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Combined management report

Overview of financial year 2014 and outlook 2015

Unsatisfying financial year 2014

Dividend of €2.00 per share proposed

Cautious expectations for 2015

Results of operations

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

Financial position and net assets

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

Outlook 2015

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

The Bilfinger Group

Legal form and organization

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

The Executive Board manages the company in its own responsibility. The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the company. These bodies work in close cooperation for the benefit of Bilfinger. (For further information, please see the Declaration of Corporate Governance on the company's Internet site – www.bilfinger.com – under 'Investor Relations / Corporate Governance')

Organization

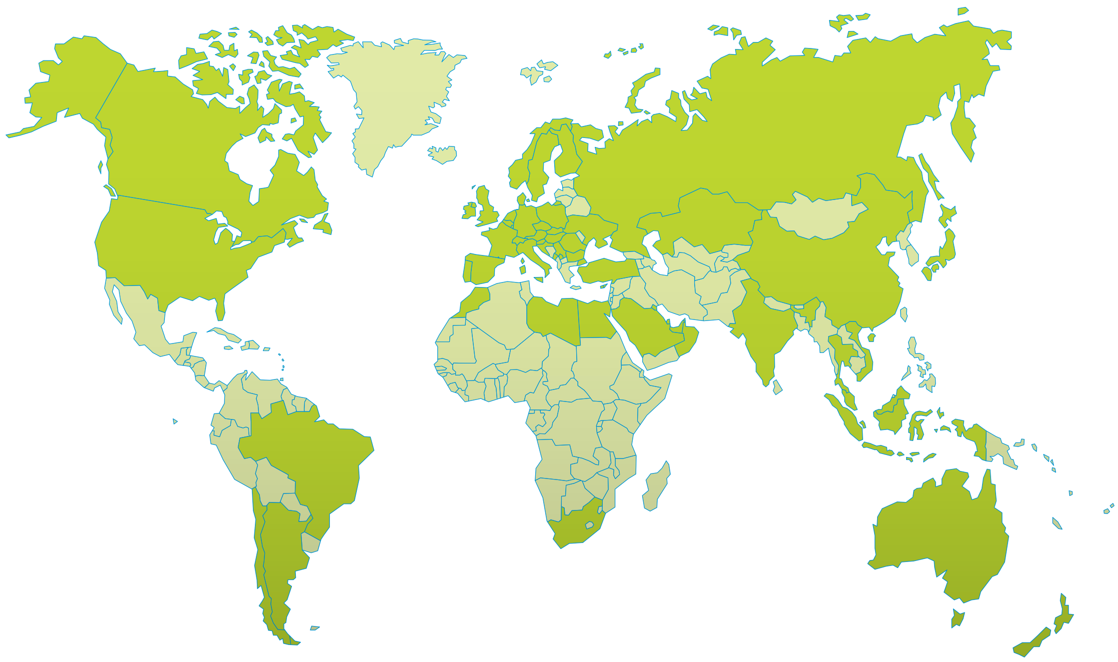
The Bilfinger Group is organized decentrally. Bilfinger SE is a holding without its own business activities. The operating activities are carried out through subsidiaries which act on the market as independent profit centers. Since January 1, 2014, they are divided into divisions which in turn are each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

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

BUSINESS SEGMENT STRUCTURE

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

REGIONS



Business model

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

Objectives and strategy

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

Bilfinger Excellence

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

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

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

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

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

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

Key points of mid-term corporate development

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

Improving the Group's operating performance

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

Development of service offering, internationalization of business activities

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

Financial management system

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

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

EBITA and return on EBITA The indicator of operating profit of the corporate units and of the Group, and thus the measure of earnings for segment reporting, is earnings before interest, taxes and amortization of intangible assets from acquisitions (EBITA). When performing such an analysis, the focus is on the profit margin – calculated as operating profit as a percentage of output volume. For better comparability over the course of time, we also consider 'adjusted EBITA' with adjustments made for exceptional items such as for one-time capital gains or restructuring expenses.

