	**11.5**	**4.8**
Revenue	79.9	70.9
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.5	-0.8
Interest expense	0.0	-0.2
Income tax income / expense	-3.8	-1.7
Remaining income (loss) from continuing operations	24.8	14.0
Profit from continuing operations	20.5	11.3
Total comprehensive income for the period	**20.5**	**11.3**

Aggregated disclosure concerning insignificant joint ventures:

	2017	2016
Carrying amount of the investee accounted for using the equity method	**3.7**	**3.5**
Group's share of profit / loss from continuing operations	4.1	0.1
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	**4.1**	**0.1**

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.

17 Other assets

Securities (available for sale) and loans almost solely relate to the equity-like participation rights and the interest-bearing vendor claim received as non-cash purchase price components from the sale of the former Building, Facility Services and Real Estate divisions in the previous year (see Notes 4.3 and 27) as well as the investment in Julius Berger Nigeria PLC (see Note 5.2).

Equity interests (available for sale at cost) include shares in non-listed companies, which are measured at cost of acquisition.

Other financial assets primarily comprise amounts that serve to fulfill pension obligations.

	2017	2016
Securities (available for sale)	225.0	195.7
Loans	120.2	111.0
Equity interests (available for sale, at cost)	0.4	1.3
Securities (held to maturity)	0.1	0.1
Net assets in accordance with IAS 19	11.3	11.0
Other financial assets	7.0	7.7
Total	364.0	326.8

18 Inventories

Inventories are comprised as follows:

	2017	2016
Real estate properties held for sale	1.7	1.7
Finished goods and work in progress	0.2	1.1
Raw materials and supplies	44.5	38.8
Advance payments made	35.9	15.7
Total	82.3	57.3

Cost of sales includes cost of inventories, recognized in expenses, in the amount of €1,351.7 million (previous year: €1,778.6 million).

19 Receivables and other financial assets

	2017	2016
Receivables		
trade receivables (including receivables from percentage of completion)	979.3	997.0
from consortiums and joint ventures	9.2	13.7
from companies in which equity is held	7.5	8.6
	996.0	1,019.3
Derivatives		
not in hedging relationships	1.0	0.9
	1.0	0.9
Other financial, non-derivative assets	34.1	41.4
Total	**1,031.1**	1,061.6

Construction contracts measured according to the percentage-of-completion method but not yet finally invoiced are recognized as follows:

	2017	2016
Costs incurred plus recognized profits	1,846.9	2,882.0
Less advance billings	1,671.5	2,747.0
Balance	**175.4**	135.0
thereof future receivables from construction contracts	265.5	257.0
thereof advance payments received from construction contracts	90.1	122.0

The amount of future receivables from construction contracts is included under trade receivables.

Advance payments received totaled €1,587.5 million (previous year: €2,595.6 million).

Receivables include security deposits in the amount of €7.2 million (previous year: €6.5 million).

Details of days overdue and impairments of trade receivables are as follows:

	2017	2016
Receivables neither overdue nor impaired	794.8	721.1
Receivables overdue but not impaired		
less than 30 days	90.3	161.2
30 to 90 days	39.2	42.9
91 to 180 days	12.6	21.7
more than 180 days	39.5	42.7
	181.6	**268.5**
Residual value of impaired receivables	2.9	7.4
Total	**979.3**	**997.0**

Impairments of trade receivables for default risks developed as follows:

	2017	2016
Opening balance	**24.5**	**25.5**
Changes in the consolidated group, currency differences	-3.5	-3.4
Allocations (impairment losses)	7.6	7.9
Utilization	1.8	2.0
Withdrawals (gains on impairment reversals)	4.5	3.5
Closing balance	**22.3**	**24.5**

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.

20 Other assets

Other assets primarily include value-added tax claims of €25.6 million (previous year: €39.4 million) and prepaid expenses of €15.6 million (previous year: €13.7 million).

21 Equity

The classification of equity and changes in equity are presented in the consolidated statement of changes in equity.

Share capital amounts to €132.6 million as of Dedcember 31, 2017. It is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share. Due to the cancellation of treasury shares, it declined in the reporting year by €5.5 million.

With the authorization granted by the Annual General Meeting of May 24, 2017, and the approval of the Supervisory Board, the Executive Board was given authority to acquire the company's own shares in an amount of the current share capital of up to €13,262,712.00 (10 percent of the company's share capital) until May 23, 2022. The company has no rights from these shares (Section 71b AktG). On the basis of this authorization, a total of 1,084,302 shares were purchased at an average price of €35.73. The amount attributable to subscribed capital was €3,252,906.00, representing 2.45 percent of the share capital.

By resolution of the Annual General Meeting of May 8, 2014, the Executive Board is authorized with the consent of the Supervisory Board until May 7, 2019 to increase the share capital of the company 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 May 24, 2017, the share capital was increased by up to €13,262,712 by the issue of up to 4,420,904 new bearer shares with an arithmetical value of €3.00 per share (contingent capital 2017). It serves to grant shares upon the exercise of conversion rights or option rights or upon the fulfillment of conversion obligations or option obligations in connection with bonds until May 23, 2022.

We refer to the explanation given in the combined management report for Bilfinger SE and the Bilfinger Group pursuant to Section 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.

21.1 Retained and distributable earnings

	2017	2016
Distributable earnings	44.2	46.0
Remeasurement of net defined pension plans	-141.0	-115.5
Employee share program	1.1	0.7
Other retained earnings	627.8	849.6
Total	**532.1**	**780.8**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE of the 2017 financial year of €44.2 million be appropriated as follows:

Distribution of a dividend of €1 per dividend-entitled share	42.5
Carried forward to new account	1.7
Total	**44.2**

A dividend in the amount of €44.2 million was paid out in the previous year.

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 €163.3 million before deferred taxes (previous year: €164.2 million) and €141.0 million after consideration of deferred taxes (previous year: €115.5 million).

As part of an **employee share program** in 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 employees, the periodic recognition of expenses from the program in financial years 2012 to 2017 as well as the first-time granting of these bonus shares in financial years 2014 and 2016 led to changes in retained earnings.

Further changes to retained earnings resulted from the granting of virtual shares to managers as part of the Bilfinger 2020 Executive Share Plan.

Other retained earnings principally comprise amounts established from earnings in the reporting period or in previous financial years.

21.2 Other reserves

The **fair-valuation of securities reserve** includes unrealized gains and losses on financial assets classified as available for sale and almost solely relates to equity-like participation rights in Triangle Holding II S.A. received as non-cash purchase price components from the sale of the former Building, Facility Services and Real Estate divisions (see Note 4.3).

The **reserve from hedging transactions** contains unrealized gains and losses from hedging highly probable future payments, taking into consideration any deferred tax effects.

The **currency translation reserve** reflects all currency differences arising from the translation of financial statements of foreign subsidiaries as well as of net investments in foreign operations.

22 Provisions for pensions and similar obligations

Various retirement benefit obligations exist at the Bilfinger Group, the heterogeneous nature of which is historically based in the development of the Group with numerous corporate acquisitions. They comprise both defined contribution pension plans and defined benefit pension plans.

With defined contribution pension plans, the company makes fixed contributions on a contractual or voluntary basis to an external pension fund. Beyond those contributions, the company has no legal or constructive payment obligations in the case that the pension fund should not be sufficient to provide the retirement benefit in full. The contributions are recognized as an expense for pension provision when they fall due. Obligations from multi-employer plans are accounted for as obligations from defined contribution pension plans, if sufficient information is not available to enable the enterprise to account for the plans as a defined benefit plans. The services of a pension fund in Germany are therefore financed on the basis of the coverage method. The employer contribution is determined depending on the employee contribution and the investment income. The contribution rate is determined by the pension fund. The employer has no obligation towards the pension fund beyond the payment of the fixed contributions, including in the case of withdrawal from the pension fund or unfulfilled obligations of other companies. The anticipated employer contributions in financial year 2018 amount to €2 million. This represents an insignificant portion of the total employer contributions to the pension fund.

Pension plans that do not meet the definition of defined contribution pension plans are deemed to be defined benefit plans. These are recognized at the balance-sheet date at the present value of the defined benefit obligation (DBO). If assets are set aside solely to pay or fund these obligations, those assets are defined as plan assets and are deducted at their fair value and the net amount is presented in the balance sheet. Any amount in excess of the obligation is presented as other financial assets.

Obligations from pension commitments are calculated separately for each plan by estimating the amounts of future pension entitlements. These are discounted to their present values at the end of the reporting period. A discount rate is used equivalent to the rate of return on high-grade corporate bonds with an AA rating denominated in the same currency as the pension obligations and with similar maturities. At the end of the reporting period, the amount of the pension obligations is actuarially calculated with consideration of assumptions on future developments and with application of the so-called projected-unit-credit method. The assumptions underlying the calculations are based on published country-specific statistics and on experience. In addition to estimates of future income and pension developments, they also include biometric assumptions. The latter are based on locally recognized mortality tables; these are the 2005 G Guideline Tables by Klaus Heubeck in Germany.

