Press Release

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Preliminary report on the 2013 financial year

- **Operating profit increased in a challenging year**
- **Dividend of €3.00 per share proposed**
- **Positive outlook for 2014**

The engineering and services group Bilfinger continued its successful development in a challenging year. In the second half of the year, following a moderate start, the company made up most of the ground it had lost.

Output volume was at the level of the prior year while at the same time, adjusted earnings were again increased. The adjusted EBITA margin thus rose to 4.8 percent (previous year: 4.5 percent). As in the previous year, shareholders will participate in the successful development of the business with an attractive dividend of €3.00.

Market position expanded through acquisitions

In financial year 2013, Bilfinger continued to consistently pursue its strategic goals for the reorganization of the Group. As a result of the acquisitions of Mauell and GreyLogix, the Group expanded its service range to include pioneering competences in the automation of power plants and industrial facilities. With the acquisition of American water technology specialists Johnson Screens, Bilfinger has taken an important step forward in the further internationalization of this business. The Group also became one of the leading facility services providers in the United Kingdom and Ireland with the acquisition of Europa Support Services.

Key figures for the Group *€ million*			full-year			Q4
	2013	**2012**	**∆ in %**	**2013**	**2012**	**∆ in %**
Output volume	8,509	8,586	-1	2,274	2,297	-1
Orders received	8,296	8,304	0	2,201	2,267	-3
Order backlog	7,411	7,388	0	7,411	7,388	0
EBITA adjusted [1, 2]	409	387	6	156	118	32
EBITA margin adjusted (in percent) [1, 2]	4.8	4.5		6.9	5.1	
EBITA	338	432	-22	97	118	-18
Adjusted net profit from continuing operations [3]	249	241	3	98	71	38
Net profit [4]	173	276	-37	57	57	0
Adjusted earnings per share from continuing operations [3] (in €)	5.64	5.46	3	2.22	1.61	38
Investments	421	521	-19	173	83	108
thereof in P, P & E	170	143	19	59	55	7
thereof in financial assets	251	378	-34	114	28	307
Number of employees	74,276	66,683	11	74,276	66,683	11

1) Adjusted in 2013 for one-time expenses in connection with the efficiency enhancement program Bilfinger Excellence and burdens from the sale of the German road construction activities as well as for earnings contributions from the sale of shares in the Nigerian business (full-year 2013: €71 million before taxes and €45 million after taxes; Q4 2013: €59 million before taxes and €35 million after taxes)

2) Adjusted in 2012 for earnings contributions from the sale of shares in the Nigerian business (full-year 2012: €45 million before taxes and €37 million after taxes; Q4 2012: €0 million before and after taxes)

3) Adjusted for the exceptional items referred to under 1) and 2) and for the amortization of intangible assets from acquisitions (full-year 2013: €35 million (previous year: €35 million) after taxes; Q4 2013: €9 million (previous year: €11 million) after taxes)

4 Includes continuing and discontinued operations

Bilfinger Excellence: leaner, more efficient and closer to the customer

The goal of the *Bilfinger Excellence* project, which was started in 2013, is to more closely align the activities of the operating units with defined clients and markets, to foster internal Group cooperation and to increase the competitiveness of the company over the long term. Structures and processes are being fundamentally optimized in order to make the Group more efficient and leaner. This also entails a reduction around the world of about 1,250 jobs in the administration area in the years 2014 and 2015. Following the full implementation of these measures, annual savings in personnel costs of €80 to €90 million as well as in non-personnel costs in the low to middle double-digit million range will be achieved.

The Group Works Council and the Executive Board agreed on a social plan and a balance of interests in January 2014 which allows for a major portion of the reductions in Germany to be carried out in a socially acceptable manner. Expenses in the amount of €85 million were incurred in the reporting year, they relate primarily to restructuring costs. One-time expenses will also be necessary for further measures in 2014.

Disposal of concessions business nearly complete

The disposal of activities in the Concessions business segment which was initiated at the beginning of 2013 is now nearly complete. The key figures of the activities to be sold of the former Concessions business segment are presented under 'discontinued operations' in the annual financial statements 2013. All the figures presented in this report reflect the Group’s continuing operations, unless otherwise stated.