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

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

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

Free cash flow from operating activities / cash conversion / net working capital Key financial metrics for managing liquidity include free cash flow from operating activities and cash conversion. They measure the extent to which earnings are reflected by cash inflows. A major factor to be considered is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes toward an increase in the return on capital employed (ROCE) and in the value added by the business segment concerned. Free cash flow from operating activities is calculated from the cash flow from operating activities minus net investment in property, plant and equipment. We calculate cash conversion as a quotient from the net of EBITA plus depreciation minus net investments in property, plant and equipment as well as the change in net working capital and EBITA.

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

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

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

Research and development

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

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

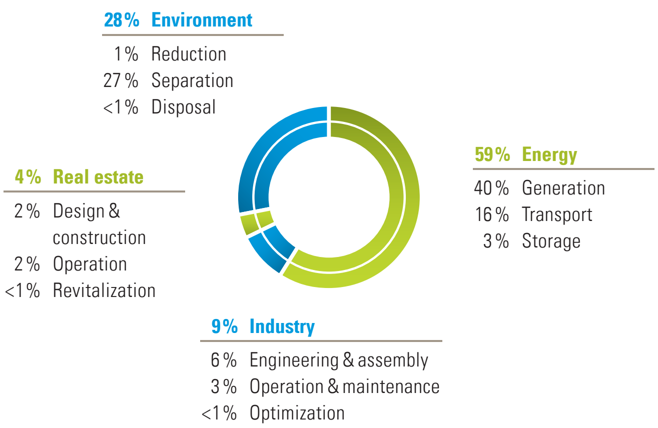
In the reporting year, Bilfinger pursued about 200 research and development projects with a total expense of approximately €15 million. The focus of these activities was on the search for advanced, environmentally-friendly solutions for energy, real estate and industry. In addition to internal developments,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

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

Energy

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

**RESEARCH AND DEVELOPMENT EXPENSES 2014
BY INNOVATION AREA**



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

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

Industry

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

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

Real estate

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

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

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

Environment

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

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

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

Economic report

Business developments in 2014

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

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

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

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

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

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

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

PLAN / ACTUAL COMPARISON

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

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

OUTPUT VOLUME BY BUSINESS SEGMENT

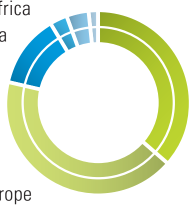
€ million

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

OUTPUT VOLUME BY REGION

€ million

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



CONSOLIDATED INCOME STATEMENT (ABRIDGED)
€ million

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

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

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

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

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

Results of operations

Adjusted earnings per share

The calculation of earnings per share in accordance with IFRSs is presented in the income statement.

Earnings per share after adjusting for exceptional items and the amortization and impairment of intangible assets is a metric that is suited to enabling comparability over time and forecasting future profitability.

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

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

CALCULATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

€ million

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

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

Revenue / output volume

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

Cost of sales

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

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

Cost of sales also includes amortization of intangible assets from acquisitions which was at €43 million. This relates to scheduled amortization of capitalized items from acquired order backlogs and long-term customer relations from acquisitions. Depreciation of property, plant and equipment was almost unchanged at €116 million (previous year: €114 million), of which €90 million was allocated to cost of sales (previous year: €88 million). The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

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

Selling and administrative expense

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

Other operating income and expense

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

Income from investments accounted for using the equity method

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

EBITA / adjusted EBITA / EBIT

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

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

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

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

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

ADJUSTED EBITA BY BUSINESS SEGMENT
€ million

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

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

Net interest result

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

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

Earnings before and after taxes

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

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

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

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

Minority interest

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

Net profit / earnings per share

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

Dividend of €2.00 per share proposed

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

Value added

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

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

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

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

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

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

Net assets

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

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

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

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEET (ABRIDGED)

€ million

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

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

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

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

Financial position

Principles and objectives of financial management

The main aspects of the Group's financial policy are determined by the Executive Board of Bilfinger SE. The prime objective of financial management is to maintain liquidity and limit financial risk. In addition, we regard financial flexibility as an important precondition for our further corporate development.