ACTUARIAL ASSUMPTIONS (WEIGHTED)	Euro zone	Other countries	Euro zone	Other countries
		2017		2016
Discount rate	1.60%	1.90%	1.60%	2.20%
Projected increase in wages and salaries	2.75%	1.85%	2.75%	2.05%
Projected pension increase	1.55%	0.45%	1.55%	0.25%

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	Other countries	Total	Eurozone	Other countries	Total
			2017			2016
Defined benefit obligation of funded pension plans	143.1	43.2	186.3	148.7	37.6	186.3
Defined benefit obligation of non-funded pension plans	242.9	33.2	276.1	248.0	36.3	284.3
Defined benefit obligation of all pension plans	**386.0**	**76.4**	**462.4**	**396.7**	**73.9**	**470.6**
in percent	83%	17%	100%	84%	16%	100%
Defined benefit obligation of funded pension plans	143.1	43.2	186.3	148.7	37.6	186.3
Fair value of plan assets	147.7	32.7	180.5	147.4	29.8	177.2
Funded status	**-4.6**	**10.5**	**5.8**	**1.3**	**7.8**	**9.1**
thereof provisions for pensions	6.6	10.5	17.1	12.3	7.8	20.1
thereof net assets	11.3		11.3	11.0		11.0
Provision for funded pension plans	6.6	10.5	17.1	12.3	7.8	20.1
Provision for non-funded pension plans	242.9	33.2	276.1	248.0	36.3	284.3
Provisions for pensions and similar obligations, total	**249.5**	**43.7**	**293.2**	**260.3**	**44.1**	**304.4**

In the Euro zone, the present value of future pension obligations relates mainly to Germany with €319.5 million (previous year: €327.0 million) while a further €57.4 million relates to obligations in Austria (previous year: €60.8 million). Outside the Euro zone, the pension plans relate to Scandinavia and Switzerland in particular.

The pension plans of Group companies in Germany are generally structured so that employees receive commitments to retirement, invalidity and dependents pensions in the form of lifetime annuities whose amount depends on the length of time worked at the Group and partially also on an employee's level of wage or salary. In addition to direct pension commitments, generally to managerial staff, commitments exist at the Bilfinger Group in the context of company agreements often reached indirectly through 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 dependents pensions granting the employees entitlement to annual contribution credits to an individual retirement benefit account. The amount of the contribution credits is staggered by contribution group or for managerial staff is contractually agreed. Furthermore, employees have the possibility to make additional contributions out of their wages or salaries in order to improve their company pensions. The interest paid on the respective retirement benefit account balances is based on the returns achieved on the related plan assets, whereby a minimum return of 2 percent per annum is guaranteed by the company. Pension payments can, if applicable and desired by the employee, be made in a lump sum, in installments or in the form of an annuity after the employee has left the company, but at the earliest at the age of 60. Due to the fact that payments are made on a defined contribution basis, risks from deviations of the actual developments from biometric assumptions are largely excluded.

In order to protect employees' rights from these and additional pension commitments, assets have been placed in a contractual trust arrangement (CTA), based on the model of a two-way trust and protected against insolvency. In this context, Bilfinger SE had previously transferred assets to the administration of an independent trustee. With regard to investment policy, the trustee is bound by the decisions of an 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.

Pension plans in Austria in particular are claims to severance payments in accordance with national regulations which arose before 2003 and are to be paid as lump sums following termination of employment by the employer or upon retirement. Since 2003, employers have had to pay wage-related contributions to an employee benefit fund in order to finance those claims. These plans qualify as defined contribution plans and the related expenses are therefore recognized as soon as a payment obligation arises.

PENSION PLANS	Funded	Funded provisions	Total	Funded	Funded provisions	Total
			2017			2016
Defined benefit obligation at January 1.	**186.3**	**284.3**	**470.6**	**319.0**	**463.9**	**782.9**
Reclassification to liabilities classified as held for sale	1.1	0.0	1.1	0.0	-0.3	-0.3
Interest expense	2.4	4.9	7.3	3.8	5.7	9.5
Service cost	1.7	5.2	6.9	1.8	4.5	6.3
Current service cost	1.7	5.2	6.9	2.3	4.5	6.8
Past service cost	0.0	0.2	0.2	-0.5	0.0	-0.5
Gains / losses on settlements	0.0	-0.2	-0.2	0.0	0.0	0.0
Settlement payments	-1.0	-0.5	-1.5	-3.1	-1.0	-4.1
Pension payments	-14.0	-13.9	-27.9	-16.7	-12.5	-29.2
Employee contributions	10.2	0.1	10.3	3.0	0.1	3.1
Currency adjustments	-2.7	-1.0	-3.7	1.1	0.9	2.0
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.1	0.1	-133.4	-226.1	-359.5
Transfers to / from other companies	-1.1	2.4	1.3	0.0	0.1	0.1
Remeasurement gains (-) / losses (+)	3.4	-5.5	-2.1	10.8	49.0	59.8
from changes in demographic assumptions	0.0	0.0	0.0	-0.4	0.0	-0.4
from changes in financial assumptions	0.3	-0.4	-0.1	9.8	52.8	62.6
from experience adjustments	3.1	-5.1	-2.0	1.4	-3.8	-2.4
Defined benefit obligation at December 31	**186.3**	**276.1**	**462.4**	**186.3**	**284.3**	**470.6**

Pension plans, continued >

< Pension plans, begin

PENSION PLANS	Funded	Funded provisions	Total	Funded	Funded provisions	Total
			2017			2016
Fair value of plan assets at January 1	177.2		177.2	282.2		282.2
Reclassification from assets classified as held for sale	1.2		1.2	0.0		0.0
Interest income on plan assets	2.8		2,8	3.8		3.8
Settlement payments	-1.0		-1,0	-3.0		-3.0
Pension payments	-14.0		-14,0	-16.7		-16.7
Allocations to fund (company contributions)	9.0		9,0	8.7		8.7
Allocations to fund (employee contributions)	10.4		10,4	3.2		3.2
Currency adjustments	-2.5		-2,5	1.0		1.0
Additions to the consolidated group	0.0		0,0	0.0		0.0
Disposals from the consolidated group	0.0		0,0	-103.5		-103.5
Transfers to / from other companies	-1.7		-1,7	0.2		0.2
Remeasurements	-0.9		-0,9	1.3		1.3
Fair value of plan assets at December 31	180.5		180.5	177.2		177.2
Defined benefit obligation at December 31	186.3	276.1	462.4	186.3	284.3	470.6
Fair value of plan assets at December 31	180.5		180.5	177.2		177.2
Funded status at December 31	-5.8	-276.1	-281.9	-9.1	-284.3	-293.4
Net pension provisions at December 31	17.1	276.1	293.2	20.1	284.3	304.4
Net plan assets at December 31	11.3		11.3	11.0		11.0
Gains / losses recognized in profit or loss						
Current service cost	-1.7	-5.2	-6.9	-2.3	-4.5	-6.8
Past service cost	0.0	-0.2	-0.2	0.5	0.0	0.5
Gains / losses on settlements	0.0	0.2	0.2	0.0	0.0	0.0
Net interest cost (-) / income (+)	0.4	-4.9	-4.5	0.0	-5.7	-5.7
Net pension cost	-1.3	-10.1	-11.4	-1.8	-10.2	-12.0

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.

The defined contribution pension expense amounted to €25.9 million (previous year: €28.0 million).

The weighted average duration of the pension obligations is 13.1 years (previous year: 13.5).

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2017	Dec. 31, 2016
Total assets	**180.5**	177.2
Assets with a quoted market price	**159.7**	147.8
Cash and cash equivalents	31.2	8.7
Equity instruments	2.1	1.6
thereof shares Europe, North America and Australia	2.0	1.5
thereof shares emerging markets	0.1	0.1
Debt instruments	48.5	46.1
thereof government bonds	19.7	19.4
thereof corporate bonds investment grade	10.5	13.3
thereof corporate bonds non-investment grade	0.3	0.8
thereof covered bonds	18.0	12.6
Investment funds	75.3	90.2
thereof equity funds	5.3	3.8
thereof bond funds	7.9	18.8
thereof money-market funds	1.8	4.8
thereof other funds	60.3	62.8
Other assets	2.5	1.2
Assets without a quoted market price	**20.8**	**29.4**
Equity instruments	0.2	3.6
thereof shares	0.0	3.4
thereof other equity instruments	0.2	0.2
Debt instruments	0.0	1.1
Real-estate properties	2.2	2.9
Qualifying insurance policies	18.4	19.1
Other assets	0.0	2.7

For 2018, contribution payments to pension plans in the amount of €26 million are planned.

The pension obligations, which exist as of the balance-sheet date, are expected to result in the following – undiscounted – cash outflows in the next ten financial years:

EXPECTED PENSION PAYMENTS

	2018	2019	2020	2021	2022	2023-27
	22	22	23	26	24	109

Contributions of €65.8 million were paid to state pension insurance institutions (previous year: €68.9 million).

