Combined management report

Overview of financial year 2015 and outlook 2016

- Output volume increased, orders received well above prior year
- Adjusted EBITA lower, as expected
- Cash flow from operating activities improved
- Net profit burdened by one-time effects
- Cautious expectations for 2016

Results of operations

- Output volume with currency and acquisition-related increase to €6,482 million
- Figures for orders received of €6,825 million and order backlog of €4,824 million were well above the prior year due to positive development in the Building and Facility business segment
- Adjusted EBITA* decreased significantly as expected to €186 million because of weaker development in individual areas of the Industrial segment
- Adjusted EBITA margin was 2.9 percent
- Adjusted net profit from continuing operations amounted to €106 million
- Net profit was burdened by goodwill impairments and operating losses in the Power segment, by restructuring expenses as well as by one-time expenses for the processing of past compliance cases
- Dividend proposal: no distribution for 2015

Financial situation

- Cash flow from operating activities at €124 million despite lower earnings
- In the course of our restrictive expenditure policy, investments in property, plant and equipment reduced to €81 million
- Disposals of financial assets resulted in cash inflows of €212 million, mainly from the sale of the Construction and Infrastructure divisions as well as from the sale of investments in the Nigerian business and concession projects
- Free cash flow increased significantly to €282 million
- Cash and cash equivalents at the end of the year were €429 million, financial debt nearly unchanged at €520 million

Outlook 2016

- Generally cautious development in 2016; the geopolitical environment remains complex and our markets demanding
- Significant sales with customers in the currently difficult energy as well as oil and gas sectors
- Output volume for the Group will decrease substantially despite slight growth in the Building and Facility business segment
- Adjusted EBITA will increase slightly with a higher margin
- Net profit will be burdened by significant one-time expenses

* In 'EBITA adjusted', for better comparability of operating performance over time, special effects with a one-time, temporary character are eliminated. These include, for example, capital gains, restructuring measures as well as one-time expenses in connection with the further development of our compliance system and the conclusion of old cases.

The Bilfinger Group

Legal form and management

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. Details are described in the Declaration of Corporate Governance on the company's website at www.bilfinger.com under 'Responsibility/Corporate Governance'.

Organization

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

To manage the divisions in the Industrial business segment, Management Boards were set up in 2015, which include the respective divisional managers along with the Chairman of the Executive Board and the Chief Financial Officer of Bilfinger SE. The Management Boards generally meet every two weeks. This has helped to improve decision-making channels and has brought the Executive Board closer to the operating business. Responsibility for the operational activities nonetheless remains with the management of the divisions.

The existing divisional structure remains unchanged in the Building and Facility segment. Management of the business segment is carried out by the responsible member of the Executive Board. The operating business is organized in a decentralized manner and has been set up to ensure a high level of independence. In 2015, we transferred several administrative units such as IT and accounting to the segment and thus moved forward with the process of making it more self-contained. In addition, we further strengthened the conditions for cooperation among the units within the segment by moving the administrative units of the divisions together in a single location.

In June 2015, Bilfinger decided to put the activities of the Power business segment up for sale and to initiate a structured selling process. For this reason, the relevant key figures in these annual financial statements are presented as discontinued operations of the Group.

Business model

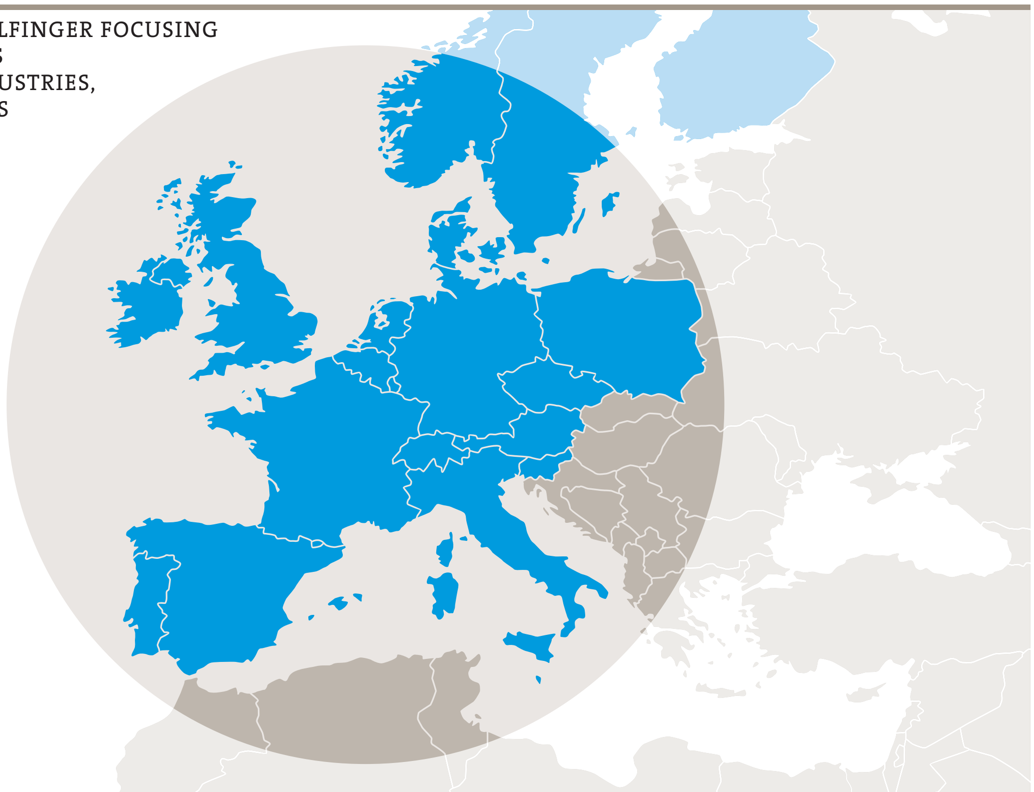
Bilfinger SE is a leading engineering and services group. With the technological expertise and experience of its nearly 60,000 employees, the company offers customized services for industrial facilities and real estate. A comprehensive range of services allows the company's customers to focus on their respective core business activities.

STRUCTURE OF THE BUSINESS SEGMENTS

Industrial	Building and Facility
Divisions:	Divisions:
Industrial Maintenance	Building
Insulation, Scaffolding and Painting	Facility Services
Oil and Gas	Real Estate
Industrial Fabrication and Installation	Water Technologies
Engineering, Automation and Control	
Support Services	

see page 50
see page 56

CORE MARKET EUROPE: BILFINGER FOCUSING ITS BUSINESS OPERATIONS ON CLEARLY DEFINED INDUSTRIES, CUSTOMERS AND SERVICES



Objectives and strategy

- Return to profitable growth
- Focus on core regions, industries, customers and services
- Industrial and Building and Facility will operate as independent segments
- Program to significantly reduce administrative expenses launched

Following a disappointing financial year in 2015, Bilfinger is undergoing extensive changes. The company is narrowing the focus of its business from three to two segments, concentrating activities that are currently spread around the globe on the home market of Europe and replacing its complex structure with a transparent and fast-moving organization. As a result, Bilfinger's profitability will increase sustainably.

Clear focusing of the business

The two business segments Industrial and Building and Facility will operate independently within Bilfinger and will be given greater entrepreneurial freedom. With this independence, each segment will be able to develop its strengths in a more targeted manner together with a higher quality standard.

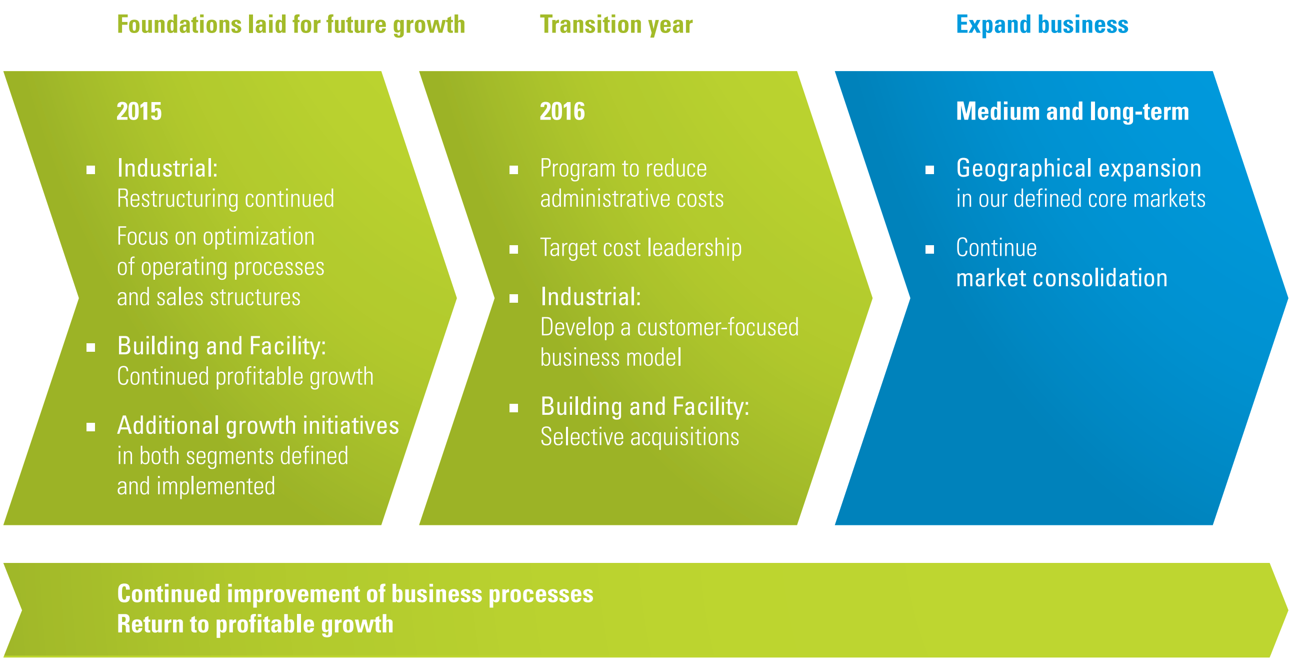
In the Industrial segment, Bilfinger is concentrating on markets in Central and Northern Europe. An improved sales strategy will help to further intensify cooperation with strategically important customers and to further expand the market position in this core region. Bilfinger will restructure Industrial's low-margin operations. The segment will thus get back on a path to success and, in the medium term, once again be able to increase volume and earnings.

In the Building and Facility segment, Bilfinger will focus more strictly on real-estate services and consistently move forward with its successful growth path. The Group will expand its position as a strong real-estate services provider on the European market. Through organic growth and selective acquisitions, Bilfinger seeks to increase output volume with a continued good earnings margin in the Building and Facility segment.

In addition, areas with an output volume of approximately €1 billion have been identified which in the future will no longer be part of the core business. For these activities, all strategic options will be reviewed without bias.

In the context of focusing on engineering and services, we sold our civil engineering business in 2015. At the beginning of the year, the

KEY POINTS OF MID-TERM CORPORATE DEVELOPMENT



Construction division was sold to Swiss construction services company Implenia; in mid-2015 we sold the Infrastructure division to Austrian construction company Porr.

Basis for future profitable growth

As a result of the decision to put the former Power business segment up for sale, Bilfinger will substantially reduce its business risks. The stronger positioning of power plant activities in the international major projects business, which is necessary due to the difficult situation on the German market, is not in line with the strategy and risk profile of Bilfinger as an engineering and services group.

In order to improve the operational performance in industrial services, we have launched a comprehensive program for the optimization of processes for service orders. Primary objectives include the standardization and efficiency enhancement of procedures in workshops and logistics chains as well as in information technology and resource planning. Through a stronger key account management focused on the respective business activities, we intend to increase our sales with strategically important customers and thus promote profitable growth. In addition, initiatives are currently being defined in order to take advantage of market trends that have been recognized and to tap into future profitable growth.

The optimization of administration within the Group is of particular importance. The administrative structure will be adjusted to the business activities that are being focused on. The goal is to make the entire organization more efficient and to significantly reduce administrative expenses. We will therefore undertake significant investments in the standardization of the IT landscape and further expand the shared service activities as well as the shared use of administrative functions.

Extensive measures were also undertaken to improve cash conversion at Bilfinger. These include the use of a task force, the Group-wide introduction of best practice processes, intensive training programs and monthly monitoring. The objective is to accelerate internal billing processes and to optimize receivables management.

Key points of mid-term corporate development

In 2015, Bilfinger laid the groundwork for future growth. In the next 12 months, we will implement the program that has been initiated to reduce administrative expenses and thus to significantly increase our competitiveness. The goal is to achieve cost leadership in all areas. We will position the Industrial business segment to make it more customer-focused and we will keep Building and Facility on a growth path, including through selected acquisitions.

Overall, we intend to expand our business once again in the medium to long term. Following the repositioning of the Industrial business segment, we will actively participate in the consolidation of the market. Furthermore, we will drive growth in our defined core markets. Our goal is to continually improve our business processes in order to generate long-term profitable growth.

The status of the implementation of our strategic goals is shown in the graphic ‘Key points of mid-term corporate development’.

Financial management system

Our key financial management metrics include figures for growth, profitability, capital efficiency as well as our capital structure. The most important of these are output volume, EBITA adjusted, free cash flow from operating activities and return on capital employed.