Within the context of centralized Group financing, the application of available surplus liquidity as well as the provision and utilization of financing instruments on a recourse basis for the entire Bilfinger Group are managed and executed by Corporate Treasury.

Controlling of market price change risks as well as creditworthiness risks of financial counterparties is also carried out by means of a Group-wide limit and control system. To this end, financial derivatives are also used to a limited extent.

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

Financing

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

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

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

GROUP FINANCIAL STATUS, RECOURSE LIABILITIES
€ million

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

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

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

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

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

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

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

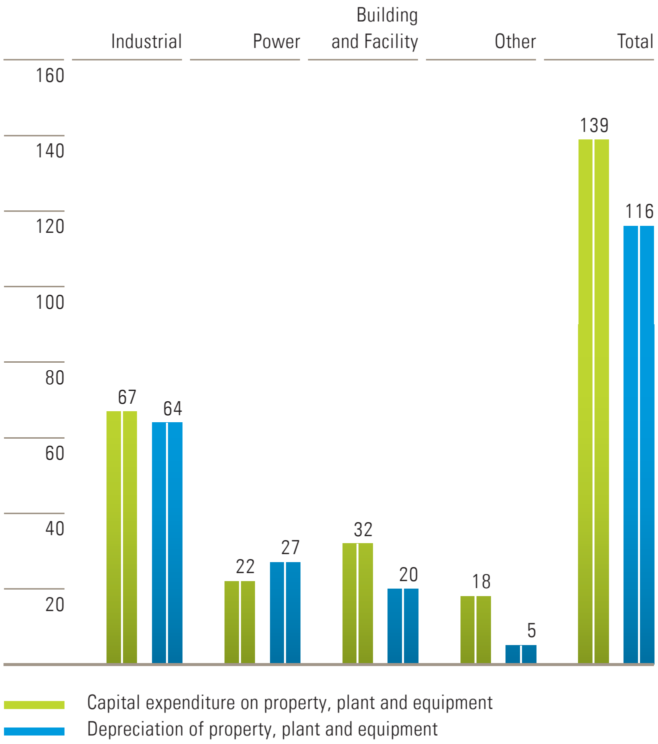
Investments

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

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

CAPITAL EXPENDITURE / DEPRECIATION BY BUSINESS SEGMENT

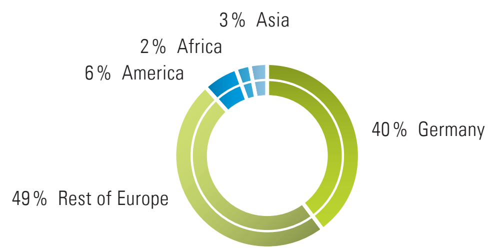
€ million



CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT BY REGION

€ million

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



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

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

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

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

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

Statement of cash flows

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

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

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

Disposals of financial assets resulted in total proceeds of

STATEMENT OF CASH FLOWS (ABRIDGED)
€ million

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

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

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

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

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

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

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

Results of operations

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

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

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

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

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

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

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

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

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

INCOME STATEMENT OF BILFINGER SE (HGB)
€ million

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

Net assets and financial position

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

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

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

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

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

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

BALANCE SHEET OF BILFINGER SE (HGB, ABRIDGED)

€ million

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

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

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

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

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

Opportunities and risks

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

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

Outlook

As the parent company of the Group without any business operations of its own, Bilfinger SE receives revenue primarily from its subsidiaries. Expectations with regard to the Group's business development will generally affect the earnings of Bilfinger SE. Because financial year 2014 was impacted by one-time expenses from amortization of financial assets and a substantial merger loss, we anticipate significantly improved earnings for financial year 2015. We assume that we will continue to achieve net profit sufficient for our shareholders to participate in the company's success with an attractive dividend.