Due to the pension plans, the Group is exposed to various risks. A reduction in the interest rate used to discount the provisions for pensions (interest rate for high-grade corporate bonds) would cause the pension obligations to increase. There would be corresponding effects from higher-than-expected income and pension increases. Higher life expectancies than assumed would also lead to an increase in pension obligations, especially when fixed benefits are paid which are independent of the contributions paid in the past. If plan assets exist to cover the pension obligations, it is assumed that they accrue interest at the rate of interest used to discount defined benefit obligations. If the actual interest rate is lower, this leads to an increase in the net pension obligations. For pension plans denominated in foreign currencies, exchange-rate risks also exist.

The following sensitivity analysis shows the change in the pension obligations (DBO) in millions of euros caused by a change in one of the assumptions upon which the calculation is based when all the other assumptions remain unchanged. The calculation methods are otherwise unchanged.

SENSITIVITY ANALYSIS ON ACTUARIAL ASSUMPTIONS

	Defined benefit obligation Dec. 31, 2016	
	0.5 percentage point increase	0.5 percentage point decrease
Discount rate	-21.4	24.3
Projected increase in wages and salaries	7.0	-6.7
Projected pension increase	13.8	-12.4
	1 year increase	1 year decrease
Life expectancy	13.0	-12.2

23 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**
Balance at January 1, 2017	**38.6**	**129.1**	**44.3**	**57.9**	**67.5**	**219.6**	**518.4**	**557.0**
Utilization	14.9	47.0	6.0	61.9	34.7	66.5	216.1	231.0
Release	0.6	23.2	7.7	3.6	5.6	35.6	75.7	76.3
Additions	11.2	58.6	11.7	60.7	17.2	96.9	245.1	256.3
Currency adjustments	-0.3	-1.3	-0.2	-2.2	-2.0	0.8	-4.9	-5.2
Changes in the consolidated group	0.0	-0.3	-1.0	-0.4	-1.4	-1.4	-4.5	-4.5
Reclassification of disposal group	0.1	6.8	1.8	-1.4	-3.8	3.0	6.4	6.5
Balance at December 31, 2017	**34.1**	**122.7**	**42.9**	**49.1**	**37.2**	**216.8**	**468.7**	**502.8**

Maturities of current tax liabilities and other provisions

	Non-current		Current		Total	
	2017	2016	**2017**	2016	**2017**	2016
Current tax liabilities	**0.0**	0.0	**34.1**	38.6	**34.1**	38.6
Other provisions	**26.7**	28.7	**442.0**	489.7	**468.7**	518.4
Risks relating to contracts and litigation	0.1	0.1	122.6	129.0	122.7	129.1
Warranty risks	5.2	3.4	37.7	40.9	42.9	44.3
Personnel-related obligations	19.4	21.2	29.7	36.7	49.1	57.9
Restructuring measures	0.0	0.0	37.2	67.5	37.2	67.5
Other uncertain liabilities	2.0	4.0	214.8	215.6	216.8	219.6
Total	**26.7**	28.7	**476.1**	528.3	**502.8**	557.0

Risks relating to contracts and litigation primarily comprise provisions for risks from current projects, provisions for reworking and provisions for litigation risks.

Warranty risks primarily comprise provisions for warranties related to individual cases from the valuation of projects.

Personnel-related obligations mainly consist of provisions for employee anniversaries and pre-retirement part-time employment as well as provisions for personnel severance compensation that do not relate to restructuring measures. The amount of employee anniversaries and pre-retirement part-time employment is calculated annually by external experts.

The provisions for restructurings include mainly expenses for staff reductions.

Other contingent liabilities include, inter alia, provisions for risks in connection with discontinued operations, provisions for contingent losses, costs of annual financial statements, compensation for damages, consultant costs and other miscellaneous provisions.

24 Financial debt

	Non-current		Current		Total	
	2017	2016	**2017**	2016	**2017**	2016
Bonds	500.0	500.0	0.0	0.0	500.0	500.0
Bank debt	0.0	0.1	0.0	9.0	0.0	9.1
Finance leases	9.0	9.7	2.3	2.5	11.3	12.2
Financial debt	**509.0**	**509.8**	**2.3**	**11.5**	**511.3**	**521.3**

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.

In the reporting year, financial debt developed as follows:

	December 31, 2016	Cash changes	Non-cash changes				December 31, 2017
			Changes in the consolidated group	Reclassification of disposal group	Currency adjust-ments	Fair value	
Bonds	500.0	–	–	–	–	–	500.0
Bank debt	9.1	0.0	–	-8.5	-0.6	–	0.0
Finance leases	12.2	-0.9	–	–	–	–	11.3
Financial debt	**521.3**	**-0.9**	**–**	**-8.5**	**-0.6**	**–**	**511.3**

25 Trade and other payables

	2017	2016
Trade receivables	401.1	390.2
Advance payments received from construction contracts	91.0	123.0
Liabilities to joint ventures and consortiums	23.6	16.5
Liabilities to companies in which equity is held	3.4	4.4
	519.1	**534.1**
Liabilities from derivatives, current		
not in hedging relationships	1.4	2.6
	1.4	**2.6**
Other current financial, non-derivative liabilities	119.3	144.8
Trade and other payables	**639.8**	**681.5**

26 Other liabilities

	2017	2016
Liabilities for sales tax and other taxes	77.1	66.2
Personnel obligations	100.1	100.6
Social-security levies	31.9	30.0
Deferred income and / or accrued expenses	10.2	14.1
Total	**219.3**	**210.9**

27 Additional information on financial instruments

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
				2017		2016
Assets						
Equity interests (available for sale, at cost)	–	AfS-aC	0.4	–	1.3	–
Receivables	2	LaR	996.0	996.0	1,019.3	1,019.3
Other financial, non-derivative assets	2	LaR	161.3	161.3	171.2	171.2
Securities, listed	1	AfS	14.5	14.5	0.0	0.0
Securities, non-listed	3	AfS	210.5	210.5	195.7	195.7
Securities	2	HtM	0.1	0.1	0.1	0.1
Marketable securities	1	FAHfT	149.8	149.8	0.0	0.0
Cash and cash equivalents	1	LaR	617.1	617.1	1,032.2	1,032.2
Derivatives						
not in hedging relationships	2	FAHfT	1.0	1.0	0.9	0.9
Equity & liabilities						
Financial debt, bonds	1	FLAC	500.0	517.3	500.0	514.3
Financial debt, without bonds and finance leases	2	FLAC	0.0	0.0	9.1	9.1
Finance leases	2	(IAS 17)	11.3	16.4	12.2	17.8
Liabilities	2	FLAC	519.1	519.1	534.1	534.1
Other non-derivative liabilities	2	FLAC	119.3	119.3	144.8	144.8
Derivatives						
not in hedging relationships	2	FLHfT	1.4	1.4	2.6	2.6

Additional information on financial instruments, continued >

< Additional information on financial instruments, begin

	Level according to IFRS 13 hierarchy	IAS 39 category	Carrying amount	Fair value	Carrying amount	Fair value
			2017		2016	
Valuation category						
Loans and receivables		LaR	1,774.5	1,774.5	2,222.7	2,222.7
Available-for-sale financial assets		AfS	225.0	225.0	195.7	195.7
Available-for-sale financial assets at cost		AfS-aC	0.4	–	1.3	–
Held-to-maturity financial investments		HtM	0.1	0.1	0.1	0.1
Financial assets held for trading		FAHfT	150.8	150.8	0.9	0.9
Financial liabilities held for trading		FLHfT	1.4	1.4	2.6	2.6
Financial liabilities at amortized cost		FLAC	1,138.4	1,155.6	1,188.0	1,202.3

	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
		2017		2016	
Aggregated presentation according to IFRS 13 hierarchy levels					
Assets	1	164.3	617.1	0.0	1,032.2
	2	1.0	1,157.4	0.9	1,190.6
	3	210.5	0.0	195.7	0.0
Liabilities	1	0.0	517.3	0.0	514.3
	2	1.4	654.8	2.6	705.8
	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 listed available-for-sale securities, of the marketable securities and of the financial debt from the bond issued in financial year 2012 are derived from the respective stock-exchange prices.

The fair values of the non-listed available-for-sale securities (equity-like participation rights in the sold former Building, Facility Services and Real Estate divisions, see Note 4.3) are valued using a combined discounted-cash-flow and multiple method on the basis of financial planning (unobservable input) and discount rates calculated using the capital-asset-pricing model or multiples (observable input). Any changes to the planned results or cash flows have a direct impact on the fair value. The change to fair value in the amount of €15.1 million was recognized in the fair-value measurement of securities reserve. This resulted primarily from updated planning figures.

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 to the following IFRS 13 measurement hierarchy based on the quality and objectiveness of the inputs used in valuation:

Level 1: Current (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Market data other than the inputs in Level 1 such as prices in active markets for similar assets or liabilities, prices for identical assets or liabilities in markets that are not active, market-corroborated inputs (interest rates, implied volatilities, credit spreads) and derived prices or valuation inputs. Level 2 inputs may have to be adjusted to reflect the features of the asset or liability being measured (condition, location, market activity, etc.).

Level 3: Unobservable inputs, i.e., not market data but estimates and the Group's own information. This data is to be adjusted so that it reflects the assumptions of the (fictive) market participants.