Growth and 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.

Profitability

EBITA / EBITA adjusted 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.

We are focusing here on 'adjusted EBITA' with adjustments made for special items. For better comparability of operating performance over time, special effects with a one-time, temporary character are eliminated. These include, for example, gains on disposals, restructuring measures as well as one-time expenses in connection with the further development of our compliance system and the conclusion of old cases.

Net profit / dividend policy Net profit consists of operating profit plus / minus amortization of intangible assets, financial income and expense and taxes. Also with regard to net profit we make reference to an 'adjusted net profit' with adjustments made for the above-mentioned special items as well as for amortization of intangible assets.

We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group's success. With regard to the dividend, we generally intend to pay out to shareholders approximately 50 percent of net profit, depending on the development of earnings and liquidity.

Capital efficiency

Value added and ROCE A further management system in the Bilfinger Group is the so-called value and cash-oriented management. With it, it is possible to measure the value added by our business segments and by the Group as a whole. We employ our capital in a targeted manner in order to achieve high value added. 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 value-oriented management with appropriate explanations.

Free cash flow from operating activities / cash conversion / net working capital For the operationalization of value-oriented management, we also orient ourselves toward the so-called free cash flow from operating activities and the cash conversion for each business segment. A major factor to be considered in this regard is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes to 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 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.

Capital structure and liquidity

Net debt and dynamic debt-equity ratio To manage liquidity, we focus on two important key figures: net debt and the dynamic debt ratio, which also includes net debt as relates to EBITDA. In both cases, we also consider – as in the framework of operating profit measurement – an adjusted dynamic debt-equity ratio for which we eliminate special and one-time effects.

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. In addition to those mentioned above, key figures include so-called gearing as well as cash-flow protection.

Economic report

Business developments 2015

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

	2015	2014	Δ in %
Output volume	6,482	6,246	4
Orders received	6,825	5,510	24
Order backlog	4,824	4,401	10
EBITA adjusted [1]	186	262	-29
EBITA margin adjusted (in percent) [1]	2.9	4.2	
Adjusted net profit from continuing operations [1]	106	160	-34
Adjusted earnings per share from continuing operations (in €) [1]	2.41	3.62	-33

* The key figures for the Power business segment and Offshore Systems, which have been put up for sale, for the sold divisions Construction and Infrastructure as well as the sold activities of the former Concessions business segment are no longer presented in the 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.

1 Adjustments see chapter 'Reconciliation to adjusted earnings'.

2015 was an uneven year for Bilfinger: while parts of the Industrial business segment suffered under the continuing restraint of customers in the oil and gas sector, the Building and Facility business segment was able to extend important service agreements and gain new customers.

The key figures for the Power business segment and Offshore Systems, which have been put up for sale, for the sold divisions Construction and Infrastructure as well as the sold activities of the former Concessions business segment are no longer presented in the 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.

The output volume generated by the Bilfinger Group in financial year 2015 increased by 4 percent to €6,482 million and was thus above the most recently issued forecast. Orders received amounted to €6,825 million, which corresponds to an increase of 24 percent as compared to the prior-year figure. Order backlog as of the end of the year was up 10 percent to €4,824 million.

Although adjusted EBITA of €186 million was, as expected, significantly below the prior-year figure, it nonetheless also exceeded the level of €150 to €170 million that was forecast in August 2015. The adjusted EBITA margin for the Group reached 2.9 percent. As a consequence of goodwill impairment in the amount of €330 million as well as operating losses in the Power business and due to one-time expenses for restructuring programs as well as the further development of the compliance system, net profit in 2015 amounted to minus €489 million.

The outlook presented in the 2014 Annual Report was adjusted downward in April 2015 due to the declining development in the oil and gas business as well as ongoing weak demand on the energy market. In addition, the statements made in the 2014 Annual Report are, in terms of their structure, no longer comparable with the consolidated financial statements presented here because the former Power business segment has since then been put up for sale and is now presented as discontinued operations.

In view of the unusually strong net loss as well as the cash outflow for current and upcoming restructuring measures, the Executive Board and the Supervisory Board will propose to the Annual General Meeting to suspend dividend payments for financial year 2015.

PLAN / ACTUAL COMPARISON	Actual 2015	Outlook Interim report Q3 2015	Outlook Interim report H1 2015	Outlook Interim report Q1 2015 [1]	Outlook Annual report Year-end 2014 [1]	Actual 2014 [2]
Output volume						
Group	€6,482 million	at prior-year level of €6.25 billion	at prior-year level of €6.25 billion	lower output volume	magnitude of €7.5 billion	€7,690 million
Industrial	€3,650 million	good €3.4 billion	good €3.4 billion	significant decrease	significant decrease	€3,705 million
Building and Facility	€2,909 million	good €2.8 billion	good €2.8 billion	significant growth	significant increase	€2,659 million
EBITA / EBITA margin						
Industrial	3.5 %	EBITA margin of more than 3%	EBITA margin significantly below prior-year		significant decrease in EBITA	190 / 5.1%
Building and Facility	5.1 %	EBITA margin at prior-year level	EBITA margin at prior-year level		significant increase in EBITA	136 / 5.1%
EBITA adjusted	€186 million	between €150 and €170 million	between €150 and €170 million	significant decrease in EBITA	slight increase with higher margin	€270 million
Adjusted net profit from continuing operations	€106 million				slightly below prior-year	€175 million
Free cash flow from operating activities	€229 million				significant increase	€187 million
Return on capital employed (ROCE)	8.4 %				slightly below cost of capital of 10.75%	9.5%

[1] The outlook in the Annual Report 2014 and as of the first quarter included the Power business segment.
[2] The actual figures 2014 for the Group relate to the figures published in the Annual Report 2014.

OUTPUT VOLUME BY BUSINESS SEGMENT

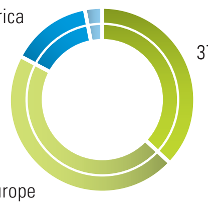
€ million

	2015	2014	Δ in %
Industrial	3,650	3,705	-1
Building and Facility	2,909	2,659	9
Consolidation, other	-77	-118	
	6,482	6,246	4

OUTPUT VOLUME BY REGION

€ million

	2015	2014	Δ in %
Germany	2,386	2,334	2%
Rest of Europe	2,995	2,801	7%
America	921	938	-2%
Africa	12	17	-29%
Asia	149	142	5%
Australia	19	14	36%
	6,482	6,246	4%



CONSOLIDATED INCOME STATEMENT (ABRIDGED)

€ million

	2015	2014
Output volume (for information only)	6,482	6,246
Revenue	6,481	6,245
Cost of sales	-5,704	-5,451
Gross profit	777	794
Selling and administrative expense	-666	-663
Other operating income and expense	4	0
Income from investments accounted for using the equity method	19	39
Earnings before interest and taxes (EBIT)	134	170
Net interest result	-28	-28
Earnings before taxes	106	142
Income tax expense	-101	-51
Earnings after taxes from continuing operations	5	91
Earnings after taxes from discontinued operations	-508	-193
Earnings after taxes	-503	-102
thereof minority interest	-14	-31
Net profit	-489	-71
Average number of shares (in thousands)	44,194	44,168
Earnings per share (in €)*	-11.06	-1.62
thereof from continuing operations	0.44	2.74
thereof from discontinued operations	-11.50	-4.36

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

CALCULATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

€ million

	2015	2014
Earnings before taxes	106	142
Special items in EBITA	25	55
Amortization of intangible assets from acquisitions and goodwill impairment	27	37
Adjusted earnings before taxes	158	234
Adjusted income tax expense	-49	-71
Adjusted earnings after income taxes from continuing operations	109	163
thereof minority interest	3	3
Adjusted net profit from continuing operations	106	160
Average number of shares (in thousands)	44,194	44,168
Adjusted earnings per share from continuing operations (in €)	2.41	3.62

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 special 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 special items in EBITA of €66 million (previous year: €20 million) are the result of restructuring costs, in particular for the Industrial business segment. Also included are one-time expenses in connection with our efficiency enhancement program Bilfinger Excellence in the amount of €3 million (previous year: €44 million). Costs of €10 million were incurred in connection with the legal processing of past compliance cases. This is offset by a gain in the total amount of €54 million (previous year: €9 million), which mainly resulted from the sale of 13.8 percent of the shares in Julius Berger Nigeria plc, from the revaluation of the remaining 16.5 percent of the shares as well as from the sale of shares in the privately financed motorway projects M6 Duna and M6 Tolna in Hungary.

Amortization of intangible assets from acquisitions and goodwill impairment totaling €27 million (previous year: €37 million) relates to the amortization of intangible assets resulting from purchase-price allocation following acquisitions and is therefore of a temporary nature.

The adjustments to income tax expense take into account the tax effects of the special items in EBITA and the amortization on intangible assets from acquisitions, the non-capitalization of deferred tax assets on losses in the reporting year as well as the write-down of previously recognized deferred tax assets on tax-loss carryforwards. The adjusted effective tax rate was 31 percent. In the previous year, due to the increase in Cevian Capital's stake to over 25 percent, there was a reduction of recognized tax-loss carryforwards pursuant to Section 8c of the German Corporate Income Tax Act (KStG) in the amount of €13 million, which was also adjusted. 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 4 percent to €6,481 million (previous year: €6,245 million) as did output volume to €6,482 million (previous year: €6,246 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 sale 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 5 percent to €5,704 million (previous year: €5,451 million), and in relation to revenue increased to 88.0 percent (previous year: 87.3 percent). Of that total, material and personnel expenses accounted for 77.2 percentage points (previous year: 77.4 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions of €27 million (previous year: €37 million). This relates to scheduled amortization on capitalized items from acquired order backlogs and long-term customer relations from acquisitions. Depreciation of property, plant and equipment increased to €105 million (previous year: €90 million), of which €87 million was allocated to cost of sales (previous year: €70 million). Of that total, €7 million was unscheduled. The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

Gross profit decreased to €777 million (previous year: €794 million) and the gross margin fell to 12.0 percent (previous year: 12.7 percent).

Selling and administrative expense

Selling and administrative expense increased slightly to €666 million (previous year: €663 million) as a result of first-time consolidations and exchange rates, amounting to 10.3 percent (previous year: 10.6 percent).

ADJUSTED EBITA BY BUSINESS SEGMENT
€ million

	2015	2014
Industrial	128	190
Building and Facility	148	136
Consolidation, other	-90	-64
Continuing operations	**186**	**262**

Other operating income and expense

The balance of other operating income and expenses was positive at €4 million (previous year: €0 million). Included in this figure are restructuring expenses especially in the Industrial business segment in the amount of €39 million (previous year including Bilfinger Excellence: €46 million). A gain in the total amount of €54 million was achieved from the sale of 13.8 percent of the shares in Julius Berger Nigeria plc and from the revaluation of the remaining 16.5 percent of the shares as well as from the sale of shares in the privately-financed motorway projects M6 Duna and M6 Tolna in Hungary, after a gain of €9 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 €19 million (previous year: €39 million).

EBITA / EBITA adjusted / EBIT

Adjusted EBITA of €186 million was significantly lower than the figure of €262 million achieved in the prior-year period. In relation to output volume, the adjusted EBITA margin was 2.9 percent (previous year: 4.2 percent). In the Industrial business segment, EBITA declined to €128 million (previous year: €190 million) due especially to the difficult situation in the oil and gas sector. The EBITA margin decreased to 3.5 percent (previous year: 5.1 percent). In the Building and Facility business segment, EBITA, due to acquisitions and exchange rates, increased to €148 million (previous year: €136 million). The EBITA margin remained at the good prior-year level of 5.1 percent (previous year: 5.1 percent). Adjusted negative EBITA not allocated to the business segments increased significantly to minus €90 million (previous year: minus €64 million). It includes, in addition to headquarters costs, in 2015 only pro rata at-equity earnings of the investment in Julius Berger Nigeria as well as the earnings contributions from two concession projects. Furthermore, the increase in this position is attributable to the increased centralization of the administrative functions within the scope of Excellence as well as the increased consulting costs in connection with strategic projects. Including the special items described under 'Adjusted earnings per share' on page 41, EBITA totaled €161 million (previous year: €207 million). This figure includes a positive exchange rate effect in the amount of €13 million. After deducting scheduled amortization of intangible assets from acquisitions of €27 million (previous year: €37 million), an EBIT of €134 million remains (previous year: €170 million).

Interest result

The net interest expense amounted to minus €28 million, as in the previous year. Interest income increased to €8 million (previous year: €4 million). The current interest expense increased particularly as a result of increased costs for the syndicated credit agreement to €26 million (previous year: €22 million). The interest expense from the increase in the retirement benefit obligation – netted with the income from plan assets – decreased due to the lower interest rates to €8 million (previous year: €10 million). Income from securities in the previous year was €6 million from the sale of shares in the BBGI investment fund. The interest expense for minority interest decreased to €2 million (previous year: €6 million).