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

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

INDUSTRIAL

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

Economic environment

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

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

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

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

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

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

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

Market position and strategic success factors

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

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

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

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

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

Prospects

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

Performance

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

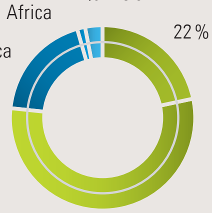
The German market accounted for 22 percent of output volume; 56 percent was achieved in other European countries, especially in Scandinavia, the Benelux countries, Eastern Europe and Austria. 19 percent of output volume was generated in the American market.

KEY FIGURES INDUSTRIAL
€ million

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

INDUSTRIAL: OUTPUT VOLUME BY REGION
€ million

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



Market trend

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

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

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

Areas of activity

Industrial Maintenance

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

Insulation, Scaffolding and Painting

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

Oil and Gas

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

Industrial Fabrication and Installation

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

Engineering, Automation and Control

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

Support Services

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

Clients

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

Major competitors

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

Important events in 2014

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

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

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

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

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

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

Outlook

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

POWER

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

Economic environment

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

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

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

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

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

Market position and strategic success factors

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

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

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

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

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

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

Prospects

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

Performance

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

Market trend

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

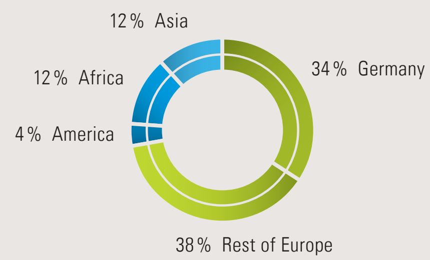
In Germany and Europe, intensified competition, a changed market environment for energy suppliers, open political questions with regard to network stability and supply security and, not least, the Ukraine-Russia conflict are all limiting the predictability of future development. In Germany in particular,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

KEY FIGURES POWER
€ million

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

POWER: OUTPUT VOLUME BY REGION
€ million

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



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

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

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

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

Areas of activity

Power Systems

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

Piping Systems

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

Clients

Energy utilities, industrial companies, plant manufacturers and research institutes

Major competitors

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

Important events in 2014

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

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

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

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

Outlook

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


BILFINGER
BILFINGER


Honeywell
DDS 76

BUILDING AND FACILITY

photo pages 88 / 89

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

Economic environment

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

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

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

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

Market position and strategic success factors

Real-estate services

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

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

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

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

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

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

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

Water Technologies

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

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

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

Prospects

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

Performance

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

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

Market trend

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

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

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

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

KEY FIGURES BUILDING AND FACILITY

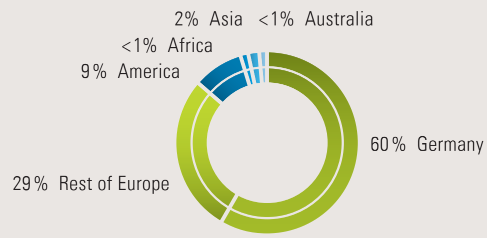
€ million

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

BUILDING AND FACILITY: OUTPUT VOLUME BY REGION

€ million

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



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

Areas of activity

Building

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

Integrated facility management

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

Real estate

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

Water technologies

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

Clients

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

Major competitors

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

Important events in 2014

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

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

Outlook

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

Discontinued operations: Construction and Offshore activities

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

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

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

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

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

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

KEY FIGURES DISCONTINUED OPERATIONS: CONSTRUCTION AND OFFSHORE ACTIVITIES

€ million

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

Sustainability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Procurement

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

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

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

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

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

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

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

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

Communication and marketing

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

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

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

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

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

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

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

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

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

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

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

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

Human resources

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

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

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

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

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

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

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

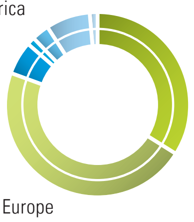
We conduct audits on all levels through internal and external agencies in order to analyze and improve our occupational safety measures.