Of the twelve projects sold, seven had been transferred to the buyers by the end of 2013. The remaining portfolio is expected to follow in the first half of 2014 with proceeds of about €100 million and a capital gain of about €10 million.

In addition, Bilfinger has now made the decision to also sell the shares in the German autobahn project A1. For this reason, the A1 will also be presented under 'discontinued operations' in the annual financial statements 2013. At the same time, the project has been fully written-off due to the development of traffic volumes which remain substantially below expectations. This led to a burden on earnings in the amount of €34 million.

Output volume, orders received and order backlog at prior-year levels

Output volume generated by Bilfinger in financial year 2013 of €8,509 million (previous year: €8,586 million) was at the level of the prior year. Growth in the Industrial business segment and the Building and Facility business segment was offset primarily by a further significant decrease in the Construction business segment. Overall, organic growth was short of the company’s expectations. The figures for orders received of €8,296 million (previous year: €8,304 million) and order backlog of €7,411 (previous year: €7,388) also reached the levels of the prior year.

Positive earnings trend during the course of the year

The positive earnings trend also continued in the fourth quarter, for the full-year, adjusted EBITA rose to €409 million (previous year: €387 million). The Industrial business segment and the Building and Facility business segment in particular contributed to this development. With a very good margin, Power again achieved the earnings level of the prior year despite a decrease in output volume. In the Construction business segment, earnings were heavily burdened by the situation in the infrastructure unit, which is described in greater detail in the comments on Construction. From this financial year, adjusted EBITA under consolidation/other includes, in addition to headquarters costs, at-equity earnings of the investment in Julius Berger Nigeria PLC as well as the earnings contributions from two concession projects that are not presented under 'discontinued operations'. Headquarters costs are at the level of the prior year. Overall, EBITA amounts to €338 million. This includes exceptional items from one-time expenses in connection with the efficiency enhancement program *Bilfinger Excellence* in the amount of €85 million as well as burdens from the sale of the German road construction activities of €5 million. A gain of €19 million was realized from the sale of shares in Julius Berger Nigeria PLC. In the prior-year period, additional contributions to earnings of €45 million from the reduction of the interest in the Nigerian business led to total EBITA of €432 million.

After deducting amortization of intangible assets from acquisitions which, as in the prior year, amount to €51 million, EBIT of €287 million remains (previous year: €381 million). With an unchanged gross margin of 13.1 percent, gross profit of €1,116 million is at the prior-year level (previous year: €1,121 million). Selling and administrative expenses remained largely unchanged at €837 million (previous year: €832 million), equivalent to 9.8 percent of output volume (previous year: 9.7 percent).

Net interest expense increased to €43 million (previous year: €34 million). Interest income fell due to lower levels of interest rates on investments, while interest expenses increased due to the issue of a corporate bond at the end of 2012. As a result, earnings before taxes of continuing operations for the period amount to €244 million (previous year: €347 million) and earnings after taxes amount to €172 million (previous year: €245 million). The effective tax rate, adjusted for tax-free capital gains, was 31 percent – as in the prior year.

Earnings from discontinued operations of the former Concessions business segment amount to €4 million, in the prior year this amounted to an additional contribution of €34 million after taxes. In the reporting year, capital gains from the sale of projects in the total amount of €46 million were nearly offset by costs to sell and expenses for the winding up of the discontinued activities of €10 million as well as the devaluation of the investment in the A1 of €34 million.

After deducting profit attributable to minority interest, net profit amounts to €173 million (previous year: €276 million). Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and for the exceptional items described increased to €249 million (previous year: €241 million); adjusted earnings per share from continuing operations increased to €5.64 (previous year: €5.46).

Sustainable dividend policy

The Executive Board will propose to the Annual General Meeting – subject to a corresponding resolution by the Supervisory Board – that a dividend unchanged from the previous year of €3.00 per share be paid out for the year 2013. Bilfinger thus upholds its sustainable dividend policy despite negative exceptional items. In relation to the share price at the end of 2013, this represents a dividend yield of 3.7 percent.