Earnings before and after taxes

Earnings before taxes of continuing operations amounted to €106 million (previous year: €142 million) and earnings after taxes amount to €5 million (previous year: €91 million). The effective tax rate increased significantly because nearly no deferred taxes were capitalized for tax losses in the current year. In addition, previously capitalized deferred tax assets on tax-loss carryforwards in the amount of €51 million were fully written off because a realization in the relevant period is no longer reasonably certain. The basic claim in domestic tax-loss carryforwards remains unaffected. The effective tax rate, adjusted for these effects and for tax-free capital gains, was 31 percent – as in the prior year. Earnings after taxes from discontinued operations relate to the former Power, Construction and Concessions business segments as well as Offshore Systems. The significantly negative result in the amount of minus €508 million (previous year: minus €193 million) stems primarily from the former Power business segment: in the course of the reclassification of the former business segment as discontinued operations, the disposal group was measured at fair value less costs to sell, which led to an impairment loss in the amount of €330 million. This is in addition to further burdens totaling €164 million from regular earnings as well as from one-time expenses, in particular for restructuring. Offshore Systems had a negative impact of minus €17 million, also as a result of a further write-down of investments in the production site. A capital gain from the sale of the Construction and Infrastructure divisions is also included which, after consideration of a risk provision, led to a positive earnings effect of €9 million.

Minority interest

Profit attributable to minority interest amounted to minus €14 million in the reporting period (previous year: minus €31 million). This particularly includes, as in the prior year, the proportionate share of the write-down of investments in the production site in Poland and of South African companies in the former Power business segment.

Net profit / earnings per share

The net loss amounts to €489 million (previous year: €71 million), earnings per share were minus €11.06 (previous year: minus €1.62). Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the special items described above declined to €106 million (previous year: €160 million); adjusted earnings per share from continuing operations amount to €2.41 (previous year: €3.62).

Suspension of dividend payment

The Executive Board and the Supervisory Board will propose to the Annual General Meeting to suspend the dividend payment for financial year 2015 (previous year: €2.00). The reasons for this step are the unusually high net loss as well as the substantial cash outflows for ongoing and upcoming restructuring and compliance measures.

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 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 9.75 percent before taxes (previous year 10.0 percent). ROCE of the business segments is compared with segment-specific cost-of-capital rates. For the Industrial business segment, these were unchanged at 10.5 percent, the lower interest rates were compensated here in particular by an increase in the beta factor and the tax rate. In the Building and Facility business segment, this figure decreased to 8.5 percent (previous year: 9.25 percent) due to the lower interest rates. Further details can be found in the chapter "Return-on-capital-employed controlling" (see pages 178 f.). The average capital employed of continuing operations increased slightly to €2,315 million in the reporting year (previous year: €2,293 million). ROCE from continuing operations fell to 8.4 percent due to the significantly lower return (previous year: 11.9 percent). Absolute value added, impacted by the slight decrease in cost of capital, was minus €32 million (previous year: €43 million). This is attributable primarily to development in the Industrial business segment. In the Industrial business segment, with a lower EBITA, ROCE decreased

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed € million		Return € million		ROCE %		Cost of capital %		Value added € million	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Industrial	1,298	1,295	128	189	9,80	14,70	10,50	10,50	-9	54
Building and Facility	866	767	147	140	17,00	18,20	8,50	9,25	74	68
Consolidation, other	151	231	-81	-57					-97	-79
Continuing operations	2,315	2,293	194	272	8,40	11,90	9,75	10,00	-32	43

to 9.8 percent (previous year: 14.7 percent). Value added fell to minus €9 million (previous year: €54 million). In the Building and Facility business segment, despite an acquisition-related increase in capital employed due to the higher return, ROCE was 17 percent and thus at the level of the previous year (18.2 percent); the same applies to value added of €74 million (previous year: €68 million). The value added by headquarters and consolidation was negative at minus €97 million (previous year: minus €79 million).

Net assets

For the analysis of net assets, in order to gain better comparability with the figures as of December 31, 2015, the assets and liabilities of discontinued operations of the former business segments Power, Construction and Concessions as well as Offshore Systems 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 2014.

Total assets decreased due to the sale of Construction to €5.2 billion (previous year: €6.0 billion). This is evident from the decrease of assets and liabilities classified as held for sale. On the assets side, non-current assets decreased to €2,340 million (previous year: €2,491 million). Intangible assets were nearly unchanged as compared to the prior year at €1,650 million. Goodwill of €1,547 million (previous year: €1,509 million) and intangible assets from acquisitions of €80 million (previous year: €103 million) were countered by amortization of €27 million and positive currency effects. Property, plant and equipment decreased to €447 million (previous year: €477 million).

Other non-current assets of €243 million (previous year: €375 million) declined significantly. This decrease was due to the write-down of recognized deferred tax assets on tax-loss carryforwards, sale and/or reclassification of the Nigerian companies as well as two motorway concession projects.

Receivables and other current assets of €1,689 million (previous year: €1,753 million) also declined. Cash and cash equivalents at the end of the year increased to €429 million (previous year: €359 million). Current and non-current financial liabilities – excluding project debt on a non-recourse basis – were nearly unchanged at €520 million (previous year: €521 million). Net debt amounts to €91 million as of the balance sheet date (previous year: €162 million).

Non-recourse debt in the amount of €14 million (previous year: €40 million) reflects project financing, which was granted without any liability for the Group. Provisions for pensions and similar obligations decreased only slightly to €396 million (previous year: €400 million) due to a moderate change in the relevant discount rate – in the Eurozone from 2.0 percent to 2.25 percent. Other non-current liabilities decreased as a result of lower deferred taxes to €122 million (previous year: €134 million).

Other current liabilities decreased to €1,881 million (previous year: €1,928 million), and advance payments received included here fell to €117 million (previous year: €137 million). Negative working capital improved slightly to minus €193 million (previous year: minus €175 million). Equity decreased to €1,440 million (previous year: €1,917 million). The negative earnings after taxes of €503 million and dividend payments of €92 million contributed to the decline. Transactions recognized directly in equity of €118 million had an opposing effect. These relate primarily to effects from hedging transactions and positive exchange rate effects. The equity ratio on the balance sheet date was 28 percent, well below the prior-year figure of 32 percent.

CONSOLIDATED BALANCE SHEET (ABRIDGED)
€ million

	Dec. 31, 2015	Dec. 31, 2014 pro forma
Assets		
Non-current assets		
Intangible assets	1,650	1,639
Property, plant and equipment	447	477
Other non-current assets	243	375
	2,340	2,491
Current assets		
Receivables and other current assets	1,689	1,753
Cash and cash equivalents	429	359
Assets classified as held for sale	750	1,402
	2,868	3,514
	5,208	6,005
Equity and liabilities		
Equity	**1,440**	1,917
Financial debt, non-recourse	**14**	40
Non-current liabilities		
Provisions for pensions and similar obligations	396	400
Non-current financial debt, recourse	513	514
Other non-current liabilities	122	134
	1,031	1,048
Current liabilities		
Current financial debt, recourse	7	7
Other current liabilities	1,881	1,928
Liabilities classified as held for sale	835	1,065
	2,723	3,000
	5,208	6,005

GROUP FINANCIAL STATUS, RECOURSE LIABILITIES
€ million

	Available credit	Amount utilized	Available credit	Amount utilized
		2015		2014
Bank guarantees	**2,245**	**1,408**	2,522	1,781
thereof with residual term < 1 year	2,245	1,408	2,522	1,781
Syndicated credit facilities	**661**	**6**	689	6
thereof with residual term < 1 year	161	5	189	4
Corporate bond	**500**	**500**	500	500
thereof with residual term < 1 year	–	–	–	–
Finance leases	**13**	**13**	14	14
thereof with residual term < 1 year	5	5	5	5

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.

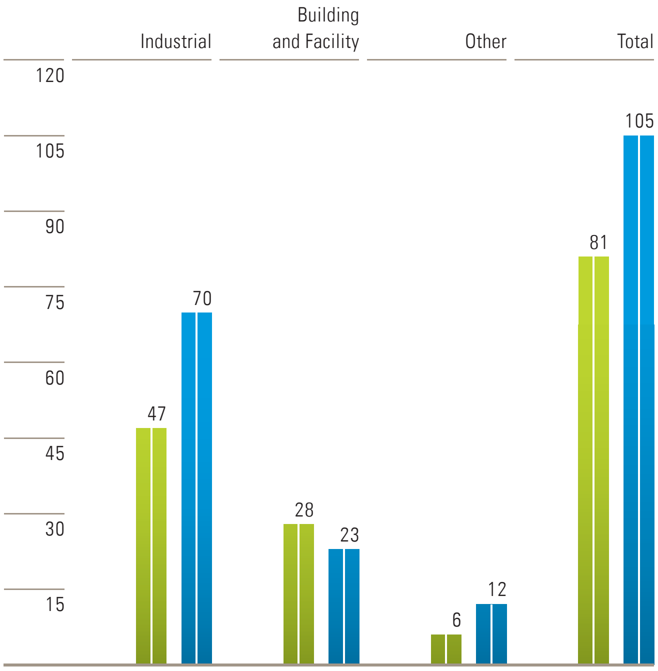
Controlling of market price change risks as well as creditworthiness risks of financial counterparties is also carried out by means of a Group-wide limit and control system. To this end, financial derivatives are also used to a limited extent. We report in detail on our management of financial risk in the risk and opportunities report on pages 83 f. and in the notes to the consolidated financial statements under note 28 (see pages 166 ff.) 'Risks related to financial instruments, financial risk management and hedging transactions'.

Financing

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

CAPITAL EXPENDITURE / DEPRECIATION BY BUSINESS SEGMENT

€ million

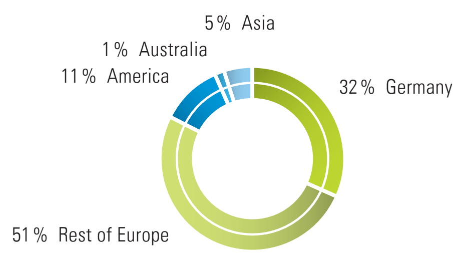


Capital expenditure on property, plant and equipment
Depreciation of property, plant and equipment

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT BY REGION

€ million

	2015	2014
Germany	26	48
Rest of Europe	41	59
America	9	7
Africa	0	0
Asia	4	2
Australia	1	1
	81	117



For the purpose of general corporate financing, which is carried out under consideration of matching maturities, our main banks have provided a firmly committed, syndicated credit facility of €500 million, available until 2018, which had not been utilized at the balance sheet date. The respective interest rate for drawings depends on the interest rate period selected; the credit margin is oriented toward a rating grid. The syndicated cash line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA). Within the scope of the refinancing of this line in 2015, it was possible to increase the flexibility under the covenant as compared to the old agreement. We also have additional short-term bilateral credit commitments of approximately €150 million. In 2012, a €500 million bond with maturity in 2019 and a fixed interest rate over the entire term was issued. We have credit by way of bank guarantees of over €2.3 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized. Detailed information on existing financial debt is provided in the notes to the consolidated financial statements under note 24 Financial debt (see pages 162 f.).

Financial debt – excluding non-recourse debt – totaled €520 million on the balance sheet date (previous year: €521 million). Of that total, €513 million is non-current (previous year: €514 million) and €7 million is current (previous year: €7 million). It includes finance leases of €13 million (previous year: €14 million). We do not utilize off balance sheet financing instruments. Bank deposits in the amount of €7 million have been pledged.

Approved capital of €69 million is available for future capital increases. Bilfinger also has conditional capital of €14 million to be used to grant conversion and/or warrant rights in the case of convertible bonds being issued. We report in detail on the existing authorizations of the Executive Board to raise capital in the management report on pages 93 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 €81 million (previous year: €117 million). €40 million of the total was invested in operating equipment and office equipment, €25 million in technical equipment and machinery, €9 million in land and buildings and €7 million in intangible assets. Depreciation and amortization amounted to €105 million (previous year: €90 million).

Investments accounted for by the Industrial business segment were €47 million (previous year: €67 million) or 58 percent. €21 million was invested in operating equipment and office equipment, of which scaffolding accounted for €7 million. A further €18 million was invested in technical equipment and machinery, €5 million in land and buildings and €3 million in intangible assets.

The Building and Facility business segment invested a total of €28 million (previous year: €32 million), with €16 million invested in operating equipment and office equipment, €7 million in technical equipment and machinery, €2 million in land and buildings and €3 million in intangible assets.

The regional focus of investment was again on Europe, which accounted for 83 percent of the total (previous year: 89 percent). Germany accounted for 32 percent of total investment (previous year: 41 percent).

Payments totaling €4 million (previous year: €141 million) were made for investments in financial assets – corporate acquisitions and increases in equity interests. Further information on corporate acquisitions can be found in the notes to the consolidated financial statements on pages 132 ff. under 'Consolidated Group'.

Cash flow statement

Cash earnings rose to €184 million (previous year: €144 million) because lower earnings after taxes were shaped mainly by the non-cash, high deferred tax expense. The reduction in negative working capital had an effect here of minus €16 million (previous year: minus €90 million). The gains on disposals of non-current assets, which are to be deducted from operating cash flow, increased to €44 million (previous year: €20 million). They relate primarily to gains from the sale of shares in Julius Berger Nigeria and the office property of Power in Oberhausen. The cash flow from operating activities of continuing operations increased significantly to €124 million (previous year: €34 million).