NUMBER OF EMPLOYEES BY BUSINESS SEGMENT*

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

NUMBER OF EMPLOYEES BY REGION*

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



* Figures do not include discontinued units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E-RECRUITING*
(GERMAN-SPEAKING COUNTRIES)

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

GROUP APPRENTICES BY BUSINESS SEGMENT*

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

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

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

* Figures do not include discontinued units

ACQUISITIONS: NUMBER OF EMPLOYEES*

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

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

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

Events after the balance sheet date

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

Opportunity and risk report

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

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

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

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

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

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

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

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

Opportunities for Bilfinger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management system

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

The risk management function comprises the following components in particular:

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

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

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

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

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

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

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

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

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

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

The internal control system as relates to the accounting process consists of principles, procedures and measures to secure the effectiveness, efficiency and accuracy of the company's accounting as well as the observance of applicable legal requirements. This also includes the internal auditing system insofar as it relates to accounting.

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

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

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

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

Risks for Bilfinger

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

Risks related to our business environment

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

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

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

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

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

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

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

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

Risks related to our business model

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

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

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

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

Risks related to service provision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial risks

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

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

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

The sureties available for the execution of our project and services business with a volume of more than €2,500 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 750 million for the execution of our business in North America. All credit commitments can be called due prematurely in the case of a change of control. The pre-approved credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio to a value of < 2.5. The value as of December 31, 2014 is significantly lower. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis. At no time did such a threat exist.

Market-price risks in the finance sector primarily involve exchange rates, interest rates, raw-material prices and the market values of financial investments. Centralized control allows us to net out cash flows and financial positions to a large extent. We make use of derivative financial instruments to minimize residual risks and fluctuations in earnings, valuations and cash flows. We do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges. Fundamental questions of risk management such as defining or reviewing methods, limits or risk strategies are dealt with by a steering committee with the direct involvement of the Executive Board.

We use currency futures or currency options to hedge risks relating to foreign-currency cash flows and balance sheet items denominated in foreign currencies (not translation risks). We generally hedge against transaction risks in the project business for the entire project period immediately after a contract is received. In some cases this is already done during the bidding phase. Risk management takes place with the use of specified risk limits for outstanding foreign exchange items, their value at risk and marked-to-market results.

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

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

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

Due to this consistent application of the financing policy, there were no negative effects on the Group's financial position or earnings in the past financial year.

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

Other risks

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

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

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

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

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

General assessment of the risk situation

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

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

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

Outlook

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

Development of the Group

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

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

Industrial

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

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

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

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

Power

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

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

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

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

Building and Facility

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

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

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

Group

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

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

€ million

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

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

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

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

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

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

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

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

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

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

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

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

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

Structure of subscribed capital

The subscribed capital of (unchanged) €138,072,381 is divided into 46,024,127 bearer shares with an arithmetical value of €3.00 per share. Each share entitles its holder to one vote at the Annual General Meeting.

Limitations relating to voting rights or the transfer of shares

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

Shareholdings in Bilfinger exceeding 10 percent of the voting rights

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

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

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

Shares with special rights

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

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

Within the scope of the employee share program, there are employee shareholdings in Bilfinger that do not exercise their control rights directly, but have transferred these to a shareholder association that represents their interests. The proxies can be revoked at any time. On the balance sheet date, a total of 102,366 voting rights had been transferred to the association.