The assessment as to whether financial assets and liabilities are to be reclassified between the different levels of the IFRS 13 hierarchy levels is made at the end of the reporting period. No reclassifications between the IFRS 13 measurement hierarchy levels took place in the reporting year.

Net earnings from financial instruments classified according to IAS 39 measurement categories are as follows:

		2017	2016
Valuation category			
Loans and receivables	LaR	-10.2	-5.8
Available-for-sale financial assets	AfS	-10.3	-15.6
Financial instruments held for trading	FAHfT & FLHfT	-0.4	1.9
Financial liabilities at amortized cost	FLAC	-0.2	-1.2

Interest and dividends are not components of net earnings shown.

The net earnings of the measurement category *loans and receivables* include impairments (reporting year: €12.4 million, previous year: €9.0 million), reversals and income / expense from currency translation.

The net earnings of the measurement category *available-for-sale financial assets* include impairments (reporting year: €10.5 million, previous year: €16.1 million) as well as gains / losses realized on disposals.

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 (see Note 19).

The derivatives contracted by Bilfinger are partially subject to legally enforceable netting arrangements (ISDA agreement, German framework contract for currency futures), which however do not allow any offsetting of receivables and payables in the balance sheet under IAS 32.42, i.e., there is no current legally enforceable right to offsetting with the simultaneous intention to settle on a net basis, but the right to offset in the case of delayed payment or insolvency on the part of a contracted party. These items are therefore presented in the balance sheet on a gross basis. The carrying amount of the derivatives that were subject to offsetting agreements with positive fair values is €0.9 million (previous year: €0.9 million); the carrying amount of the corresponding derivatives with negative fair values is €1.4 million (previous year: €2.5 million). The offset-table amount is €0.4 million (previous year: €0.9 million). This results in arithmetical net assets of €0.5 million (previous year: €0 million) and net liabilities of €1.0 million (previous year: €1.6 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

28 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 Corporate

Treasury. All relevant equity interests and joint ventures are included in this monitoring. There is no extraordinary concentration of risk.

Fundamental questions of risk management such as defining or reviewing methods, limits or risk strategies are dealt with by a steering committee with the direct involvement of the Executive Board.

Liquidity risk is the risk that a company will have difficulties fulfilling the payment obligations arising from its financial liabilities. As a result of an unexpected negative business development, increased financing needs can occur in the operating units. At the same time, a negative business development can also lead to a changed creditworthiness assessment of Bilfinger, particularly by rating agencies and banks, which can lead to more difficult and more expensive financing or more difficult and more expensive provision of securities and guarantees. In addition, external financing can result in a worsened dynamic gearing ratio. This metric is limited by the financial covenant. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE provides its subsidiaries with the required liquidity. 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. To finance working capital, we have a €300 million pre-approved credit line in place until June 2022.This includes a customary financial covenant in the form of a limitation of the dynamic gearing ratio net debt/EBITDA. The value as of December 31, 2017, is negative and substantially below the contractually agreed cap due to a net cash position. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and services business with a volume of about €1,200 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a U.S. surety program in the amount of 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 following chart shows the future contractual undiscounted payments on financial liabilities as of December 31, 2017 and December 31, 2016 (repayments, capital repayments, interest and derivatives with negative fair values). For derivative financial liabilities to be fulfilled on a gross basis (currency derivatives), payments received and payments made are shown; for derivative financial liabilities to be fulfilled on a net basis (interest-rate derivatives and commodity derivatives), net payments are shown.

	Carrying amount	Total	2018	2018	2020	2021-24	> 2024
2017							
Financial debt, excluding finance leases	500.0	**523.8**	11.9	511.9	–	–	–
Finance leases	11.3	**17.6**	3.3	1.0	1.0	5.8	6.5
Liabilities	519.1	**519.1**	518.2	0.9	0.0	0.0	–
Other financial, non-derivative liabilities	119.3	**119.3**	119.3	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	–					
Derivative financial liabilities to be fulfilled on a gross basis	1.4						
Payments received		**124.8**	124.8	–	–	–	–
Payments made		**125.9**	125.9	–	–	–	–
		1.1	1.1	–	–	–	–

	Carrying amount	Total	2017	2018	2019	2020-23	> 2023
2016							
Financial debt, excluding finance leases	509.1	**544.8**	21.0	11.9	511.9	–	–
Finance leases	12.2	**17.8**	2.7	1.0	0.2	6.1	7.8
Liabilities	534.1	**534.1**	533.8	0.2	0.1	–	–
Other financial, non-derivative liabilities	144.8	**144.8**	144.8	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	0.0	**0.0**	0.0	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	2.6						
Payments received		**218.6**	218.6	0.0	0.0	–	–
Payments made		**221.1**	221.1	0.0	0.0	–	–
		2.5	2.5	0.0	0.0	–	–

With its international operations, the Bilfinger Group is subject to various **market-price risks**, relating in particular to currency exchange rates, interest rates and the market values of marketable securities. We counteract market-price risks by protecting against certain currency, interest rate and commodity risks through derivative financial instruments. Our centralized controlling of market-price risks allows us to net out cash flows and financial positions to a large extent. We make use of derivative financial instruments to minimize residual risks and the resulting fluctuations in earnings, valuations and cash flows. Depending on the development of exchange rates and interest rates, hedging transactions could affect our net assets and financial position. We therefore do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges.

Currency risk is the risk that the fair values or future payments of financial instruments might change due to exchange-rate movements. As a globally active company, we are subject to exchange rate fluctuations, e.g. between the euro and the U.S. dollar, since a portion of our volume of business is generated in the USA. An appreciation of the euro, in particular against the U.S. dollar, could thus have a negative impact on our earnings situation. 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. 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. Negative developments in the financial markets and changes to the policies of central banks could have a negative impact on our earnings. 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.

Bilfinger uses the value-at-risk method to quantify market-price risks. The value at risk is the potential loss of a particular risk position that, with a probability of 95 percent, will not be exceeded during the next five days. The calculation takes place on the basis of the variance-covariance approach. The value at risk is the maximum possible loss on the basis of the specified parameters, but does not make a statement on the distribution of loss or expected extent of loss if it is actually exceeded.

When calculating the value at risk for currency risks, potential changes in the valuation of the monetary financial instruments (cash and cash equivalents, receivables, interest-bearing debt, liabilities) that are not denominated in the functional currency and currency derivatives are taken into consideration.

The value at risk for the risk of changes in interest rates takes into consideration potential changes in the valuation of financial instruments that are measured at fair value. This generally relates mainly to interest rate swaps, which are hedging instruments within the scope of cash flow hedges. In the reporting year and in the previous year, no relevant instruments were held so that there was no corresponding interest rate risk.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the volume of financial instruments held at the end of the reporting period. It is assumed that the volume at the balance-sheet date is representative of the whole year.

The value at risk for currency risks amounts to €0.1 million (previous year: €0.2 million).

Market value risk of marketable securities is the risk that the fair values or future payments of financial instruments might change due to market price movements. Bilfinger invests strategic liquidity mainly in publicly-listed bond funds and mixed funds and manages these investments using a maximum loss limit. If the price level as of the balance sheet date had been 1 percent below the price on December 31, 2017, this would have led to a reduction in other financial income/expense in the amount of €1.5 million.

Default risk is the risk that a contracting party of a financial instrument does not fulfill its payment obligations. Positive market values and the investment of liquid funds in banks result in credit risks from these banks. In the case of a collapse of the bank, there is the risk of a loss, which can have a negative impact on our net assets and financial position. We counter these risks by concluding relevant financial transactions with such banks that have a short-term public rating of at least A. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place.

The risk of default on receivables in our business operations is regularly monitored and controlled by the companies of the Group. In this context, use is made, for example, of guarantees and sureties.

In connection with receivables and other financial non-derivative assets, possible default risks are reflected by impairments.

The maximum default risk connected with financial assets (e.g., cash and cash equivalents, securities, loans, receivables, derivative financial instruments) is equal to their carrying amounts in the balance sheet.

Due to this consistent application of the financing policy, there were no negative effects on the Group's financial position or earnings in the past financial year.

Hedging instruments

The following table shows the fair values of the various types of derivative financial instruments that Bilfinger uses to hedge market-price risks. A difference is made depending on whether they are designated as hedging instruments in a hedge accounting relationship pursuant to IAS 39.

	2017	2016
Derivatives with positive fair values		
not in hedging relationships		
Currency derivatives	1.0	0.9
	1.0	**0.9**
Total derivatives with positive fair values	**1.0**	0.9
Derivatives with negative fair values		
not in hedging relationships		
Currency derivatives	1.4	2.6
	1.4	**2.6**
Total derivatives with negative fair values	**1.4**	2.6

Other disclosures

29 Additional information on capital management

The goal of capital management at Bilfinger is to maintain a strong financial profile. In addition to securing liquidity and limiting financial risks, the focus is on maintaining sufficient financial flexibility as a precondition for the continuous further development of our business portfolio. We aim to optimize the total cost of capital on the basis of an adequate capital structure.

As a significant key performance indicator we use the dynamic gearing ratio (adjusted net debt / adjusted EBITDA) which – in line with the systematic from Standard & Poor's – should be in a corridor between a maximum of 2 and 3. As of December 31, 2017, the figure was 1.8.

Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's. The rating remains unchanged at BB+ / stable outlook.

On the basis of mid-term corporate planning and with a view to various acquisition and development scenarios, the financial scope for action is regularly analyzed in terms of any action that might need to be taken.

30 Contingent liabilities and other financial obligations

	2017	2016
Liabilities from guarantees	54.6	340.5

Contingent liabilities generally relate to guarantees provided for former Group companies that were sold and companies in which Bilfinger holds a minority interest, the vast majority of which are collateralized by the buyers of the former Group companies. There are bank guarantees in the amount of €31.8 million in place for this. In addition, we are jointly and severally liable as partners in companies constituted under the German Civil Code and in connection with consortia 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 maintenance and servicing as well as other supply and service relationships. At this time, however, Bilfinger does not expect that these legal disputes will result in any significant negative effects on its financial position, cash flows or profitability.

Important ongoing damage cases include the incident regarding the *collapse of the Cologne Municipal Archives* in 2009. There are multiple ongoing independent investigations to determine the cause of the collapse and the magnitude of the resulting damages. The cause of the damages as well as the size of the claim have not yet been determined. Bilfinger participates with a share of one third in the joint venture that was commissioned with the construction of an underground rail line in front of the former location of the municipal archives. In 2018, legal proceedings commenced against individual and, in part, former staff of the employer and the joint venture construction company.

There now exists a preliminary assessment of the potential magnitude of the damages to the contents of the archive. For legal reasons amongst others, this assessment is highly controversial. From today's perspective, we expect that in case of a proportionate availment we would, if necessary, have sufficient insurance coverage. Should risks from this case occur, claims would also be made against the partners of the commissioned joint venture who are jointly and severally liable. Bilfinger, however, assesses the risk of the sole claim in relation to third parties with a simultaneous refusal of a settlement from the partners in an internal relationship from joint liability as relatively low. There are no specific indications that the partners of the joint venture will not meet their obligations.

The insurance coverage does not include the costs of rehabilitation that go beyond the original construction costs for the structure, among other things. From today's perspective, sufficient provisions have been taken for any burdens that may arise as a result.

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	
	2017	2016
< 1 year	60.4	88.1
1-5 years	110.7	156.8
> 5 years	36.4	46.6

The future payments from non-terminable operating leases primarily relate to real estate, scaffolding, items of equipment and furnishings, and vehicles. Some of the contracts include extension options and price adjustments clauses.

The expenses recognized in profit or loss of operating leases amounted to €181.0 million in 2017 (previous year: €188.3 million).

31 Notes to the statement of cash flows

The structure of the statement of cash flows was changed as compared to the previous year. *Earnings before taxes from continuing operations* now serves as a basis for the statement of cash flows prepared using the indirect method instead of *earnings after taxes from continuing operations* which was used previously. Interest and dividends received continue to be reported under cash flow from operating activities, while interest paid is now included under cash flow from financing activities. Accordingly, interest paid in the amount of -€19.2 million (previous year: -€20.7 million) is no longer shown in *cash flow from operating activities* but rather in *cash flow from financing activities*. Furthermore, the total of cash flows from continuing and discontinued operations is now presented for each of the three areas of operating activities, investing activities and financing activities.

The presentation of figures from the prior-year period was adjusted accordingly.

The development of financial debt is explained in Note 24.

32 Executive and Supervisory Board

More details on the remuneration of members of the Executive Board and the Supervisory Board are included in the remuneration report which is a component of the combined management report.

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).

€ thousands	Non-performance-related remuneration				Performance-related remuneration				Total remuneration		Expense recognized from share-based remuneration	
	Fixed remuneration		Fringe benefits		Short-Term incentive		Long-Term incentive (share-based)					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Tom Blades (from July 1, 2016, Chairman)	1,400[1]	3,200[3]	40	19	0	500	1,071	407	2,511	4,126	1,071	407
Dr. Klaus Patzak (from October 1, 2016 Chief Financial Officer)	700	175	39	10	650	163	650	206	2,039	554	650	206
Michael Bernhardt (from November 11, 2015 member of the Executive Board)	700[2]	600	37	36	0	500	482	505	1,219	1,641	482	546
Per H. Utnegaard (June 1, 2015 until May 31, 2016, Chairman)	–	500	–	5	–	–	–	–	–	505	–	341
Axel Salzmann (April 4, 2015 until September 30, 2016, Chief Financial Officer)	–	700[4]	–	21	–	0	–	379	–	1,100	–	650
Dr. Jochen Keysberg (until September 6, 2016, member of the Executive Board)	–	409	–	73	–	0	–	349	–	831	–	639
Executive Board total	**2,800**	**5,584**	**116**	**164**	**650**	**1,163**	**2,203**	**1,846**	**5,769**	**8,757**	**2,203**	**2,789**

1 Including one-time payment of €200 thousand
2 Including one-time payment of €100 thousand
3 Including one-time payment of €2,600 thousand
4 Including one-time payment of €250 thousand

Total remuneration as defined by IAS 24 was €6,629 thousand (previous year: €11,908 thousand). Of that amount, €3,266 thousand was accounted for by short-term employee benefits (previous year: €6,911 thousand), €1,160 thousand by post-employment benefits (previous year: €1,241 thousand), €0 thousand by termination benefits (previous year: €967 thousand) and €2,203 thousand by long-term share-based remuneration (previous year: €2,789 thousand).

The total remuneration paid to former members of the Executive Board or their surviving dependents amounted to €2,715 thousand (previous year: €4,602 thousand). This figure also includes compensation for non-competition. The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €29,978 thousand (previous year: €32,625 thousand).

The total remuneration of the members of the Supervisory Board amounts to €1,557 thousand (previous year: €1,448 thousand), including reimbursement of expenses in the amount of €119 thousand (previous year: €85 thousand). Mr. Knerler was paid for his advisory role with the Group Works Council, approved by the Supervisory Board, a consulting fee in the amount of €103 thousand net in financial year 2017.

33 Share-based payment

For members of the Executive Board, a long-term incentive plan (LTI) exists, which includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). The number of the PSUs is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as well as the development of the total shareholder return value (TSR value) of the Bilfinger share in relation to the TSR value of the shares of the MDAX-listed companies. At the end of the performance period, members of the Executive Board receive a number of real shares corresponding to the final number of PSUs. The determination of the fair value of a PSU is based on the requirements of IFRS 2 for equity-settled share-based payments at the grant date. The measurement is conducted on the basis of a generally-accepted Financial-mathematical method. In the Monte Carlo simulation used for this purpose, a large number of possible development paths of the Bilfinger share are simulated, in addition to comparative values from the MDAX. The parameters underlying the measurement are derived in a systematic process. Annualized volatility and correlations are determined on the basis of historical daily returns. The risk-free interest rate was determined on the basis of the level of return of German government bonds with matching maturities. The following average parameter values were taken into consideration when assessing the LTI 2017:

Annualized volatility of the Bilfinger share	38.9%
Average annualized volatility of MDAX companies	29.5%
Average correlation of the Bilfinger share to MDAX values	60.4%
Risk-free interest rate	-0.6%

The weighted average fair value of the PSU granted in the financial year was €27.55 at granting (previous year: €28.47).

	PSUs outstanding as of January 1, 2017	PSUs granted as of January 1, 2017	PSUs forfeited as of December 31, 2017	PSUs outstanding as of December 31, 2017	Weighted average residual term of the LTI tranches in years
Tom Blades	21,572	38,878	–	60,450	1.7
Dr. Klaus Patzak	7,694	23,605	–	31,298	1.8
Michael Bernhardt	16,865	17,495	2,281	32,078	1.5
Per H. Utnegaard	17,743	–	17,743	–	–
Axel Salzmann	21,203	–	10,265	10,938	1.0
Dr. Jochen Keysberg	23,768	–	13,687	10,081	1.0
Total	**108,844**	**79,978**	**43,977**	**144,845**	**1.5**

More details on the above-mentioned components of remuneration for members of the Executive Board are included in the remuneration report, which is a component of the combined management report.

Within the context of the remuneration system that was previously valid, members of the Executive Board received variable remuneration according to a profit-sharing model. The members of the Executive Board therefore received remuneration related to the average of the earnings before taxes (EBT) generated in the past three financial years, of which only 65 percent was paid out immediately. The remaining 35 percent (deferral) was 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 assessment of the deferral was made in accordance with the requirements of IFRS 2 for cash-settled share-based payments at the balance-sheet date; the fair value as of December 31, 2017 was €0 thousand (previous year: €925 thousand).

In financial year 2017, the Bilfinger 2020 Executive Share Plan was introduced which presents a one-time long-term remuneration in the form of virtual shares with a term of four years for top management. The share awards follow in tranches each representing 20 percent of the target amount for the years 2017 until 2019 as well as 40 percent of the target amount for the year 2020 and grant an entitlement to shares in Bilfinger SE which the beneficiaries receive following the fulfillment of the plan conditions at the end of the term. For each financial year of the plan term, the Executive Board defines target values for the adjusted EBITA margin. If these targets are met, the conditional share awards for the relevant tranche cannot be reversed. Insofar as the target value in the financial year is not achieved, the entitlement from the relevant tranche is forfeited. In the financial year, 137,703 virtual shares were granted. The fair value of a virtual share at the grant date amounted to €33.0, valued with the price of the Bilfinger share at the grant date less the cash value of the expected dividends during the vesting period.