Capital expenditure on property, plant and equipment and intangible assets of €81 million (previous year: €117 million) was once again at a comparatively low level. These cash outflows were reduced by a cash inflow of €27 million (previous year: €16 million). There was a total cash inflow of €212 million (previous year: €172 million) from the disposal of financial assets; of that total, €94 million was accounted for by the sale of the Construction and Infrastructure divisions, €49 million (previous year: €13 million) by the reduction of the investment in the Nigerian business, €53 million (previous year: €103 million) by the sale of concession projects and €13 million by the sale of the office property of Power in Oberhausen. This led to a free cash flow of €282 million (previous year: €105 million). €4 million (previous year: €141 million) was applied to investments in financial assets. For the prior year, this primarily reflects the acquisition of GVA, a company specialized in real-estate consulting services in the United Kingdom. Of the net cash outflow from financing activities of €95 million (previous year: €167 million), €88 million represents the dividend payment to shareholders of Bilfinger SE for the past financial year. Cash inflows from continuing operations totaled €183 million after an outflow in the previous year of €203 million. The cash outflow from discontinued operations amounts to €119 million (previous year: €48 million).

Changes in exchange rates led to an arithmetical increase in cash and cash equivalents of €2 million (previous year: €8 million). Cash and cash equivalents of activities classified as held for sale amount to €51 million on the balance sheet date. In total, cash and cash equivalents at the end of the year increased to €429 million (previous year: €403 million).

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED)

€ million

	2015	2014
Cash earnings from continuing operations	**184**	144
Change in working capital	-16	-90
Gains on disposals of non-current assets	-44	-20
Cash flow from operating activities of continuing operations	**124**	34
Capital expenditure on P, P & E and intangible assets	-81	-117
Proceeds from the disposal of property, plant and equipment	27	16
Net cash outflow for P, P & E and intangible assets	**-54**	-101
Proceeds from the disposal of financial assets	**212**	172
Free cash flow from continuing operations	**282**	105
Investments in financial assets	**-4**	-141
Cash flow from financing activities of continuing operations	**-95**	-167
Issue of treasury shares as part of the employee share program	0	1
Dividends	-93	-137
Repayment of financial debt	-2	-31
Change in cash and cash equivalents of continuing operations	**183**	-203
Change in cash and cash equivalents of discontinued operations	**-119**	-48
Change in value of cash and cash equivalents due to changes in foreign exchange rates	**2**	8
Change in cash and cash equivalents	**66**	-243
Cash and cash equivalents at January 1	403	669
Changes in cash and cash equivalents of assets classified as held for sale (Concessions / Construction / Power)	-40	-23
Cash and cash equivalents at December 31	**429**	403

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

Results of operations

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €121 million (previous year: €127 million) and resulted almost solely from output volume charged to companies of the Group.

In connection with an internal reorganization of the affiliate structure, there was income from valuation adjustments in the amount of €744 million. Of that total, €688 million arose directly at Bilfinger SE and was reported under other operating income. A further share in the amount of €56 million was accounted for by a subsidiary and increased earnings from profit-and-loss-transfer agreements in the scope of financial income.

In addition to the income described in the sections above, other operating income in the amount of €927 million (previous year: €52 million) also includes the gain from the sale of the Construction business segment in the amount of €192 million (before risk provision). Other income stems primarily from currency translation and hedging.

The decrease in personnel expenses resulted from the drop in the number of employees from an average of 615 in 2014 to 477 in 2015.

Other operating expense in the amount of €426 million (previous year: €263 million) relates primarily to non-personnel administrative expenses, rents and leases, insurance premiums, write-downs on receivables from subsidiaries including other provisions for subsidiaries, losses from the disposal of subsidiaries, compliance and legal consulting costs, expenses from currency translation and hedging, other service and personnel expenses as well as additions to provisions. The increase compared to the previous year results particularly from the increased write-downs on receivables from subsidiaries and other provisions for subsidiaries as well as higher costs for expenses for compliance, legal and consulting advice.

Financial income of €78 million (previous year: €121 million) mainly comprises income from profit-and-loss-transfer agreements as well as other investment income from companies of the Group. The decrease is mainly the result of lower income from profit-and-loss-transfer agreements which included a substantial amount in the previous year from Bilfinger Construction GmbH which was sold at the beginning of 2015. In the financial year there were once again write-downs on individual financial investments and loans to subsidiaries due to reduced earnings expectations, but to a much smaller extent than was the case in the previous year.

The net interest result decreased due to the lower net of interest expense for pension provisions and income from plan assets.

Earnings from ordinary activities increased significantly to €605 million (previous year: minus €80 million) which is primarily attributable to the increase in other operating income.

In the year under review there was tax income from reimbursements received from advance tax payments from the year 2012. In terms of the income tax expense, it should generally be kept in mind that income and expense in the investment area are mainly tax-neutral.

Net profit after taxes amounts to €617 million (previous year: net loss after taxes of €274 million). The net profit after taxes in the amount of €308 million (50 percent of net profit after taxes as a maximum amount in accordance with Section 58 AktG) was transferred to retained earnings.

Net assets and financial position

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

Total assets of €3,940 million (previous year: €3,423 million) primarily comprise financial assets of €2,762 million (previous year: €2,227 million), receivables of €788 million (previous year: €913 million), and cash, cash equivalents and securities of €360 million (previous year: €251 million).

Financial assets increased by €535 million to €2,762 million. This increase is attributable to the reorganization of the affiliate structure previously described within the scope of the financial position. There was an opposing effect from write-downs on financial assets of €77 million.

Receivables and other assets of €750 million (previous year: €852 million) mainly comprise receivables from subsidiaries in connection with the Group's centralized corporate financing. The decrease resulted for the most part from write-downs on receivables from Group companies in the amount of €60 million.

The excess of plan assets over pension liabilities results from the existing surplus cover of pension provisions with plan assets.

The other side of the balance sheet includes equity of €1,625 million (previous year: €1,096 million), provisions of €243 million (previous year: €214 million) and liabilities of €2,072 million (previous year: €2,113 million).

INCOME STATEMENT OF BILFINGER SE (HGB)

€ million

	2015	2014
Revenue	121	127
Other operating income	927	52
Personnel expenses	-78	-107
Amortization of intangible assets / depreciation of P, P & E	-1	-2
Other operating expense	-426	-263
Earnings from financial assets	78	121
Net interest result	-16	-8
Earnings from ordinary business activities	**605**	**-80**
Extraordinary income	0	-194
Income tax expense	12	0
Net profit	**617**	**-274**
Profit carryforward	4	6
Allocation / release to other retained earnings	-308	360
Unappropriated retained earnings	**313**	**92**

BALANCE SHEET OF BILFINGER SE (HGB, ABRIDGED)

€ million

	Dec.31, 2015	Dec.31, 2014
Assets		
Non-current assets		
Intangible assets and P, P & E	6	8
Financial assets	2,762	2,227
	2,768	**2,235**
Current assets		
Receivables and other assets	788	913
Cash and cash equivalents	360	251
	1,148	**1,164**
Excess of plan assets over pension liabilities	24	24
Assets	3,940	3,423
Equity and liabilities		
Equity	1,625	1,096
Provisions	243	214
Liabilities	2,072	2,113
Equity and liabilities	3,940	3,423

Provisions include defined benefit obligations in the amount of €23 million (previous year: €21 million), tax provisions of €26 million (previous year: €33 million) and other provisions of €194 million (previous year: €161 million). The increase in other provisions results in particular from provisions for subsidiaries as well as litigation and compliance risks. The pension provisions relate to obligations not covered by plan assets which stem from former subgroup holdings that were merged into Bilfinger SE in 2014.

Liabilities in the amount of €1,493 million (previous year: €1,505 million) include liabilities to associates from deposits in connection with centralized cash pooling. 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 41 percent at the balance sheet date (previous year: 32 percent). The increase resulted mainly from the significantly increased equity due to the net profit after taxes.

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 2015 was shaped by high one-time income from valuation adjustments in connection with an internal reorganization of the affiliate structure, we anticipate lower earnings for financial year 2016.

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

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

INDUSTRIAL

Bilfinger is the largest German provider of maintenance services for industrial facilities. Compared to other domestic competitors, the company has by far the largest share of international business in this sector. The core market for our business is Europe.

Our services include design, construction, maintenance and modernization of plants in the process industry. We focus our activities on the chemical industry, the pharmaceutical industry, the oil and gas industry as well as the energy sector.

More than 30,000 qualified employees offer our customers a broad spectrum of services: consulting, engineering and project management, maintenance of machine technology, electrical instrumentation and control technology as well as piping and component engineering, plant assembly and maintenance, insulation, industrial scaffolding and corrosion protection.

Economic environment

In 2015, investments in the industry developed hesitantly. In the first half of 2015, geopolitical uncertainties such as the conflict between Russia and Ukraine or the continuing war in Syria led to the reluctance to invest despite the zero-interest policy of the European Central Bank. The renewed crisis in Greece also contributed to the uncertainty. This impacted the exporting industrial sectors in particular. Development was varied in Western and Northern Europe. In the Scandinavian countries, companies' investments in equipment were largely stagnant. There was a significantly stronger dynamic in the Netherlands, on the other hand, which recorded growth rates of nearly 8 percent.

In Germany, too, adverse global economic factors over the course of the year led to a weaker production and investment dynamic following a strong start.

In Europe, the overall economic situation impacted those client sectors that are important for industrial services in different ways. The chemical sector weakened from the middle of the year. In a year-on-year comparison, pharmaceutical production, with a strong plus of nearly 6 percent, asserted itself well against chemical production, which fell by a good 1 percent.

The oil and gas sector in the European oil-producing countries and the USA has been severely impacted by the collapse in oil prices which began in the middle of 2014. Since this price drop is attributable to a structural surplus of supply and because in the industry it is widely viewed as long-term, the negative effects have become more pronounced recently. Worldwide, oil and gas producers have drastically reduced their investment budgets. In key oil-producing countries such as Norway, the decline in investments in the oil and gas industry amounts to more than 10 percent.

Further negative factors have also arisen on the market for industrial services as a result of the energy transformation in Germany. The energy sector in major regions in Europe is suffering from ongoing uncertainties with regard to the volume and price perspectives of conventional power plants. These difficulties, together with a dramatic decrease in profitability, led the traditional market leaders in energy supply to make massive cutbacks in their investing activities. In addition, the energy transformation in Germany has had a negative impact on energy-intensive industries. In these sectors, discussions about the possible relocation of production facilities to regions with lower energy prices are already leading to a reluctance to invest. An indirect burdening factor has also arisen because traditional service providers from the ailing power plant business are taking their free capacities and pushing into the market for industrial services, thus raising competitive pressures.

In this difficult environment, the European market for industrial services weakened in the reporting year as compared to 2014. Growth outside Germany in 2015 of nearly 3 percent remained below domestic growth of just under 4 percent. The most important markets for German providers continue to be the Benelux countries, Austria, Switzerland, the United Kingdom, Scandinavia and Eastern Europe while activities in Southern Europe declined as a result of the crises. From a sector perspective, nearly two thirds of the market is accounted for by sales with customers in the process industry with a further increasing share for the chemical and pharmaceutical industries.

Sources

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Markets and trends

In the Industrial business segment, our operating companies are encountering an uneven demand situation.

- Chemical and pharmaceutical industries: For our customers in these industries, demand in the ongoing maintenance of production facilities is stable. The chemical industry in Europe, however, is subject to growing competitive pressure. This also affects the demands placed on suppliers and service providers to make a value contribution through cost reductions. Growth opportunities in the coming years exist primarily in the areas of biopharma and biotechnology. As a result of the expansion of production facilities and increasing investments in process equipment in Europe and China, we anticipate significant growth in these sectors.

  In the project business, our customers' willingness to invest remains limited.

  Overall, internationally-active companies are increasingly looking for service partners that can offer and implement maintenance services and concepts in numerous countries. Progressive digitalization increases the efficiency of production processes and is defining maintenance strategies in the process industry to an ever-greater degree. Bilfinger is in an excellent position to meet both requirements.

- Energy: In the energy sector, uncertainty with regard to the economic feasibility of future investments prevails due to political decisions. This leads to caution when it comes to maintenance and modernization measures. An exception to this development is the Polish market, which is characterized by ongoing strong investment activity. Growth opportunities exist in France where, in the coming years, substantial investments in energy generation systems are expected.
- Oil and gas: In the oil and gas sector, a reluctance to invest among our clients continues to prevail due to the low oil price. In the United States, the special economic upturn that resulted from the shale gas boom has waned, demand from our customers declined significantly in the past year. In Norway, too, investment budgets for the maintenance of production and processing facilities were reduced.

  Business development in the United Kingdom, on the other hand, was stable. Here, Bilfinger has a sound market position due to its comprehensive service offering and a service quality that is greatly appreciated by its customers.

  Maintenance business in the mid and downstream area of the oil and gas business in the European market is generally less volatile than in the upstream area.

Performance

In the Industrial business segment, output volume was stable in 2015 at €3,650 million. Orders received of €3,302 million were at the level of the previous year. Exchange rate developments also had a positive impact on both key figures. The reluctance 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 continue to negatively impact new business. As a result of these developments, order backlog declined to €2,101 million.