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

The appointment and dismissal of members of the Executive Board are subject to the statutory provisions of Section 39 of the SE Regulations, Section 16 of the SE Implementation Act and Sections 84 and 85 of the German Stock Corporation Act (AktG), as well as the provisions of Article 8 of the Bilfinger SE Articles of Incorporation. Accordingly, members of the Executive Board are appointed by the Supervisory Board for a maximum period of five years. Re-appointments are permitted. The Supervisory Board can dismiss a member of the Executive Board when there is good cause for the dismissal. The Supervisory Board decides on the appointment or dismissal of a member of the Executive Board by simple majority. In the event of a tied vote, the Chairman of the Supervisory Board has a casting vote; if the Chairman does not participate, the Deputy Chairman has a casting vote provided he is a representative of the shareholders.

Any amendments to the Articles of Incorporation of Bilfinger SE are subject to the statutory provisions of Section 59 Subsection 1 of the SE Regulations and Sections 133 and 179 of the AktG, as well as the provisions of Article 21 Section 2 of the Articles of Incorporation of Bilfinger SE. Accordingly, a majority of two-thirds of the valid votes cast or, provided that at least half of the share capital is represented, a simple majority of the valid votes cast is sufficient to amend the Articles of Incorporation. This does not apply to a change in the object of the company, for which a resolution in accordance with Section 8 Subsection 6 of EU Regulation no. 2157/2001 from October 8, 2001 is required as well as for cases in which a greater voting or capital majority is stipulated by law. Pursuant to Article 25 of the Articles of Incorporation, the Supervisory Board is authorized to make resolutions concerning amendments and supplements that affect only the wording of the Articles of Incorporation.

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

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

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

The Annual General Meeting held on April 18, 2013 canceled the authorization issued by the Annual General Meeting held on April 15, 2010 and authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until April 17, 2018 in an amount of €13,807,238 of the current share capital under the condition that the shares to be acquired on the basis of this authorization, together with other shares held by the company which the company has already acquired and which are still in its possession or attributable to the company in accordance with Sections 71d and 71e AktG, at no time exceed 10 percent of the share capital. Furthermore, the requirements of Section 71 Subsection 2 Sentences 2 and 3 AktG are also to be observed. The acquisition may not be used for the purpose of trading in treasury shares.

Acquisition is to take place in accordance with the principle of equal treatment (Section 53 a AktG) through the stock exchange or by means of a public offer to buy addressed to all shareholders. In the case of acquisition through the stock exchange, the price paid (excluding incidental costs) may not be more than 10 percent higher or 10 percent lower than the stock-exchange price of Bilfinger shares resulting from the opening auction in XETRA trading of Deutsche Börse AG (or a comparable successor system). With a public offer to buy, the price offered (excluding incidental costs) may not be more than 10 percent higher or 10 percent lower than the average stock-exchange price of Bilfinger shares on the last three days of stock-exchange trading before the day the offer is made public, calculated on the basis of the arithmetical average of the price of Bilfinger shares in the closing auction of XETRA trading of Deutsche Börse AG (or a comparable successor system).

Shares acquired on the basis of this authorization may be offered to all shareholders with consideration of the principle of equal treatment or sold through the stock exchange. With the approval of the Supervisory Board, they may also be disposed of by sale or otherwise if the shares are sold in exchange for cash at a price not substantially below their average stock market price on the last three trading days before determination of the final selling price by the Executive Board. This authorization is limited to a total of 10 percent of the share capital of the company at the time of the resolution of the Annual General Meeting on April 18, 2013 or – if lower – 10 percent of the company's share capital at the time of disposal of the shares. The authorized volume is reduced by the proportionate part of the share capital which is attributable to the shares or to which conversion and / or option rights or obligations under bonds relate which were issued or sold, subject to an exclusion of subscription rights, on or after April 18, 2013 pursuant to Section 186 Subsection 3 Sentence 4 AktG either directly, analogously or mutatis mutandis. In addition, the shares may be used within the scope of corporate mergers or acquisitions, recalled without any further resolution by the Annual General Meeting, or used for the fulfillment of conversion and / or option rights or obligations under bonds.