Equity-settled share-based payments also 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. At the end of 2017, 4,358 share packages each of five shares were owned by employees, which allow them to receive the corresponding number of Bilfinger shares in 2018 at no cost, provided the vesting conditions are met.

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 €2.7 million (previous year: income of €2.8 million).

34 Related-party disclosures

Related parties as defined by IAS 24 are persons or entities that can be influenced by the reporting company or that can exert a significant influence on the reporting company.

The significant transactions between fully consolidated companies of the Group and related parties mainly involved associates, joint ventures and non-consolidated subsidiaries. They are shown in the table below.

	Associates		Joint ventures		Non-consolidated subsidiaries	
	2017	2016	**2017**	2016	**2017**	2016
Revenue	0.0	0.1	20.8	28.0	0.1	0.2
Services received	42.4	31.2	0.0	0.0	3.1	2.6
Receivables	0.6	0.1	7.3	3.9	2.1	7.9
Liabilities	0.0	1.7	0.5	0.4	2.8	2.2
Guarantees granted	0.0	0.0	0.0	0.0	2.7	2.7

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 March 17, 2017, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 29.53 percent of voting rights with respect to Bilfinger SE capital. Over the past financial year and as in the previous 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 2017 financial year. The amounts of these services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are shown as 'thereof' in the following table.

	2017	2016*
Audit fees	3.5	4.2
(thereof in Germany)	1.8	2.1
Other assurance fees	0.7	0.1
(thereof in Germany)	0.7	0.0
Tax-consulting services	0.3	0.5
(thereof in Germany)	0.0	0.1
Other services	0.6	1.4
(thereof in Germany)	0.5	1.3
Total	5.1	6.2

* The disclosure was adjusted in accordance with IDW RS HFA 36 n. F.

Fees for other assurance services include for the most part audits of the internal control system. Fees for other services are for project-related consultancy services.

36 Declaration of Compliance

Bilfinger SE is included in the consolidated financial statements as a listed company.

On February 22, 2018, the Executive Board and the Supervisory Board issued the annual Declaration of Compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) and made this permanently available to shareholders on our website as of that date.

37 Events after the balance-sheet date

There have been no significant events since the balance-sheet date.

38 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 Bilfinger website at: http://www.bilfinger.com/fileadmin/corporate_webseite/investor_relations/berichterstattung/2018/Bilfinger_2017_GB_e_Anteilsbesitz.pdf

D Explanations and additional information

D.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of Bilfinger SE, includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 1, 2018
Bilfinger SE
The Executive Board

Tom Blades | Dr. Klaus Patzak | Michael Bernhardt

D.2 Reproduction of the auditor's report

We issued the following auditor's report on the consolidated financial statements and the group management report, which is combined with the management report of Bilfinger SE:

"Independent auditor's report

To Bilfinger SE

Report on the audit of the consolidated financial statements and the group management report

Opinions

We have audited the consolidated financial statements of Bilfinger SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated income statement and statement of comprehensive income for the fiscal year from 1 January to 31 December 2017, the consolidated balance sheet as of 31 December 2017, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bilfinger SE, which is combined with the management report of Bilfinger SE, for the fiscal year from 1 January to 31 December 2017.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition on construction contracts

Reasons why the matter was determined to be a key audit matter

The Group conducts a significant portion of its business under construction contracts. Revenue from long-term construction contracts is recognized in accordance with IAS 11, Construction Contracts, based on the percentage of completion. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the assessments of the executive directors significantly impact the determination of the percentage of completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total contract costs, remaining costs to completion and total contract revenues, as well as contract risks, including technical, political, regulatory and legal risks. Revenues, contract costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a construction contract.

Auditor's response

As part of our audit, we obtained an understanding of the Group’s internally established methods and project management in the bid and execution phase of construction contracts. We also assessed the design of the accounting-related internal controls by examining business transactions specific to construction contracts starting with the initiation of the transaction through the recognition in the consolidated financial statements.

As part of our substantive audit procedures, we evaluated the estimates and assumptions of the executive directors based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the sample contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues, checked on a test basis the posting of costs to individual projects and, on this basis, the calculation of the percentage of completion and of revenue and examined the accounting for the associated positions in the balance sheet. Considering the requirements of IAS 11, we also assessed the accounting for contract amendments. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and the assessments of the executive directors on probabilities that contract risks will materialize. Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and asserted claims).

Our audit procedures did not lead to any reservations relating to revenue recognition on construction contracts.

Reference to related disclosures

Bilfinger SE's disclosures regarding the special aspects of the recognition of revenue in Bilfinger SE's consolidated financial statements are included in the disclosures on significant accounting policies contained in section 3.2 and in section 3.3 "Assessments and estimates" in the notes to the consolidated financial statements.

2. Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

Goodwill is tested for impairment at least once a year as at 31 December and, additionally, during the year where there are signs of an impairment. The result of these tests is highly dependent on management's estimate of future cash flows and the respective discount rates used.

Due to the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was one of the most significant matters we examined during our audit.

Auditor's response

During our audit, among other things, we obtained an understanding of the procedure for performing an impairment test in accordance with IAS 36. Among other things we discussed with the Company the demarcation of cash-generating units as well as the definition of corporate assets and their allocation and assessed their consistency with the internal reporting structure.

We compared the business plans which form the basis of the goodwill impairment test with the forecasts for the Company's future development prepared by the executive directors and approved by the supervisory board. We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past. Based on our understanding that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the individual components used to determine the discount rate with the involvement of internal experts by analyzing the peer group, comparing market data with external evidence and examined the mathematical accuracy of the calculation.

With respect to rolling forward the medium to the long-term plan, we examined the assumptions by comparing them to industry peers, particularly with regard to the growth rate. Our assessment of the results of the impairment tests as of 31 December 2017 was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

The approach to performing the goodwill impairment test is presented in the sections 3.2 "Accounting and valuation methods," 3.3 "Assessments and estimates," and 14.1. "Goodwill" of the notes to the consolidated financial statements.

3. Recoverability of deferred tax assets on valuation differences and on unused tax losses

Reasons why the matter was determined to be a key audit matter

Bilfinger operates in numerous countries and is subject to different local tax regulations. The recognition of deferred tax assets on valuation differences and on unused tax losses requires the executive directors to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. This particularly pertains to the recoverability of deferred tax assets on valuation differences and unused tax losses.

Auditor's response

With the assistance of internal tax specialists who have knowledge of the relevant tax regulations, we assessed the processes established by the executive directors.

We reviewed the identification, completeness and accurate quantification of differences between the recognition and measurement of assets and liabilities in accordance with tax legislation and IFRSs on a sample basis and examined the calculation of deferred taxes and the application of the pertinent tax rate.

As part of our audit procedures for assessing the recoverability of deferred tax assets, we particularly analyzed management's assumptions with respect to projected future taxable income by ensuring on a sample basis that the tax forecasts were correctly derived from the business plans prepared by the executive directors. In addition, the tax forecasts were examined to determine whether the group-wide planning horizon was used to assess the usability of tax loss carryforwards and the respective country-specific tax requirements for the use of loss carryforwards were observed.

Our audit procedures did not lead to any reservations relating to the accounting for deferred tax assets.

Reference to related disclosures

Bilfinger SE made disclosures on the valuation of deferred tax assets on valuation differences and unused tax losses in sections 3.2 "Accounting and valuation methods" and 12. "Income taxes" in its notes to the consolidated financial statements.

4. Provisions for litigation risks

Reasons why the matter was determined to be a key audit matter

We considered the accounting for provisions for litigation risks to be a key audit matter. These matters are subject to inherent uncertainties and require estimates that could have a significant impact on the recognition and measurement of the respective provision and, accordingly, on assets and liabilities and financial performance.

Auditor's response

During our audit, we analyzed the processes and internal controls implemented by Bilfinger for the identification, assessment and accounting of provisions for litigation risks.

Our audit procedures included inquiries of the executive directors and other persons within the Company entrusted with these matters, obtaining written statements from in-house legal counsel with respect to the assessment of estimated cash outflows and their probability, obtaining confirmations from external legal advisors and evaluating internal statements concerning the accounting in the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to the recognition of provisions for litigation risks.

Reference to related disclosures

The measurement of provisions for litigation risks are addressed in Bilfinger SE’s notes to the consolidated financial statements under sections 3.2 “Accounting and valuation methods,” 3.3 “Assessments and estimates” and 23. “Tax and other provisions.”

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board issued in chapter A.3 of the Annual Report 2017 and the corporate governance report issued jointly with the Executive Board in chapter A.4 of the Annual Report 2017. Otherwise, the executive directors are responsible for other information.