Our divisions that are active in the oil and gas business were not able to meet the original earnings expectations in financial year 2015. EBITA generated in the Industrial business segment fell significantly to €128 million and the EBITA margin decreased to 3.5 percent.

Against the backdrop of the restructuring measures already initiated, the number of persons employed was down at 31,510.

KEY FIGURES INDUSTRIAL

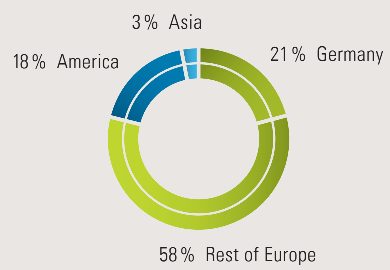
€ million

	2015	2014	Δ in %
Output volume	3,650	3,705	-1
Orders received	3,302	3,276	1
Order backlog	2,101	2,404	-13
Capital expenditure on P, P & E	47	67	-30
Depreciation	70	64	9
EBITA / EBITA adjusted	128	190	-33
EBITA margin (in %)	3.5	5.1	
Employees (at December 31)	31,510	33,016	-5

INDUSTRIAL: OUTPUT VOLUME BY REGION

€ million

	2015	2014	Δ in %
Germany	785	815	-4
Rest of Europe	2,099	2,088	1
America	663	701	-5
Africa	5	10	-50
Asia	98	91	8
	3,650	3,705	-1



In 2015, about 80 percent of our output volume generated in the Industrial business segment came from our core market of Europe. Of that total, 21 percentage points were accounted for by Germany. A share of about 58 percent was achieved in other European countries, especially Scandinavia, the United Kingdom, the Benelux countries, Eastern Europe and Austria. 18 percent of the segment volume was generated by the American market while Asia contributed 3 percent.

Important events

Strategic course: In light of the developments described here, we initiated a range of strategic measures in 2015 with the aim of concentrating our business on profitable core areas and thus creating the foundation for future profitable growth in the Industrial business segment:

- Low-margin areas from Industrial will be repositioned. The focus in this regard is on the optimization of organizational and cost structures. Capacity adjustments in individual operational areas are inevitable.
- The administrative structure within the segment will be adjusted to the business activities that are being focused on. This will result in a more efficient organization and, in addition, administrative expenses will be significantly reduced. The measures that have been initiated include streamlining the divisional structure and moving the administrative units of the divisions together in a single location.
- In order to improve operational performance, a comprehensive program for the optimization of processes for service orders was launched. The focus here is primarily on standardization and efficiency enhancement of procedures in workshops and logistics chains. Procedures such as information processing and resource planning are also being fundamentally optimized.
- In the operating business, a sales campaign will help to further improve cooperation with strategically important customers and to further expand the market position in the core regions of Central and Northern Europe.
- Bilfinger is in an especially strong position to benefit from demand for outsourcing solutions and from the digitalization of industrial production processes. In order to take advantage of this competitive position to a greater extent in the future, we are, among other things, systematically developing modules of the Bilfinger Maintenance Concept, which was successfully launched on the market in 2014 (see the *Research and development* chapter on page 64ff.).

Competitive successes: Our divisions won a number of important orders over the course of the reporting year. The prolongation of comprehensive framework agreements with longstanding clients and the trust in our company gained with new customers serve as an impressive demonstration of Bilfinger's performance and its competitiveness in the demanding market for industrial services.

- Germany: Bilfinger will continue to have responsibility over the course of the next six years for maintaining major sections of the TOTAL Raffinerie Mitteldeutschland in Leuna. Total volume of the extended framework agreement including budgeted turnaround and project services amounts to more than €100 million. Bilfinger Maintenance has been responsible for maintenance of the refinery complex since it went into operation in 1997. There, we are responsible for the trouble-free operation of one of Europe's most modern refineries. Our package of services includes the maintenance of piping systems, machine and electrical technology, analysis and automation technology as well as further plant components.
- Germany: With Bayer CropScience, a longstanding client, we extended the maintenance contract for industrial facilities at the Frankfurt location. The two companies are thus continuing the cooperation that has been in place since 2009 for the next three years. Total order volume amounts to over €40 million. Bayer CropScience is a world leader in the production of seeds as well as crop protection and pest control products. Bilfinger is responsible for ongoing maintenance of the facilities. This also includes building modifications, manufacturing and assembly of components as well as regular inspections of the production facilities.
- United Kingdom: Two clients in the oil and gas sector are continuing their cooperation with Bilfinger for the maintenance of offshore facilities in the British North Sea. The contract periods for the extended framework agreements each run for a period of five years and have a total volume of €140 million. The agreements include the industrial scaffolding, insulation, fire and corrosion protection works that are necessary for maintenance. They also cover special services for the cleaning and demolition of the facilities.

- United Kingdom: We extended a framework agreement with a longstanding client covering maintenance services at two of Scotland's largest oil and gas terminals. There, a significant portion of offshore production in the North Sea is brought together, stored, transported to other locations or processed. The three-year agreement covers scaffolding, insulation, corrosion protection and fire proofing; the total volume amounts to €150 million. This order success allows us to solidify our position as a leading service provider in the oil and gas sector. As a strategic partner we provide the client with services in the United Kingdom, Norway, Belgium, the Netherlands and Germany.
- Netherlands: At Europe's largest refinery in Rotterdam-Pernis and at the Moerdijk petrochemical location, our major client Shell continues to rely on a cooperation with Bilfinger. The two framework agreements, both of which were extended by five years, have a total volume of over €150 million. They cover services for maintenance such as insulation, corrosion protection and industrial scaffolding. The cooperation with Shell dates back to the 1960's.
- Netherlands: We signed a new agreement covering the replacement and maintenance of control systems for 50 gas turbines with the Dutch utility company Gasunie. The volume is in excess of €20 million. Bilfinger will develop a new, standardized control system that can be used for gas turbine compressor units from all manufacturers in Gasunie's Dutch transmission network. Replacement of the systems will be carried out gradually in the course of the next few years and there will also be a long-term contract for maintenance and repair.
- USA: In the American industrial services business, we won two important orders with a total volume of €600 million. A framework agreement with a longstanding major client in the consumer goods industry was extended by an additional four years. In future, Bilfinger therefore retains responsibility for the maintenance and modernization of production facilities at more than a dozen of the client's locations in the United States. Our scope of activities ranges from maintenance and repairs through to major inspections as well as the design, construction and commissioning of new facilities. We were commissioned with the expansion of the production capacities for liquid gas at locations in three American states by another client who is a major player in the midstream oil and gas industry.

Outlook

We have summarized details of the expected development of the Industrial business segment in our Outlook from page 90.

The opportunities and risks associated with the segment are part of the risk and opportunity report from page 74.

INDUSTRIAL

Divisions	Areas of activity	Key clients	Competitors
Industrial Maintenance	■ Maintenance and repair services for industrial plants ■ Conversion, expansion and modernization of plants	■ P&G ■ YARA ■ Borealis ■ AKZO Nobel ■ Total	■ Maintpartner ■ Wood Group ■ Xervon
Insulation, Scaffolding and Painting	■ Insulation solutions (thermal, cold, soundproofing, fire protection) ■ Scaffolding (industrial and specialist solutions) ■ Painting and coating (surface protection)	■ Shell ■ BP ■ BASF ■ DOW ■ Tata	■ Käfer ■ Xervon ■ G&H ■ Altrad ■ Brand
Oil and Gas	■ (Offshore) maintenance and repair services ■ Specialist services: insulation, scaffolding and corrosion protection ■ Training services (e.g., rope access work)	■ BP ■ TAQA ■ Statoil ■ Shell ■ Essar ■ ConocoPhillips ■ EDF	■ CAPE ■ Hertel ■ Wood Group ■ Stork
Industrial Fabrication	■ Assembly & installation of plant components (e.g., apparatus) ■ Construction of industrial plants ■ Manufacturing and installation of piping systems and components	■ Enterprise Products Partners ■ Kinder Morgan Williams ■ Linde ■ Exxon ■ Airbus	■ Matrix ■ Lexington ■ Saulsbury ■ Fabricom ■ Boccard
Engineering, Automation and Control	■ Design and engineering of industrial plants ■ Project management and construction management ■ Design, manufacture & installation of industrial automation systems (electrical instrumentation and control technology)	■ Internationally-active companies in the chemical industry	■ Amec Foster Wheeler ■ Technip ■ Jacobs ■ Mott Mc Donald ■ Actemium
Support Services	■ Placement of in-house personnel ■ Provision, repair and logistics for machines and equipment	■ MOL Group ■ MAN Ferrostaal ■ OT Industries ■ Implenia	■ Käfer ■ Ramirent ■ Unimontex ■ Boels

BUILDING AND FACILITY

Bilfinger is Germany's largest real-estate services provider and, in the United Kingdom, the most important real-estate market in Europe, among the leading providers in this sector.

We are able to deliver individual, combined or complete integrated services for our clients across the entire value chain of real-estate properties.

More than 20,000 competent employees provide specialized services that are required in the various lifecycle phases of a property – from acquisition and sales consulting, development and planning through to construction and operation and to management, consultancy and marketing. Worldwide services in the water and wastewater technology sector are part of the business segment's portfolio.

Economic environment

Facility Services

In the reporting year, growth on the German market for outsourced real-estate services accelerated noticeably. Growth rates increased from 1.9 percent in 2014 to 4 percent according to the figures currently available. The business climate was positive: in industry surveys, more than 90 percent of market participants viewed the situation of the industry as good. The provider structure remains well-divided with the 25 largest providers covering just slightly more than 20 percent of the market. The trend that shows the industry's larger providers growing faster than the smaller companies is continuing. According to the figures currently only available for 2014, the 25 leading companies in the industry added an average of 4.4 percent in domestic sales and the top 10 grew by 6.2 percent.

Market leaders benefit from their professional and regional service depth with regard to two stable trends: firstly, demand for service providers that offer comprehensive management services for real-estate properties from a single source is growing. Secondly, globally active industrial companies are increasingly awarding their service orders across national borders.

Among the customer segments, industry remains a leader with a further expanding market share that is now at 26 percent. Industrial customers in particular rely strongly on the market leaders among the service companies because only the larger providers are in a position to offer services throughout all locations. In 2015, the importance of the health care sector increased significantly and it is now ranked third among the most important customer sectors directly following the real-estate sector. The public sector is ranked fourth.

On the provider side, the market consolidation through acquisitions and above-average growth rates among the large companies continues. The need for comprehensive consulting services is becoming greater as early as the construction phase so that the cost of the property can be reduced over the entire lifecycle. In addition, energy management services are also seeing stronger demand.

In the European markets outside Germany, the pace of growth is at about 5 percent. The international activities of German providers are increasing at an even greater rate, with growth rates for the industry's top 10 recently hitting 23 percent. Preferred international markets currently include Poland, Czech Republic, Austria and Switzerland.

Property and asset management

Development is supported by the very positive overall environment for investments in the German and British real-estate markets. In light of historically low yields for secure capital investments, residential and commercial real estate remains an attractive alternative. High transaction volumes for commercial real estate stimulate demand for premium real-estate services such as consulting for the management of entire real-estate portfolios. In Germany, real-estate investments in 2015 increased by about 40 percent to more than €55 billion as compared with the prior year.

Building

The German building construction market saw slightly positive development in the reporting year. Companies in the German construction business with 20 employees or more were able to increase their output volume in building construction by a total of 1.7 percent.

While output volume for public-sector building construction decreased slightly by 0.3 percent and by 1.9 percent in commercial building construction, strong sales growth of 7.1 percent was achieved in residential construction.

The slight decrease in sales in public-sector building construction is attributable to declining real construction investment. The usual delays in the planning and implementation phase prevented the federal government's new investment package for financially weak municipalities and for nationwide infrastructure from having a stronger impact already in this year. For 2016, on the other hand, the institutes are anticipating a strong expansion of public-sector construction investment of 4.9 percent. The construction industry association therefore expects sales growth in 2016 of 4.0 percent in the entire area of public-sector construction.

The decline in commercial building construction was caused by the hesitation to invest on the part of exporting industrial companies. Construction volume in consumer-related areas developed better; in retail and storage real estate in 2016, for example, the institutes expect an increase in commercial construction investment of 0.9 percent as compared to 2015. In 2016, due to the limited rate of investment, the construction industry association expects sales in the entire area of commercial construction only at the level of the previous year.

The strong sales increase in residential construction is a consequence of the generally more favorable framework conditions. The low interest rates, continued demand for higher quality living space as a result of increases in employment and income as well as the need for lower-cost living space as a result of immigration have all boosted demand. In 2016, the institutes expect a further increase in investments for residential construction of 2.2 percent as compared to 2015. The construction industry association therefore expects sales growth in 2016 of 5.0 percent in residential construction.

Sources:

European Commission, Directorate-General for Economic and Financial Affairs, European Economic Forecast, Autumn 2015, Luxembourg: Publications Office of the European Union.

Lünendonk Study 2015, Facility Service Companies in Germany 2014, an analysis of the facility management market for infrastructural and technical building management, Mindelheim.

Project group joint diagnosis, German economy stable – leverage growth potential, Fall 2015, Berlin.

German Construction Industry Association, German Construction Industry, January 13, 2016

German Construction Industry Association, Current Figures as of February 25, 2016

Markets and trends

Bilfinger has a strong market position in Germany and in the United Kingdom, the two most important real-estate markets in Europe.