Sound capital structure continues to offer considerable scope for investment

Cash flow from operating activities amounts to €162 million (previous year: €232 million). Working capital continued to be significantly negative and decreased by €99 million (previous year: €134 million). Primarily impacted by this were the Power and Construction business segments due to the comparatively low orders received. In total, working capital at the end of the year amounts to minus €410 million (previous year: minus €587 million). Investments in property, plant and equipment of €153 million exceeded the low level of the prior year of €126 million. Disposals of financial assets resulted in total proceeds of €208 million (previous year: €333 million); of that amount, €171 million was accounted for by the sale of concession projects (previous year: €59 million) and €25 million by the reduction of investments in the Nigerian business (previous year: €59 million). This led to a free cash flow of €217 million (previous year: €439 million).

Investments in financial assets totaled €251 million after €378 million in the prior year. They relate for the most part to corporate acquisitions.

The net cash outflow from financing activities of €296 million includes primarily the dividend payment for the previous financial year in the amount of €132 million as well as repayment of a promissory note loan with an amount of €166 million. The high cash inflow from the prior year of €335 million resulted from the placement of a bond in the amount of €500 million.

Discontinued operations resulted in a net cash outflow of €46 million (previous year: €151 million).

Cash and cash equivalents amount to €669 million at the end of the year (previous year: €1,087 million). Financial debt – excluding project loans on a non-recourse basis, for which Bilfinger is not liable – were decreased to €545 million (previous year: €711 million). Net liquidity amounts to €124 million as of the balance sheet date (previous year: €376 million).

Total assets decreased to €6,532 million (previous year: €6,850 million) while at the same time, equity increased to €2,165 million (previous year: €2,037 million). The equity ratio rose to 33 percent (previous year: 30 percent).

Available liquidity and the financing potential on the basis of a sound capital structure continue to offer considerable scope for investment in the expansion of the Group's engineering and services activities.

Developments in the business segments

Overview of output volume and order situation in FY 2013

€ million	2013 Output volume	Δ in %	2013 Orders received	Δ in %	2013 Order backlog	Δ in %	2012 Output volume
Industrial	3,963	7	4,290	15	2,967	9	3,705
Power	1,256	-5	1,094	-7	1,176	-10	1,319
Building and Facility	2,346	4	2,181	-8	2,304	7	2,249
Construction	1,038	-26	817	-26	987	-19	1,404
Consolidation, other	-94		-86		-23		-91
Continuing operations	**8,509**	**-1**	**8,296**	**0**	**7,411**	**0**	**8,586**

Overview of output volume and order situation in Q4/2013

€ million	Q4 2013 Output volume	Δ in %	Q4 2013 Orders received	Δ in %
Industrial	1,028	4	1,206	32
Power	340	-11	213	-39
Building and Facility	682	14	532	-26
Construction	252	-30	273	-12
Consolidation, other	-28		-23	
Continuing operations	**2,274**	**-1**	**2,201**	**-3**

Adjusted EBITA by business segment		full-year			Q4	
€ million						
	2013	**2012**	**Δ in %**	**2013**	**2012**	**Δ in %**
Industrial	232	206	13	74	58	28
Power	123	123	0	40	38	5
Building and Facility	116	106	9	51	37	38
Construction	1	25	-96	7	7	0
Consolidation, other	-63	-73		-16	-22	
Continuing operations	**409**	**387**	**6**	**156**	**118**	**32**

The Industrial business segment developed well in 2013 following a moderate start. Output volume, orders received and order backlog all grew. EBITA grew to €232 million (previous year: €206 million), the EBITA margin reached 5.9 percent (previous year: 5.6 percent).

Output volume in the Power business segment was below the prior-year figure. An important reason is the planned reduction in volume at the Belchatov power plant project in Poland which in this year will again increase. Orders received and order backlog are at a comparatively low level due to the current investment restraint on the part of utility companies. EBITA amounts to €123 million as in the prior year, the EBITA margin was increased, not least as a result of the completion of a number of projects, to the unusually high figure of 9.8 percent (previous year: 9.3 percent).