Other information comprises the prescribed elements of the annual report, which were provided to us prior to us issuing this auditor’s report, including, but not limited to:

- The Letter from the Chairman of the Executive Board to the Shareholders in chapter A.1 of the Annual Report 2017

- Report of the Supervisory Board in chapter A.3 of the Annual Report 2017
- Corporate Governance Report in chapter A.4 of the Annual Report 2017
- the Responsibility Statement of the executive directors in chapter D.1 of the Annual Report 2017

Our opinions on the consolidated financial statements and the group management report do not cover the other information and we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- Evaluate the group management report's consistency with the consolidated financial statements, its compliance with the legal provisions and the view it gives of the Group's position;

- Perform procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 24 May 2017. We were engaged by the Supervisory Board on 18 June 2017. We have been the group auditor of Bilfinger SE without interruption for more than 20 years.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee in accordance with Art. 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The German Public Auditor responsible for the engagement is Karen Somes.”

Mannheim, March 1, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mathieu Meyer
Wirtschaftsprüfer
[German Public Auditor]

Karen Somes
Wirtschaftsprüferin
[German Public Auditor]

D.3 Return-on-capital-employed controlling

in € million	Engineering & Technologies		Maintenance, Modifications & Operations		Other Operations		Total of segments		Headquarters / consolidation / other		Total continuing operations	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Goodwill	350.3	359.5	442.0	447.7	26.3	38.4	818.6	845.6	0.0	0.0	818.6	845.6
Property, plant and equipment	49.1	54.5	181.0	179.7	86.3	116.4	316.4	350.6	66.4	93.4	382.8	444.0
Other non-current assets	16.0	9.6	77.3	73.3	10.5	13.8	103.8	96.7	156.5	97.5	260.3	194.2
Current assets	426.1	441.6	631.5	597.9	149.1	247.1	1,206.7	1,286.6	909.3	614.8	2,116.0	1,901.4
Segment assets	**841.5**	865.2	**1,331.8**	1,298.6	**272.2**	415.7	**2,445.5**	2,579.5	**1,132.2**	805.7	**3,577.7**	3,385.2
Segment liabilities	457.0	524.0	551.2	556.9	184.6	233.8	1,192.8	1,314.7	1,097.9	1,150.0	2,290.7	2,464.7
Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-813.0	-868.7	-813.0	-868.7
Non-interest-bearing liabilities	**457.0**	524.0	**551.2**	556.9	**184.6**	233.8	**1,192.8**	1,314.7	**284.9**	281.3	**1,477.7**	1,596.0
Balance	**384.5**	341.2	**780.6**	741.7	**87.6**	181.9	**1,252.7**	1,264.8	**847.3**	524.4	**2,100.0**	1,789.2
Financial assets, project-related	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets, division-related	92.6	110.0	5.2	0.0	66.3	35.0	164.1	145.0	-164.1	-145.0	0.0	0.0
Operating financial assets	**92.6**	110.0	**5.2**	0.0	**66.3**	35.0	**164.1**	145.0	**-164.1**	-145.0	**0.0**	0.0
Capital employed	**477.1**	451.2	**785.8**	741.7	**153.9**	216.9	**1,416.8**	1,409.8	**683.2**	379.4	**2,100.0**	1,789.2

Return-on-capital-employed controlling, continued >

< Return-on-capital-employed controlling, begin

in € million	Engineering & Technologies		Maintenance, Modifications & Operations		Other Operations		Total of segments		Headquarters / consolidation / other		Total continuing operations	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
EBIT	-31.7	-36.9	97.0	119.3	2.3	3.0	67.6	85.4	-193.7	-316.2	-126.1	-230.8
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.0	9.5	14.0	9.5
Interest income, project-related (2.31% / previous year 2.13%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income, division-related (2.31 % / previous year 2.13%)	2.1	2.3	0.1	0.0	1.5	0.7	3.8	3.1	-3.8	-3.1	0.0	0.0
Taxes	26.4	9.2	-19.8	-25.7	-2.3	-3.7	4.3	-20.2	-6.8	-5.7	-2.5	-25.9
Return	-3.2	-25.4	77.3	93.6	1.5	0.0	75.7	68.3	-190.3	-315.5	-114.6	-247.2
ROCE (return on capital employed)	-0.7%	-5.6%	9.8%	12.6%	1.0%	0.0%	5.3%	4.8%	–	–	-5.5%	-13.8%
WACC (weighted average cost of	10.0%	8.0%	8.4%	7.6%	11.0%	10.3%	9.2%	8.0%	–	–	9.0%	7.6%
Value added, relative	-10.6%	-13.6%	1.5%	5.1%	-10.0%	-10.1%	-3.9%	-3.2%	–	–	-14.4%	-21.4%
Value added, absolute	-50.7	-61.6	11.5	37.7	-15.3	-22.0	-54.5	-45.8	-248.9	-337.2	-303.4	-383.2

D.3.1 Explanation of return-on-capital-employed controlling

Our return-on-capital-employed controlling is based on the segment reporting which is conducted in accordance with the organizational structure of our business segments. We focus on continuing operations in order to provide better comparability over time in the consideration of return-on-capital-employed.

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

The segment assets of the business segments include goodwill and intangible assets from acquisitions; property, plant and equipment; other non-current assets and current assets. The segment assets shown under 'Consolidation/other' include cash and cash equivalents, as well as non-current and current assets not allocated to the business segments. Not included in the segment assets are the so-called preferred participation notes that were assumed in connection with the sale of the Building, Facility Services and Real Estate divisions, because these are not countered by a relevant current income in the return.

The segment liabilities are deducted from the segment assets. They include liabilities and provisions that are available to the company free of interest. Financial liabilities and retirement benefit obligations are not included.

We refer to segment liabilities as non-interest bearing liabilities. The balance of segment assets and non-interest-bearing liabilities represents the capital directly employed in the business segments.

Project-related and business-unit-related financial assets are allocated to the business segments in the context of return-on-capital controlling so that adequate capital resources are taken into consideration. As so-called operating financial assets, they adjust the balance, which results in the average tied-up interest-bearing assets. This item is termed capital employed.

The definition of return as used in the return-on-capital-employed concept is derived from EBIT.

Interest income is earned primarily from the investment of cash and cash equivalents listed under 'Consolidation/other' as well as from interest income from non-current assets.

In order to determine a measure of earnings not affected by the form of financing, interest expenses are fundamentally not taken into consideration in the context of return-on-capital-employed controlling.

Project-related and business-unit-related interest income relates to credit entries on operating financial assets made by headquarters to the benefit of the business segments.

Taxes are calculated on the basis of business-segment specific tax rates.

Return as defined by our return-on-capital-employed controlling is the sum of EBIT 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 after taxes (WACC) for the business segments and for the entire Group.

The difference between ROCE and WACC is the relative value added. The absolute value added is the difference between return and the cost of capital employed, and is equal to the amount of capital employed multiplied by the relative economic value added.

D.4 Boards of the company

D.4.1 Executive Board

Tom Blades, Chairman

Divisions:
Engineering & Technologies | Other Operations

Regions
Continental Europe | North America | Northwest Europe | Middle East

Communications & Public Affairs | Legal & Compliance | Strategy & Projects | Transformation Office

Michael Bernhardt

Human Resources (Labor Director)) | Health, Safety, Environment & Quality (HSEQ) | Real Estate

Dr. Klaus Patzak

Accounting, Tax & M&A | Bilfinger Infrastructure Mannheim | Controlling & Risk |
Internal Audit & Controls | Investor Relations | IT | Procurement | Treasury

Memberships of other statutory supervisory boards
of other German companies:
Bayerische Börse AG, Munich

Unless otherwise indicated, all details are correct at December 31, 2017.

D.4.2 Supervisory Board

Gert Becker, Honorary Chairman

Dr. Eckhard Cordes, Chairman

Partner at Cevian Capital AG,
Partner and Managing Director of EMERAM Capital Partners GmbH

Memberships of other statutory supervisory boards of other German companies:
WMP Eurocom AG, Berlin

Memberships in comparable monitoring boards of other German and foreign companies:
AB Volvo (publ), Gothenburg / Sweden (Board of Directors)

Stephan Brückner, Deputy Chairman

Employee of Bilfinger Maintenance GmbH

Agnieszka Al-Selwi

Employee of Multiserwis Sp. z o.o.