- In the United Kingdom, we significantly expanded our position in the reporting year. Following the integration of Europa Support Services, a leading provider of integrated facility management services, and of GVA, a renowned specialist for demanding real-estate consulting services, we are now in a position to offer not only facility management services, but also premium real-estate services such as analyses, evaluations, repositioning and restructuring of entire portfolios through to the execution of the respective transactions.
- In Germany, we have been operating successfully for many years with our exceptionally broad service spectrum. Depending on the requirements, we deliver individual services or put them together in a customized package. Through the strengthening of the capital markets and transactions areas, we support owners and investors in purchase and selling processes and benefit from increasing transaction volumes in the real-estate sector.

There are a large number of trends in real estate that will shape demand for real-estate services in the years to come:

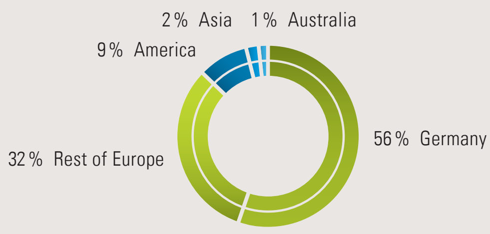
- Cost efficiency: Real-estate properties are increasingly being seen as a cost factor that needs to be optimized. In addition to technical aspects, organizational, planning, legal and commercial aspects also have a role to play here, ideally with everything leading to a uniform real-estate strategy. For the development of a coherent strategy, current and reliable data is needed which, especially for multinational customers, follows a uniform standard. Bilfinger is already today delivering this kind of consulting and management services and is well-positioned to benefit from this trend to a greater extent.
- Digitalization: The digitalization of real-estate related secondary processes allows the customer to access real-time data and thus to conduct targeted control and management of processes. Digital data can also be documented, distributed and processed more quickly. Visualizations in the form of clearly-arranged dashboards or simulations of design variations with the resulting cost impact can significantly accelerate conventional work flows. Bilfinger is currently using a range of digital solutions and has set for itself the goal of continuing to be actively involved in the shaping of future development in this field (see chapter on *Research and development*, page 64 ff.).

KEY FIGURES BUILDING AND FACILITY
€ million

	2015	2014	Δ in %
Output volume	2,909	2,659	9
Orders received	3,619	2,298	57
Order backlog	2,744	2,004	37
Capital expenditure on P, P & E	28	32	-13
Depreciation	23	20	15
EBITA / EBITA adjusted	148	136	9
EBITA margin (in %)	5.1	5.1	
Employees (at December 31)	23,886	23,712	1

BUILDING AND FACILITY: OUTPUT VOLUME BY REGION
€ million

	2015	2014	Δ in %
Germany	1,641	1,586	3
Rest of Europe	931	764	22
America	258	237	9
Africa	7	7	0
Asia	52	51	2
Australia	20	14	43
	2,909	**2,659**	**9**



- Energy efficiency: Improving the energy efficiency of real estate is influenced to a great extent by statutory requirements. In its Energy Efficiency directive, the EU calls for energy audits of the entire real-estate portfolios of large European companies in order to identify savings potential and to initiate resource-saving measures. As experts for the complex interaction between framework construction, technical building equipment, facade and building operations, Bilfinger is a primary address for the enhancement of energy efficiency in buildings of all kinds.
- Internationalization: For multinational customers, demand for integrated services from a real-estate services provider with a comprehensive range of services is growing. More and more internationally active companies are outsourcing their corporate real-estate management to external specialists. We assume that the trend toward a professionalization of real-estate management and toward the outsourcing of real-estate management services will continue. With locations in 20 European countries, Bilfinger is able to demonstrate the local presence and expertise that customers want.

Bilfinger Water Technologies is a leading global specialist supplier of facilities, components and services in the area of water and wastewater technology. Key competences include 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.

Performance

The positive development of the Building and Facility business segment continued in 2015. Output volume rose to €2,909 million as a result of acquisitions while orders received increased substantially to €3,619 million. The main reasons for this were the extension of important contracts and the gaining of new customers in facility management. This is in addition to order successes in the German building construction business. Order backlog at the end of the year amounted to €2,744 million.

56 percent of output volume was generated in Germany. Key international markets were in Europe with a share of 32 percent and with a focus on the United Kingdom. The share of the North American business amounted to 9 percent.

EBITA increased to €148 million; the EBITA margin of 5.1 percent was on a par with the previous year.

The number of employees was nearly unchanged at 23,886.

Important events

Strategic course: In the Building and Facility segment, we will continue our profitable growth path and expand our strong position in Europe by means of a customer-oriented range of integrated real-estate services. We want to use additional growth impulses in areas including industrial customers, digitalization and energy efficiency.

- Central administrative units such as IT and accounting were transferred to the segment in order to move forward with the process of making it more self-contained. In addition, we further strengthened the conditions for cooperation among the units within the segment by moving the administrative units of the divisions together in a single location.

Competitive successes: Over the course of the reporting year, we extended a number of important framework agreements with longstanding major clients in the facility services business and also won new clients in this field. In property and asset management as well as in the German building construction business, many customers have placed their confidence in the competences and experience of our employees. This gives us a solid foundation for further profitable growth.

- Europe-wide: Bilfinger will be managing properties of an American pharmaceutical company in several European countries in the future. The recently signed service agreement calls for us to deliver comprehensive facility management services at more than a dozen locations. With the outsourcing, the customer is pursuing the goal of simplifying processes and making them more efficient. The total volume of the agreement, which will run for an initial five years, is more than €150 million.
- Europe-wide: In the facility services business, we were able to achieve the early extension of a cooperation with a major client that has been in place since the mid-1990s by a further five years. We will thus also in the future be responsible for all facility management services at more than 175 properties in many European countries. The order has a volume of €200 million.
- Germany: We signed new contracts with BMW and Zeiss for technical facility management at German production locations. At the BMW plants in Berlin, Eisenach and Leipzig, we are responsible for maintenance of the automated manufacturing technology and for supplying production with electricity, compressed air, heat and water. At Zeiss headquarters in Oberkochen, we are responsible for, among other things, facility management of clean rooms in pro-

duction and research as well as for laser gas systems. The scope of services also covers provision of cooling and process water and operation of the entire building technology. Total volume for the two agreements amounts to over €50 million.

- Germany / United Kingdom: Important service agreements were signed with two major European banks for the management of their real-estate portfolios. The two agreements have a total volume of about €600 million. We provide exclusive advisory services to an internationally-active bank for all questions related to the entire real-estate portfolios in the United Kingdom. In addition, we reached agreement with one of our largest existing clients on the early extension of a cooperation that has been in place for more than 10 years. Bilfinger thus retains responsibility for the technical, commercial and infrastructural facility management for the bank's more than 1,000 properties. The contracts have a term of five years.
- Building construction Germany: In the German building construction business, we won a number of important contracts. Those worth pointing out include new energy-efficient office and commercial real estate in Munich, Cologne and Hamburg as well as the order for redevelopment of the exhibition grounds in Essen. In the Sachsenhausen section of Frankfurt, Bilfinger is transforming an eleven-story office property into modern residential space, in Regensburg we are involved in the conversion of a former army barracks into an intake center for refugees. On the Baltic Sea island of Rügen, we were commissioned with the rehabilitation of a section of the Prora architectural monument and its transformation into premium holiday apartments. The total volume of these projects is more than €300 million.

Outlook

We have summarized details of the expected development of the Building and Facility business segment in our Outlook from page 90.

The opportunities and risks associated with the segment are part of the risk and opportunity report from page 74.

BUILDING AND FACILITY

Divisions	Areas of Activity	Key clients	Competitors
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 (construction site logistics, disposal)	■ BASF ■ ThyssenKrupp ■ OVG Real Estate ■ KUKA	■ Hochtief ■ Strabag / Züblin ■ BAM Deutschland ■ Porr
Facility Services	■ Commercial, technical and infrastructural facility management ■ Energy management, energy efficiency and contracting ■ Healthcare services ■ Events and catering	■ Deutsche Bank ■ IBM ■ Deutsche Post ■ Telefonica	■ Strabag ■ Wisag ■ ISS ■ Dussmann
Real Estate	■ Real-estate consulting services ■ Investment / transaction consulting (purchase, rental and sale of real-estate properties) ■ Real-estate management (fund, asset and property management) ■ Center management	■ DZ Bank ■ IVG Immobilien ■ AXA Group ■ Union Investment ■ Royal Bank of Scotland ■ Generali	■ CBRE ■ Jones Lang Lasalle ■ Savills ■ Cushman & Wakefield ■ ECE
Water Technologies	■ Industrial / municipal water treatment systems ■ Components for water treatment systems (e.g., filters) ■ Vacuum sewer and sanitation systems	■ JSC Chukotka Mining and Geological ■ Alcoa World Alumina Australia ■ Dow Chemical Company ■ OJSC Sibur Holding	■ Andritz ■ FLSmidth ■ Metso Corp. ■ Ovivo Water Ltd.

Discontinued operations

The discontinued operations include the former Power business segment, which has been put up for sale, Offshore Systems and the sold divisions Construction, Infrastructure and the former Concessions business segment.

Overall, earnings after taxes were significantly negative in these discontinued areas in financial year 2015. This stems primarily from the former Power business segment: in the course of the reclassification of the former business segment as discontinued operations, the disposal group was measured at fair value less costs to sell, which led to an impairment loss in the amount of €330 million. This is in addition to further burdens totaling €164 million from regular earnings as well as from one-time expenses, in particular for restructuring. Offshore Systems had a negative impact of minus €17 million, also as a result of a further write-down of investments in the Polish production site. A capital gain from the sale of the Construction and Infrastructure divisions is also included, which, after consideration of a risk provision, led to a positive earnings effect of €9 million.

KEY FIGURES CONSTRUCTION ACTIVITIES AND CONCESSIONS
€ million

	2015	2014	Δ in %
Output volume	291	824	-65
Capital expenditure on P, P & E	61	61	0
EBITA	-18	-25	

Power

In its former Power business segment, Bilfinger offers a broad spectrum of services throughout the entire lifecycle of fossil fuel and nuclear powered power plants – from new construction, efficiency enhancements and service-life extensions through to maintenance, repair and demolition. This also includes denitrification, desulfurization and dust removal systems, the manufacture and assembly of components, especially boilers and piping systems as well as the construction of overhead power lines for the expansion of electricity grids. Customers include utility companies, industrial companies, plant manufacturers and research institutes. Key markets include Europe, South Africa and the Middle East.

Economic environment

The market for services in the field of power plants and energy in Germany continues to be plagued by the uncertainties associated with the energy transformation. Due to the lack of prospects for profitable operation, German utility companies planned the decommissioning of nearly 60 conventional power plants in 2015. These plans led to a capping of investments in maintenance and modernization.

Policy makers are making only slow progress with regard to the necessary expansion of network infrastructure and the guarantee of predictable framework conditions. The governing parties were able to agree on the construction of the required north-south lines. The resolution to put most of the new lines underground, however, will lead to further delays in the completion. The decision of the governing coalition made in summer to transfer a substantial portion of the lignite-fired power plants to a capacity reserve for four years before they are shut down for good, and to compensate the operators for this period, brought at least a temporary improvement to the calculability for this power plant segment.

In Southern and Eastern Europe, upheaval in electrical production is taking an entirely different direction. Poland, for example, is undergoing a shift in electricity supply from lignite to hard coal. In Southern Europe, the economic crisis has led to more limited subsidies for regenerative energies; their share in overall production nonetheless continues to increase, in particular that of solar energy due to the natural advantages of the location.

While energy consumption in many EU states is either stagnant or declining, Turkey is one of the world's fastest-growing energy markets with an annual increase of a good 5 percent. In order to secure the energy supply, it is estimated that an investment volume of between €110 and €120 billion is needed by the year 2023. In this regard, the country is following a diversified investment strategy with new capacities in conventional power plants, investments in nuclear power and in regenerative areas. Hydroelectric power will have a major role to play here.

The Arabian Gulf States are moving forward with their ambitious plans for diversification and expansion of their energy supply. The magnitude of these plans is, however, currently being corrected downward as a result of the fall in the price of oil and the associated loss of income. Saudi Arabia is planning the construction of up to 16 nuclear reactors over the course of the next two decades, but initial decisions on their locations have been delayed. A large financial cushion continues to allow most Gulf states to undertake major infrastructure investments. Kuwait, for example, intends to nearly double its electrical power production capacities by the year 2023 and the pace of the contract awards for investment projects in the current five-year plan has been significantly increased. In the United Arab Emirates, investments in the expansion of the energy supply also remain high.

In South Africa, the ongoing electrical power crisis leads to the cutting of power on a near daily basis. This situation makes substantial investments in the modernization and capacity expansion of the fully outdated power plant park unavoidable. But the weak economic situation, financing bottlenecks of the utility companies and political uncertainties are burdening the investment climate.