The Building and Facility business segment performed well in a demanding competitive environment. Output volume and the order backlog both increased. The figure for orders received was below the prior-year figure which had included a major service agreement with a multi-year term. EBITA grew to €116 million (previous year: €106 million), the EBITA margin rose to 4.9 percent (previous year: 4.7 percent).

In the Construction business segment, output volume, orders received and order backlog declined significantly. Earnings did not meet expectations, also because it was not possible in the fourth quarter to reach an agreement on outstanding claims relating to completed road construction projects in Poland. The loss-making road construction business in Germany was sold in the reporting year. Overall, EBITA amounts to €1 million (previous year: €25 million).

Adjusted EBITA not allocated to the business segments in 2013 amounts to minus €63 million (previous year: minus €73 million).

Outlook for financial year 2014

In the context of Bilfinger Excellence, the Group has implemented a new division-based organizational structure. As a result, Group companies with an output volume of about €300 million which had previously been part of the Industrial business segment will in future be allocated to the Power business segment. Following approval of the new divisional business planning, Bilfinger will further detail its assessment of business development at the Annual Press Conference on March 20, 2014. Overall, the company expects positive development in all business segments in 2014.

Possible new acquisitions have not been taken into consideration for the following forecasts.

In the **Industrial business segment**, Bilfinger anticipates higher organic growth in output volume for 2014 as compared to the reporting year. This is based on expected improvement in the businesses of its industrial customers. The EBITA margin will be within the target corridor.

Buoyed by the international business, Bilfinger anticipates an increase in output volume for the **Power business segment** in 2014. The EBITA margin reached an exceptionally high level of 9.8 percent. Based on the current order backlog, the EBITA margin will not quite reach the target corridor in 2014.

Output volume of the **Building and Facility business segment** will grow organically in 2014 and will increase significantly, particularly as a result of the acquisitions made in the reporting year. The EBITA margin will be within the target corridor in 2014 as well.

Following a strong decline in output volume in the reporting year to approximately €1 billion, Bilfinger anticipates a comparable figure for 2014 in the **Construction business segment**. This is contingent on succeeding to increase orders received. Earnings will improve significantly due to the sale of the loss-making German road construction activities as well as the expected turnaround in Poland. The EBITA margin, however, will not yet reach the target figure.

Output volume for the Group will increase to at least €9 billion in 2014 (reporting year: €8.5 billion). With the exception of Construction, organic growth is expected in all business segments with the acquisitions already made also contributing to the increase.

Adjusted EBITA (reporting year: €409 million) and **adjusted net profit**

(reporting year: €249 million) will increase significantly. The basis for this development is the planned increase in output volume and, primarily, ongoing cost reduction measures.

All figures for the year 2013 are preliminary. The final figures for the past financial year and the annual financial statements will be available in the Annual Report, which will be published in time for the annual press conference on March 20, 2014. The Annual General Meeting of Bilfinger SE will be held in Mannheim on May 8, 2014.

Disclaimer

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

Preliminary consolidated financial statements 2013 (excerpt)

Consolidated income statement (abridged version)

€ million	Jan 1-Dec 31, 2013	Jan 1-Dec 31, 2012
Output volume from continuing operations (for information only)	8,509	8,586
Revenue	**8,415**	**8,343**
Cost of sales	-7,299	-7,222
Gross profit	**1,116**	**1,121**
Selling and administrative expenses	-837	-832
Other operating income and expense	-24	61
Income from investments accounted for using the equity method	32	31
Earnings before interest and taxes (EBIT)	**287**	**381**
Net interest result[1]	-43	-34
Earnings before taxes[1]	**244**	**347**
Income tax expense[2]	-72	-102
Earnings after taxes from continuing operations[3]	**172**	**245**
Earnings after taxes from discontinued operations	**4**	**34**
Earnings after taxes[3]	176	279
thereof minority interest	3	3
Net profit [3]	**173**	**276**
Average number of shares (in thousands)	44,149	44,140
Earnings per share (in €)[4]	3.91	6.26
thereof from continuing operations	3.83	5.50
thereof from discontinued operations	0.08	0.76