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

Approved capital

By resolution of the Annual General Meeting of May 8, 2014, with the consent of the Supervisory Board, the Executive Board was authorized until May 7, 2019 to increase the company's share capital by up to €69,000,000 by the single or multiple issue of new no-par value bearer shares (Approved Capital 2014). Such issue of new shares may be effected against cash or non-cash contributions. The new shares are to be offered to the shareholders for subscription. An indirect subscription right within the meaning of Section 186 Subsection 5 of the AktG shall suffice in this context. Limited to new shares representing a total proportionate amount of the share capital of up to €27,600,000 and subject to the consent of the Supervisory Board, the Executive Board is authorized to exclude shareholders' statutory subscription rights under the conditions specified in the authorization resolution with the issue of new shares in cases of fractional amounts, to grant subscription rights to holders of conversion and / or option rights issued by the company or by a company of the Group, or to carry out capital increases against cash and / or non-cash contributions.

Conditional capital

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

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

Agreements related to a change of control

In the case of a change of control resulting from an offer to take over Bilfinger SE, as is common business practice, termination possibilities exist for the providers of credit for our syndicated cash credit lines of €500 million and the investors in our corporate bond of €500 million.

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

In the case of a change of control and if certain other conditions are fulfilled, the members of the Executive Board have the right to terminate their contracts of service. This regulation would give the members of the Executive Board the required independence in the case of a takeover bid so that they could direct their actions solely to the benefit of the company and its shareholders. Further details can be found in the remuneration report (see page 127).

Executive Board remuneration

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

Disclaimer

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

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Corporate governance

Corporate governance report

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

Structure of corporate governance

Bilfinger SE is a European stock company located in Germany and is subject to European SE regulations, the German SE Implementation Act and the German Stock Corporation Act. The company has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. The third body of the company is the Annual General Meeting. At present, no use is made of the possibility of forming an advisory board, as allowed by Article 17 of our Articles of Incorporation.

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

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

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

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

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

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

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

German Corporate Governance Code

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

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

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

- At least two members should, as a result of their international experience, embody to a significant extent the criterion of internationality.
- At least two members should possess particular knowledge and experience in business administration and finance.
- At least two members should possess particular experience from leading positions in industrial or services companies.
- At least three members should be independent in accordance with the requirements of Section 5.4.2 Sentence 2 of the German Corporate Governance Code, therefore in particular have no personal or business relationship with the company, its bodies, a controlling shareholder or one associated with affiliated companies that could result in a significant and not merely temporary conflict of interest. In addition, they should have no consulting or management function for clients, suppliers, creditors or other business partners, nor should they hold any position which could lead to a conflict of interest.
- A maximum of two members are to be former members of the Executive Board.
- No member should exercise a management or consulting function for a significant competitor of the company.
- At least one member should meet the requirements of Section 100 Paragraph 5 AktG (so-called ‘financial expert’).
- At least one woman should be a member of the Supervisory Board.
- As a rule, no member should be over 70 years of age at the time of the Annual General Meeting which is to decide on his or her appointment as member of the Supervisory Board; exceptions are to be justified.

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

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

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

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

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

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

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

The Executive Board and the Supervisory Board issued an updated declaration of compliance on February 11, 2015. The recommendation in Section 5.4.3 Sentence 3 of the German Corporate Governance Code (announcement of proposed candidates for the Supervisory Board chairmanship to shareholders) has now been complied with while the recommendation in Section 4.2.3 Subsection 2 Sentence 6 (limitations on the maximum amount of Executive Board remuneration in general and the variable components of that remuneration) is not followed.

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

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

Directors' dealings

Pursuant to Section 15 a of the German Securities Trading Act (WpHG), the members of the Supervisory Board and the Executive Board, other persons with management duties who regularly have access to insider information on the company and who are authorized to make significant business decisions, and certain persons who are in a close relationship with those persons are legally obliged to disclose to Bilfinger SE any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €5,000 in any calendar year. We publish details of such transactions on our website at www.bilfinger.com, among other places, without delay.