Sources:

BDEW German Association of Energy and Water Industries, BDEW Power Plant List 2015 published April 13, 2015, https://www.bdew.de/internet.nsf/id/bdew-kraftwerksliste-2015-veroeffentlicht-de

Trade & Invest, Saudi Arabia's solar program lacks tailwind, August 3, 2015

Trade & Invest, Saudi Arabia, UAE and Qatar in Focus 2015

Trade & Invest, Turkey in Focus 2015

Trade & Invest, Economic Trends at Mid-Year 2015 - South Africa

Performance

In the former Power business segment, which has been put up for sale, the German energy transformation and its negative effects on the investment behavior in other Central European countries continue to have a major impact. Output volume decreased to €1,284 million in 2015. Orders received of €986 million were also below the prior-year figure, as was the order backlog of €762 million on the balance sheet date.

EBITA amounted to minus €59 million and the EBITA margin was minus 4.6 percent.

Germany accounted for about 29 percent of output volume. 44 percent of volume was generated in European countries outside Germany with a focus on Eastern Europe and Poland in particular, Austria and Finland. South Africa as well as the Middle East are also important international markets.

At the end of the year, a total of 10,186 people were employed in the Power segment.

KEY FIGURES POWER

€ million

	2015	2014	Δ in %
Output volume	1,284	1,445	-11
Orders received	986	1,090	-10
Order backlog	762	1,060	-28
Capital expenditure on P, P & E	9	22	-59
EBITA / EBITA adjusted	-59	8	
EBITA margin (%)	-4.6	0.6	
Employees (at December 31)	10,186	11,561	-12

Important events

Strategic course: The Executive Board of Bilfinger SE decided to put the Power business segment up for sale in June 2015. The structured selling process that was initiated at that time is progressing as planned. In order to ensure the sustainability of the business segment in the face of a dramatic weakness in demand, it was necessary to cut 750 jobs in the power plant business.

Competitive successes: In financial year 2015, the Power business segment achieved order successes in various market segments. Noteworthy among these are:

- Modernization: In Eastern Europe, there continues to be a need for the modernization of conventional power plants. In connection with a project to enhance the efficiency level and sustainability of a Polish power plant, Bilfinger won an order in the first quarter of 2015 for the design, manufacture, delivery and installation of plant components with a value of just under €70 million.
- Piping systems: We signed an agreement with Areva for the continuation of the work that began in 2009 on the Finnish nuclear power plant Olkiluoto 3. The order for the completion of the piping systems was expanded with an order for the manufacture and installation of an electrical measurement system.
- Nuclear technology: We received an order from American company Holtec International for the manufacture of key components for a plant that processes fuel rods at the decommissioned power plant complex in Chernobyl, Ukraine. With the specialized machines fuel rods are dried and conditioned to the extent that they can be securely dry-stored for long periods in special containers from Holtec.

- Component design and delivery: In Dubai, United Arab Emirates, Bilfinger is involved in the expansion of the largest energy-producing and seawater desalination plant in the country. On behalf of Siemens, we have assumed responsibility for planning of the gas supply for two new turbo groups. In addition, the associated conditioning and analysis systems will be designed, manufactured and delivered installation-ready.
- Maintenance: Bilfinger extended a framework agreement with the Saudi Electricity Company covering maintenance of the boiler and auxiliary components at the Ghazlan power plant complex near Dammam. The company will conduct the inspection works necessary for operation and will exchange individual components when needed. The term of the contract with the country's largest energy producer is five years.
- Plant technology: Mainova AG, one of Germany's largest regional utilities, is expanding the thermal power plant West in Frankfurt am Main and has entrusted Bilfinger with engineering, manufacturing, delivery and commissioning of systems technology. In addition to the complete piping systems for the various steam, condensed and cooling water systems as well as district heating water, we are also installing heat condensers, heat exchangers, pumps and insulation.

Outlook

We have summarized details of the expected development of the former Power business segment in our Outlook from page 90 ff.

The opportunities and risks associated with the segment are part of the risk and opportunity report from page 74.

Research and development

Research and development activities make a key contribution to the competitiveness of the Bilfinger Group. The focus is the development of our engineering and services offers in line with market requirements. The operating units are responsible for the development work. They are familiar with the needs of their customers and can ensure targeted development of innovations. As a result, we develop high-quality technical and economically feasible solutions with a direct focus on the customer's needs. For this purpose, we also cooperate with leading universities and research institutes.

In the reporting year, Bilfinger pursued more than 100 research and development projects with a total expense of €6.6 million from continuing operations of the Group. The activities focused on innovative products and services for the areas of energy, industry, real estate and environment. Our research and development work is primarily focused on optimizing internal value chains. This is the main economic benefit of these activities for our company.

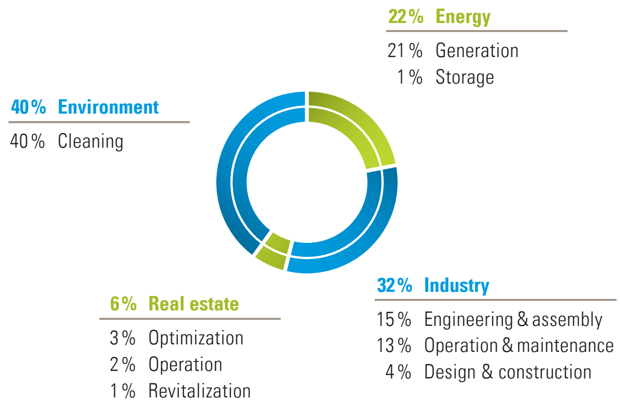
Energy

The energy transformation in Germany is changing not only the framework conditions for power generation, but also the requirements of the necessary networks. The expansion of renewable energy has resulted in a large number of decentralized generation systems, which must be coordinated by network operators for stable operation of the electricity grids.

To this end, Bilfinger has developed the modular web application *Ubix*. The information and control system supports operational management and monitoring of combined heat and power plants or wind energy systems and, at the same time, allows central business logic for control of the existing systems. This is based on the recording of process data such as meter readings or measurement values of the system and the possibility of central control. At the same time, the user is offered a modern web portal in order to map procedures and implement new processes, for example control of balancing energy marketing. The portal has been designed as an *Internet of Things* (IoT) application for the demands of multiple industries. With Ubix, Bilfinger has targeted users from the areas of energy production, municipal utilities, energy trading and operators of industrial plants.

In order to optimize the energy consumption of real-estate properties, Bilfinger has been developing solutions for smart metering with its customers for many years. This involves the automated recording of building data such as energy use and consumer behavior in real-time. Building on this knowledge, the company is offering the Smart B software solution for the energy management of real-estate properties.

RESEARCH AND DEVELOPMENT EXPENSES 2015 BY INNOVATION AREA



Beyond the mere measurement of consumption figures, the data is directly evaluated with the help of intelligent algorithms. The monitoring system works with a specially developed meter with a sampling rate of 4 kHz. This produces a particularly large amount of consumption data which can be displayed, evaluated and interpreted using a cloud platform. The intelligent algorithms identify individual devices and can thereby generate a transparent image of energy consumption down to device level. The Smart B software solution is used by operators of industrial and commercial real estate as an intelligent energy management tool. Ideally, a single meter can record the energy data of an entire building. Potential malfunctions, optimization and savings potentials and achieved energy savings thereby become visible in real-time.

Industry

Bilfinger develops digital solutions for industry 4.0 applications and thereby contributes to the development of the market.

The Bilfinger Maintenance Concept (BMC), introduced last year, is thus being systematically further developed. The focus is on the structural development and implementation of the 16 BMC modules for the process industry with existing and new contracts. An example of this is the continued development of the 'iMaintenance®' module. The optimization and dynamization of the maintenance and inspection intervals allow more cost-effective maintenance and greater system availability. In order to predict interruptions to operation as reliably as possible and to improve planning of maintenance work, the development of predictive maintenance solutions is continuing on the basis of highly complex data analyses.

In addition, digital solutions are being developed that make job planning and order execution in industrial services more efficient, safer and more environmentally friendly. A *scaffolding app* is in use in industrial scaffolding that allows for order processing, from commissioning on the part of the customer, job planning, photo documentation, recognition of service and payment to be organized with mobile devices. The solution offers the customer rapid execution of the commissioned services and continually gives information about the current status of the services provided.

Real estate

Bilfinger has been providing integrated services for many years in all lifecycle stages of real estate to improve the economic efficiency and sustainability of properties. Deep technical knowledge in the diverse specialist disciplines as well as practical experience in building operations are basic requirements for the planning of sustainable real estate. Bilfinger relies on digitalization for the handling, control, communication and documentation of the complex processes in the design, construction and operation stages.

The company is increasingly using an integrated digital data model for its design and construction processes. In addition to the building dimensions and technical specifications of the components, costs, deadlines and aspects of the contract management are available within the *Building Information Model*. This allows a digital visualization of the property even before it is built and management of all design and building processes based on current data including the later handover of the complete digital file for building operation or the sale of the property.

In 2015 the building model was expanded with an interface for structural documentation. Verification of energy consumption and the resource efficiency of a property is generally repeated in the later design stages as a result of increasing information. Bilfinger accelerates these processes by adding the aspect of structural calculations to the Building Information Model and can identify necessary changes in the early design stages.

Bilfinger also relies on digital tools when taking a technical inventory of properties. In addition to the continued processing of data from 3D scans, apps that enable quick recording of the individual structural conditions of properties including their technical facilities were also programmed. The data obtained is available to those involved in the project directly after recording via a cloud-based system for further processing, control and management. Bilfinger makes use of such apps during inventory and building inspections as well as for the documentation and invoicing of services for efficiency and quality improvements.

Environment

Rapidly growing large cities in particular are faced with the challenge of sustainable, resource-efficient handling of drinking water. In recent years, Bilfinger has developed new solutions in vacuum sanitation technology, in the areas of waste separation and energy generation, as well as in water treatment.

In a project supported by the German Federal Ministry of Education and Research, a district of the Chinese city Qingdao was equipped with these technologies and their use was tested with scientific support from the Technical University in Darmstadt. Here wastewater is separated into gray and black water and directed into a recycling center together with organic waste. These materials are used to generate industrial water, electricity, heat and organic sludge. In this case, the size of the recycling center sets itself apart significantly from the individual building units; it is, however, significantly smaller than conventional central supply and disposal facilities for large cities.

The water technology specialists in the Bilfinger Group have developed so-called slotted screens, whose individual rods are flowed through vertically and allow a significantly higher flow in comparison with perforated screens. As a result of the components used, they also have a high resistance with low maintenance and repair costs. The screens are used in a wide range of areas – from well construction across the entire process industry up to water treatment. With a newly developed manufacturing and testing procedure, these screens can be produced with particularly small openings, in order to retain even the smallest particles.

Sustainability

We are convinced that long-term business success can only be achieved when economic changes are in line with social and ecological aspects. Bilfinger's understanding of sustainability is therefore integrated into its Vision Statement and the Code of Conduct. We are a member of the UN Global Compact and follow the rules of the German Corporate Governance Code and the German Sustainability Code.

Sustainability reporting

As for Bilfinger itself, sustainability is also a key part of the corporate strategy of many of our customers and strategic partners. They examine data and facts on the sustainability of their suppliers and provide us with comprehensive catalogs of questions. With the audit of their supply chain they meet the requirements, among others, of rating agencies and sustainability indices such as GRI, CDP, Vigeo EIRIS, Sustainalytics and RobecoSAM, which also provide orientation for our activities. In order to meet the requirements of our customers and optimally position ourselves as a service provider, we continually develop our reporting. This includes the expansion of management systems and the systematic inclusion of relevant key figures in the reporting.

In 2015, Bilfinger also participated for the second time in CDP (formerly *Carbon Disclosure Project*), the most important benchmark for climate protection and sustainable business operations. The investor initiative evaluates companies and organizations in terms of transparency of emission data, climate strategies and the responsible handling of environmental risks. Our ranking has improved in comparison with the previous year.

The Bilfinger Sustainability Report is published once a year. Its content and structure are oriented toward the international Global Reporting Initiative (GRI G3). For the report on financial year 2015, the Sustainability Report is transferred to the new standard GRI G4.

Sustainability strategy

As part of the sustainability strategy, Bilfinger focuses on issues which provide useful stimulus for the success of our company and, equally, for the positive development of society as a whole.

In order to identify such aspects, we carried out a survey of customers, the capital market, employees and other key stakeholders in accordance with the requirements of GRI G4 in 2015. Around a dozen economic, social and ecological topics were classified as relevant, which Bilfinger discusses in the sustainability report. On the basis of these results Bilfinger has defined four focus topics for sustainability reporting: occupational health and safety, customer satisfaction and quality, economic success and compliance.

We will pay particular attention to these topics in future, measure their progress and publish the results in the sustainability report.

Economy

Our customers' concerns are at the heart of our business activities. We support them on topics of innovation and, together with them, develop solutions to meet their specific needs. We ensure the quality of our own services with management systems, many of which are certified in accordance with the relevant standards. Our processes and units are regularly audited and certified by external institutions. We place high importance on our procurement processes and the assurance of our suppliers' integrity.

Research and development activities make a key contribution to the competitiveness of the Bilfinger Group. The focus is the development of our engineering and services offers in line with market requirements. The result is technically sophisticated and economically feasible solutions, which aim to directly benefit operations.

Bilfinger has a wide range of sustainability services, which target climate protection and resource conservation. We focus particularly on the areas of energy and process efficiency. We thus achieve not only substantial cost savings for our customers, but also help them to achieve their own sustainability objectives. We make such services increasingly measurable and provide the associated key figures.