1) Following adjustment of prior-year figure due to IAS 19R by + €2.0 million
2) Following adjustment of prior-year figure due to IAS 19R by - €0.5 million
3) Following adjustment of prior-year figure due to IAS 19R by + €1.5 million
4) Basic earnings per share are equal to diluted earnings per share. The adjustments due to IAS 19R only had an insignificant influence on earnings per share

Consolidated statement of cash flows (abridged version)

€ million	2013	2012
Cash earnings from continuing operations	**289**	**419**
Change in working capital	-99	-134
Gains on disposals of non-current assets	-28	-53
Cash flow from operating activities of continuing operations	**162**	**232**
Investments in property, plant and equipment / intangible assets	-170	-143
Proceeds from the disposal of property, plant and equipment	17	17
Net cash outflow for property, plant and equipment / intangible assets	**-153**	**-126**
Proceeds from the disposal of financial assets	**208**	**333**
Free cash flow from continuing operations	**217**	**439**
Investments in financial assets	**-251**	**-378**
Cash inflow/outflow from financing activities of continuing operations	**-296**	**335**
- Issue of treasury shares as part of the employee share program	1	0
- Dividends	-138	-152
- Payments from changes in ownership interest without change in control	-4	0
- Repayment of financial debt / borrowing	-155	487
Change in cash and cash equivalents of continuing operations	**-330**	**396**
Change in cash and cash equivalents of discontinued operations	**-46**	**-151**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	**-13**	**5**
Change in cash and cash equivalents	**-389**	**250**
Cash and cash equivalents at January 1	1,087	847
Cash and cash equivalents classified as assets held for sale (Concessions) at January 1 (+) / at December 31 (-)	-22	68
Disposal of cash and cash equivalents Concessions	-7	-78
Cash and cash equivalents at December 31	**669**	**1,087**

Consolidated balance sheet (abridged version)

€ million		Dec. 31, 2013	Dec. 31, 2012 pro forma[1)]	Dec. 31, 2012 published
Assets	**Non-current assets**			
	Intangible assets	2,023	1,890	1,890
	Property, plant and equipment	712	689	690
	Investments accounted for using the equity method	75	71	96
	Receivables from concession projects	0	0	508
	Other financial assets	137	124	158
	Deferred tax assets	187	157	177
		3,134	**2,931**	**3,519**
	Current assets			
	Inventories	224	171	172
	Receivables and other financial assets	2,008	1,942	1,953
	Current tax assets	52	31	32
	Other assets	89	82	87
	Cash and cash equivalents	669	1,061	1,087
	Assets classified as held for sale	356	632	0
		3,398	**3,919**	**3,331**
	Total	**6,532**	**6,850**	**6,850**
Equity and liabilities	**Equity**			
	Equity attributable to shareholders of Bilfinger SE	2,149	2,029	2,029
	Minority interest	16	8	8
		2,165	**2,037**	**2,037**
	Non-current liabilities			
	Provisions for pensions and similar obligations	423	394	394
	Provisions	61	56	56
	Financial debt, recourse	517	519	519
	Financial debt, non-recourse	13	16	461
	Other liabilities	49	96	169
	Deferred tax liabilities	150	149	149
		1,213	**1,230**	**1,748**
	Current liabilities			
	Current tax liabilities	117	102	102
	Provisions	552	550	557
	Financial debt, recourse	28	192	192
	Financial debt, non-recourse	28	0	9
	Trade and other payables	1,749	1,801	1,836
	Other liabilities	365	360	369
	Liabilities classified as held for sale	315	578	0
		3,154	**3,583**	**3,065**
	Total	**6,532**	**6,850**	**6,850**

[1)] For the analysis of the financial position, in order to gain better comparability with the figures as of December 31, 2013, the assets and liabilities of discontinued operations of the former Concessions business segment are shown separately in an item on the assets side and an item on the liabilities side of a pro-forma balance sheet as of December 31, 2012.