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

Compliance system

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

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

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

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

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

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

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

Financial loss liability insurance

The company has taken out financial loss liability insurance which covers the activities of the members of the Executive Board and Supervisory Board (D&O insurance). This insurance includes the deductible for the Executive Board legally required by Section 93 Subsection 2 Sentence 3 of the German Stock Corporation Act and the deductible for the Supervisory Board recommended in Section 3.8 Subsection 3 of the German Corporate Governance Code.

Corporate governance statement

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

Mannheim, March 12, 2015

Bilfinger SE

The Executive Board   The Supervisory Board

Remuneration report

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

Executive Board remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes to the remuneration system from financial year 2015

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

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

New variable remuneration A new variable remuneration shall replace the profit-sharing model and the special incentive and shall consist of two components, namely a variable remuneration with a one-year assessment basis, the short-term incentive (STI) and a variable remuneration with a multi-year assessment basis, the long-term incentive (LTI).

The STI is based on achievement of economic success targets defined by the Supervisory Board. With an individual performance factor (IPF), the Supervisory Board can also take account of the individual performance of each member of the Executive Board as well as unforeseen events that have a material impact on the activities of the members of the Executive Board.

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

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

The LTI comprises the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). Their number is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as determined by the Supervisory Board as well as the development of the total shareholder return value (TSR value) of the company's share in relation to the TSR value of the shares of the remaining MDAX listed companies. The resulting number of PSUs corresponds to the number of real shares of Bilfinger SE which the relevant Executive Board member will receive at the conclusion of the performance period.

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

The final number of PSUs is calculated by multiplying the arithmetical average of the degree of target achievement with the initial number of PSUs. The final number is subject to a cap of at most 150 percent of the initial number of PSUs. In addition, the Supervisory Board is authorized, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSU. At the end of the performance period, members of the Executive Board receive a number of real Bilfinger shares corresponding to the final number of PSUs. The company is authorized, however, to make a full or partial cash payment in place of the delivery of Bilfinger shares, the amount of which is measured based on the current market price.

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

Additional disclosures

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

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

Other arrangements for the members of the Executive Board

In the case of a change of control, i.e., if a shareholder in the company reaches or exceeds a shareholding of 30 percent of the company's voting rights and in addition due to an allocation of responsibilities decided upon by the Supervisory Board a significant change occurs in the Executive Board members' responsibilities, or if the company enters into a control agreement as the controlled company, the members of the Executive Board, with the exception of Mr. Bodner, have a special right of termination for their contracts of service. In the case of termination of a contract of service due to a change of control, the members of the Executive Board receive severance compensation for the remaining periods of their contracts of service subject to a maximum of three years. The severance compensation comprises the annual fixed salary and profit sharing; the latter is calculated as the average of the variable remuneration paid in the past five full financial years (bonuses, PSUs, immediate payments and deferrals). In accordance with the recommendation in Section 4.2.3 Subsection 5 of the German Corporate Governance Code, severance compensation in the case of a change of control is limited to 150 percent of the general severance cap of two years' remuneration in accordance with Section 4.2.3 Subsection 4 of the German Corporate Governance Code.

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

Supervisory Board remuneration

The members of the Supervisory Board receive, as specified by Article 16 of the Articles of Incorporation of Bilfinger SE, in addition to the reimbursement of their expenses, annual fixed remuneration of €70 thousand. The Chairman of the Supervisory Board receives two and a half times that amount; the Deputy Chairman of the Supervisory Board and the Chairmen of the committees with the exception of the Nomination Committee receive double that amount. The members of the committees with the exception of the Nomination Committee receive one and a half times that amount. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is only entitled to the highest of the respective amounts. Members of the Supervisory Board receive a meeting fee of €500 for each meeting of the Supervisory Board and its committees that they attend. Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration.

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

REMUNERATION OF THE SUPERVISORY BOARD OF BILFINGER SE

€ thousand

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