Dorothée Deuring

Self-employed corporate consultant in corporate finance

Memberships in comparable monitoring boards of other German and foreign companies:
Axpo Holding AG, Baden / Switzerland (Administrative Board)
Elementis plc, London / United Kingdom (Board of Directors)
Röchling SE & Co. KG, Mannheim (Advisory Board)

Lone Fønss Schrøder

Non-executive member in administrative bodies at German and foreign companies:

Memberships in comparable monitoring boards of other German and foreign companies:
AKASTOR ASA, Lysaker / Norway (Deputy Chairwoman in the Board of Directors)
Ingka Holding B.V., Leiden / Netherlands (Board of Directors)
Saxo Bank AS, Copenhagen / Denmark (Chairwoman in the Board of Directors)
Valmet Corporation, Espoo / Finland (Board of Directors)
Volvo Personvagnar AB, Gothenburg / Sweden (Board of Directors)

Dr. Ralph Heck

Entrepreneur, member in various supervisory and advisory boards

Memberships of other statutory supervisory boards
of other German companies:
Schaltbau Holding AG, Munich

Memberships in comparable monitoring boards of other
German and foreign companies:
Adolf Würth GmbH & Co. KG, Künzelsau (Advisory Board)
Bertelsmann Stiftung, Gütersloh (Board of Trustees)
Formel D GmbH, Troisdorf (Chairman of the Advisory Board)

Dr. Marion Helmes,

Corporate consultant, independent advisor at UBS Europe SE

Memberships of other statutory supervisory boards
of other German companies:
ProSiebenSat1 Medien SE, Munich (Deputy Chairwoman)
Uniper SE, Düsseldorf

Memberships in comparable monitoring boards of other
German and foreign companies:
NXP Semiconductors NV, Eindhoven / Netherlands (Board of Directors)
British American Tobacco p.l.c., London / United Kingdom (Board of Directors)

Susanne Hupe

Employee of Bilfinger Engineering & Technologies GmbH

Rainer Knerler

Executive employee at IG Bauen-Agrar-Umwelt

Dr. Janna Köke

Trade Union Secretary at IG Metall, Mannheim

Jörg Sommer

Employee of Bilfinger arnholdt GmbH

Jens Tischendorf

Managing Director of Cevian Capital AG

Memberships of other statutory supervisory boards of other German companies:
ThyssenKrupp AG, Essen

Presiding Committee:

Dr. Eckhard Cordes
Stephan Brückner
Dr. Ralph Heck
Rainer Knerler

Audit Committee:

Dr. Marion Helmes,
Dorothée Deuring
Dr. Janna Köke
Jörg Sommer

Nomination Committee:

Dr. Eckhard Cordes
Dr. Marion Helmes,
Jens Tischendorf

Transformation Committee:

Dr. Eckhard Cordes
Stephan Brückner
Dr. Ralph Heck
Susanne Hupe
Rainer Knerler
Jens Tischendorf

D.5 Ten-year overview

GROUP
in € million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assets										
Non-current assets	3,964	4,914	4,460	3,090	3,519	3,012	2,491	1,525	1,690	1,643
Intangible assets	1,235	1,539	1,457	1,561	1,890	2,015	1,639	895	849	804
Property, plant and equipment	599	796	663	647	690	629	477	471	383	367
Receivables from concession projects	1,642	2,134	1,789	377	508	–	–	–	–	–
Other non-current assets	300	216	358	341	254	196	136	40	337	386
Deferred taxes	188	230	193	164	177	172	239	119	121	86
Current assets	2,809	3,026	3,477	4,630	3,331	3,520	3,514	3,660	2,329	1,977
Inventories, receivables, other	2,089	2,228	1,890	2,022	2,244	2,213	1,753	1,380	1,216	1,198
Cash and cash equivalents [1]	720	798	537	847	1,087	647	359	427	1,032	767
Assets classified as held for sale	–	–	1,050	1,761	–	660	1,402	1,853	81	12
Equity & liabilities										
Equity	1,141	1,561	1,812	1,793	2,037	2,165	1,917	1,418	1.621	1,383
Share capital	112	138	138	138	138	138	138	138	138	133
Reserves	1,034	1,408	1,650	1,503	1,795	1,972	1,805	1,124	1,562	1,270
Treasury shares	-100	-100	-100	-100	-100	-99	-97	-97	-97	-39
Unappropriated retained earnings	74	92	115	247	196	138	92	292	46	44
Minority interest	21	23	9	5	8	16	-21	-39	-28	-25

Ten-year overview group, continued >

< Ten-year overview group, begin

GROUP

in € million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Non-current liabilities	**2,602**	**2,873**	**2,511**	**1,159**	**1,748**	**1,146**	**1,061**	**901**	**898**	**874**
Provisions for pensions and similar obligations	219	287	313	325	394	417	400	295	304	293
Other provisions	69	84	71	60	56	55	45	31	29	27
Financial liabilities, recourse	306	320	184	181	519	517	514	513	510	509
Financial debt, non-recourse	1,489	1,880	1,624	339	461	13	13	0	–	–
Other liabilities	393	187	212	128	169	49	22	2	–	–
Deferred taxes	127	116	107	126	149	95	68	60	55	45
Current liabilities	**3,030**	**3,506**	**3,614**	**4,768**	**3,065**	**3,221**	**3,027**	**2,866**	**1,500**	**1,363**
Deferred tax liabilities	120	133	118	88	102	115	84	39	39	34
Other provisions	448	613	633	755	557	482	360	512	489	442
Financial liabilities, recourse	22	34	89	5	192	28	7	13	12	2
Financial debt, non-recourse	30	22	19	9	9	28	27	0	–	–
Other liabilities	2,411	2,704	2,052	2,116	2,205	1,907	1,484	1,156	892	859
Liabilities classified as held for sale	–	–	703	1,795	0	661	1,065	1,146	68	26
Balance-sheet total	**6,773**	**7,941**	**7,937**	**7,720**	**6,850**	**6,532**	**6,005**	**5,185**	**4,019**	**3,620**

2013 pro forma: adjusted for discontinued operations: Construction and Offshore Systems
2014 pro forma: adjusted for discontinued operations: Power
2015 pro forma: adjusted for discontinued operations: Divisions Water Technologies as well as Building, Facility Services and Real Estate
2017: including securities and other investments of €150 million

BUSINESS DEVELOPMENT

in € million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Orders received	10,314	11,129	7,854	7,690	8,304	7,513	5,510	4,301	4,056	**4,055**
Order backlog	10,649	11,704	8,429	7,557	7,388	6,476	4,401	2,902	2,618	**2,530**
Output volume	10,742	10,403	7,983	8,397	8,586	7,552	6,246	5,003	4,219	**4,024**
Investments	697	530	273	310	521	391	258	66	72	**76**
Property, plant and equipment	237	162	141	127	143	140	117	62	70	71
Financial assets	460	368	132	183	378	251	141	4	2	5
Employees (at year-end)	60,923	67,199	58,047	59,069	66,683	71,127	57,571	42,365	36,946	**35,644**
Earnings figures										
Gross profit	1,073	1,072	1,015	1,051	1,121	1,052	794	431	395	336
EBITA	322	275	346	379	432	349	207	-157	-221	-118
EBITA adjusted [1]	277	275	346	379	387	415	262	-23	15	3
EBIT	298	250	305	344	381	298	170	-501	-231	-126
Net profit [3]	200	140	284	394	276	173	-71	-510	271	-89
Adjusted net profit from continuing operations [1,2]	–	–	205	235	241	251	160	-30	-8	-9
Operating cash flow	357	368	244	281	232	210	34	39	-224	-119
Adjusted free cash flow [1]	–	–	–	–	–	–	–	136	-111	-69
Cash flow per share in €	9.22	9.94	5.53	6.37	5.26	4.76	0.77	0.88	-5.77	-2.71
Earnings per share in € [3]	5.18	3.79	6.43	8.93	6.26	3.91	-1.62	-11.54	6.13	-2.01
Adjusted earnings per share from continuing operations in € [1,2]	–	–	4.64	5.32	5.46	5.69	3.62	-0.68	-0.17	-0.19

Business development, continued >

< Business development, begin

BUSINESS DEVELOPMENT

in € million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Profitability ratios										
Gross profit as a percentage of output volume	10.0	10.3	12.7	12.5	13.1	13.9	12.7	8.6	9.4	8.3
Return on output (EBITA adjusted) in %	2.6	2.6	4.3	4.5	4.5	5.5	4.2	-0.5	0.4	0.1
Return on equity (adjusted net profit) in %	16.6	11.3	12.7	12.8	12.0	12.3	7.8	-1.8	-0.6	-0.6
Return on capital employed (ROCE) in %	20.4	15.6	18.4	17.3	15.7	13.9	11.9	-30.0	-13.8	-5.5
Value added	157	98	175	186	165	157	43	-704	-380	-304
BILFINGER SE										
Dividend distribution	70.6	88.3	110.4	150.1	132.4	132.5	88.4	–	44.2	–
Dividend per share in €	1.85	2.00	2.50	2.50	3.00	3.00	2.00	–	1.00	1.00
Dividend bonus in €	–	–	–	0.90	–	–	–	–	–	–
Share price at year-end in €	34.45	53.92	63.20	65.88	73.00	81.53	46.35	43.47	36.57	39.57

All values relate to continuing operations, unless stated otherwise.
2010 - 2012 continuing operations not including Valemus and Concessions
2013 continuing operations and not including Concessions, Construction and Offshore Systems
2014 continuing operations and not including Power
2015 continuing operations including Power, not including Water Technologies division as well as Building, Facility Services and Real Estate divisions

1 adjustments see chapter B.2.2 Earnings situation – adjusted earnings per share
2 Based on adjusted tax rate of 31 percent
3 Includes continuing and discontinued operations

D.6 Financial calendar

May 15, 2018

Annual General Meeting
(Congress Centrum Rosengarten, Mannheim, 10 a.m.)

Quarterly statement Q1 2018

August 14, 2018

Half-year financial report 2018

November 13, 2018

Quarterly statement Q3 2018

Imprint

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