Social

We develop our employees' skills and promote their willingness to perform. We support them with varied training offers and measures to improve the compatibility of career and family. Bilfinger is making a targeted effort to open specialist and management positions in the company to women and to make these positions more attractive. The number of female employees in management positions (management levels 1-3) in 2015 was at 10 percent and is planned to increase to 15 percent by 2020.

For occupational safety, we rely on our behavior-oriented safety program *SafetyWorks!* which was introduced throughout the Group and which contributes to a continuous improvement in the culture of occupational safety. The Group also recognizes outstanding performance in occupational safety on an annual basis. Both initiatives increase the awareness of occupational safety among managers and employees.

In our markets, we promote and support charitable projects and initiatives that correspond to our sustainability requirements. In Germany, we are especially involved in supporting higher education. These efforts include scholarships for students as well as the financing of professorships.

Environment

We want to reduce the negative environmental impact of our business activities and expand our sustainability requirements along the value chain. Areas of action particularly include the reduction of CO_2 emissions as well as waste and resource management. 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. When purchasing materials we pay attention to health aspects, local availability, serviceability, durability and recyclability.

To measure and reduce the impact of our activities on the environment, the business units have management systems. Many Bilfinger units are certified in accordance with the environmental management standard DIN EN ISO 14001 or the energy management standard DIN EN ISO 50001. We have started to gradually introduce a Group-wide system for recording environmental key figures and expand the reporting on CO_2 emissions.

Detailed information on sustainability at Bilfinger is available at www.sustainability.bilfinger.com.

Procurement

The purchasing project *Bilfinger Procurement Initiative 2015* was started in the reporting year. The aim was to generate significant value added to secure earnings. Over 100 buyers with nearly 650 measures contributed to the successful implementation of the project. The approach was based on the consistent reduction and streamlining of the supplier portfolio as well as the use and establishment of new procurement methods such as clean sheets or low cost country sourcing.

Furthermore, through closer cooperation between the divisions and the associated greater bundling of procurement activities, further international framework contracts could be concluded, additional economy of scale effects achieved and sustainable value added generated.

The continued training and development of the procurement staff is a central component of the Bilfinger procurement strategy. As part of the *Procurement Academy*, which was carried out for the third time, over 300 buyers were trained in the financial year. Alongside classic training offers such as negotiation training, in 2015 the focus was on the topics of compliance and risk minimization in procurement. The training offer was complemented by an international e-learning offer and compliance web conferences to actively integrate the employees involved in the process.

In future, procurement and services will be issued electronically by a more advanced Group-wide e-auction platform. The new methodology promotes transparency in award decisions and allows improved award results, because the pricing of all competitors is visible in real-time.

The Group Guideline on Procurement forms the basis of all procurement activities at Bilfinger. The defined uniform purchasing processes lay the foundation for the selection of the best suppliers, subcontractors and service providers. In addition to financial aspects, criteria for selection include quality, adherence to schedules, risk/safety, experience, environmental aspects and compliance issues. 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 volume on key strategic suppliers.

The optimization of payment conditions was at the focus of purchasing activities in the reporting year. The top 200 suppliers, service providers and subcontractors of the divisions were analyzed and concrete measures were introduced to improve payment conditions.

	2015	2014
Purchasing volume absolute (€ million)	2,467	2,485
Purchasing volume as a percentage of output volume (in %)	38	40
thereof subcontractor services (in %)	61	60
thereof materials purchased (in %)	39	40

In the reporting year we optimized purchasing through the following additional measures:

- Forms system: The entire forms system for purchasing was subject to a review. All relevant documents were checked for currentness and content and updated where necessary. This forms the working foundation for the purchasing network and ensures that the defined purchasing processes are adhered to.
- Counter-purchases: Sales activities with our top suppliers were actively supported through the introduction of counter-purchasing clauses.
- Purchasing network: The targeted distribution of information in the internal purchasing network is ensured through the implementation of a uniform communication strategy. Furthermore, the second Global Procurement Conference took place in the reporting year. Around 200 buyers from international units used the opportunity for a comprehensive knowledge exchange and personal networking.

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 € 8.5 million was invested in corporate communication (previous year: € 9.1 million). We spent € 1.8 million on publications (previous year: € 1.8 million), € 2.2 million on trade fairs and exhibitions (previous year: € 2.3 million), € 1.3 million on new media (previous year: € 1.0 million) and € 3.2 million on other activities (previous year: € 4.0 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.

A new corporate design manual for 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.

Fairs and exhibitions In 2015, 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. The most important trade fair for Industrial was the ACHEMA in Frankfurt. For Building and Facility, the focus was on appearances at the FM trade fair in Frankfurt, the ExpoReal in Munich and the MIPIM in Cannes.

Internet Bilfinger is represented online by numerous company websites and in the social web. With a broad reach, distribution and speed, Bilfinger online media supports the positioning and increases awareness of the Group and brand. The corporate website www.bilfinger.com is visited by an average of 54,000 people each month.

The Group's own web environment, which ensures a uniform appearance of Bilfinger online, currently includes more than 90 websites. Bilfinger is present on diverse networks and platforms in the social web. The number of followers on professional network LinkedIn (www.linkedin.com/company/bilfinger), which is one of the most important platforms for the company, more than doubled. Over 22,000 users follow the Group profile.

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.

Information for employees The employee magazine Bilfinger World is published twice a year in the languages German and English 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 networking, identification with 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 offers information and news from the entire Group. 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.

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. In order to achieve this, human resources work follows globally uniform standards and is closely interlinked in all Group areas. In 2015, far-reaching measures were particularly implemented in the areas of compliance and occupational safety.

Decrease in number of employees At the end of 2015, 56,367 people were employed by the Bilfinger Group (previous year: 57,571). The Bilfinger Group employed 19,894 people in Germany (previous year: 20,461 people) and 36,473 outside Germany (previous year: 37,110 people). 7,115 people were employed by Bilfinger in countries outside Europe (previous year: 6,947 people).

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.

The area responsible for occupational health, safety, environment and quality, Corporate HSEQ, 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 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.

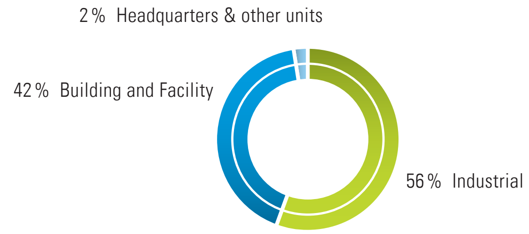
Accidents can only be prevented if employees are repeatedly made aware of the importance of occupational safety. In order to further strengthen the safety culture at Bilfinger, we have successfully established the *SafetyWorks!* program in all divisions. The program lays out a methodical approach for 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 in the operating units is verified by certifications in accordance with the standards OHSAS 18001 and SCC which cover around 60 percent of all the Group's workplaces. We conduct audits on all levels through internal and external agencies in order to analyze and improve our occupational safety measures.

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

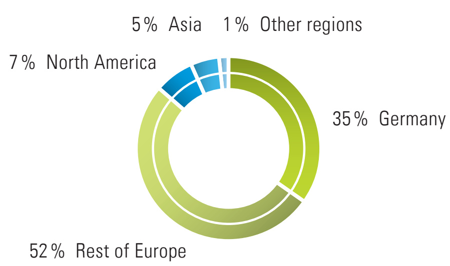
NUMBER OF EMPLOYEES BY BUSINESS SEGMENT

	2015	2014	Δ in %
Industrial	31,510	33,016	-5
Building and Facility	23,886	23,712	1
Headquarters & other units	971	843	15
	56,367	57,571	-2



NUMBER OF EMPLOYEES BY REGION

	2015	2014	Δ in %
Germany	19,894	20,461	-3
Rest of Europe	29,358	30,163	-3
North America	3,928	3,914	0
South America	89	107	-17
Africa	330	0	
Asia	2,611	2,761	-5
Australia	157	165	-5
	56,367	57,571	-2



NUMBER OF EMPLOYEES BY GENDER

	Total	Male	Female	Total	Male	Female
			2015			2014
Industrial	31,510	28,495	3,015	33,016	29,941	3,075
Building and Facility	23,886	14,682	9,204	23,712	14,219	9,493
Headquarters & other units	971	548	423	843	451	392
	56,367	**43,725**	**12,642**	**57,571**	**44,611**	**12,960**

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 sent large teams to the corporate cup at the Hockenheimring and the dragon boat race in Frankfurt once again. 36 teams took part in the Bilfinger Building 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 take place on a regular basis 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.

At the end of the reporting year, the share of women in the workforce was 22.4 percent worldwide (previous year: 20.3 percent). Increasing the share of women in management positions (management levels 1-3) is an important issue for us; in 2015 it increased to 10.0 percent worldwide (previous year: 8.6 percent).

Based on the legislation for the equal participation of men and women in management positions in the private sector and in the civil service, which came into effect in 2015, we have set the following targets for Bilfinger SE to be achieved by June 30, 2017:

Supervisory Board

For new appointments to the Supervisory Board, with regard to the fixed gender quota of 30 percent that is to be met, the Supervisory Board is following the goal of filling the quota equally. In the reference period since the legislation came into effect, the share of women in the Supervisory Board remained unchanged at 8 percent. A new appointment is planned within the framework of the Annual General Meeting 2016.

Executive Board

As a target for the share of women in the Executive Board, the Supervisory Board has agreed that there will continue to be no female members. If a vacancy should become available, the Supervisory Board will, however, attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. In the reference period since the legislation came into effect, there were no female members of the Executive Board.

Management level 1

Management level 1 includes employees who belong to management levels 1 and 1a in accordance with the internal company definition. The Executive Board has decided to reach a target of an 8 percent share of women in management level 1. On June 30, 2015, the decisive date for the definition of the target, this share was 4 percent.

Management level 2

Management level 2 includes employees who belong to management level 2, in accordance with the internal company definition. The Executive Board has decided to reach a target of a 10 percent share of women in management level 2 below the Executive Board. On June 30, 2015, the decisive date for the definition of the target, this share was 6 percent.

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

In order to increase the share of women in management positions, we have been executing a specific support program since 2011. Our objective is to fill at least 15 percent of management positions at Bilfinger with women by 2020 (management levels 1-3).

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. Managers from participating companies take on the role of mentors and 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. In the X mentoring program in Rhine-Neckar, which started in 2012, Bilfinger works with Heidelberger Druck, KPMG, SAP, MVV Energie and TE Connectivity. Following the successful start in Mannheim, Bilfinger has also been working on promoting female managers with three companies in the Rhine-Main area. Cooperation partners here are KPMG, EVO and TE Connectivity. Through an in-house women's network that was founded in 2012, female employees can stay abreast of career topics and exchange experiences with other participants.

We also provide targeted support to female management 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 Germany, Austria and Switzerland 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. In individual cases, life coaching is also provided.

Recruiting 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.

The objective of our intensive university marketing program in Germany is to identify highly qualified graduates and arouse their interest in working for Bilfinger. Central and local activities are closely linked and are targeted to selected universities. The contacts gained often lead to internships and academic papers. In addition, the dual study program is an important part of the academic promotion of young employees for Bilfinger.

The recruitment of industrial staff and skilled workers has become increasingly important. Regional campaigns were conducted on a more intensive basis.

E-RECRUITING (GERMAN-SPEAKING COUNTRIES)

	2015	2014	Δ in %
Industrial	290	229	27
Building and Facility	1,022	1,107	-8
Headquarters & other units	92	105	-12
	1,404	1,441	-3

GROUP APPRENTICES BY BUSINESS SEGMENT

	2015	2014	Δ in %
Industrial [1]	615	689	-11
Building and Facility [1]	462	438	5
Headquarters & other units	11	20	-45
	1,088	1,147	-5

[1] including external apprentices

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

Electrician	127
Plant mechanic	118
Mechatronic technician	75
Industrial mechanic	53
Other industrial qualification	51
Industrial clerk	43
Industrial insulator	36
Commercial BA degree	33
Office administrator	29
Technical BA degree	20
	585

Bilfinger Academy – training and personnel development For Bilfinger, professional training and targeted development of employees and managers are an investment in the future of both individuals and the entire Group. In 2015 the extensive range of offerings from the Bilfinger Academy was continued and adapted to current needs. 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. In 2015, an international standard was introduced for staff appraisals along with measures to improve the feedback culture.

In the reporting period, we carried out a comprehensive qualification program in order to clarify the Group-wide standards for compliance and to promote the awareness of the observance of clear rules among all employees of the Group. Furthermore, strategically relevant topics, particularly sales performance and project management, could also be positioned.

The development of managers continues to be of great importance. Specific development programs are implemented at all management levels. They make an important contribution to strengthening the performance and leadership competence of selected managers and to increasing their loyalty to the company.

Bonus payment for employees Employees in Germany received a bonus payment (€200 gross) in July 2015 as thanks for their efforts and commitment. A bonus payment was also granted to employees in European countries outside Germany; they received €120 gross or the equivalent in their local currency.

Employee share program The employee share program, which was started in 2012, was continued in the reporting year. Employees in Germany who qualified could apply their bonus in the amount of €200 toward the purchase of a share package with five shares in Bilfinger SE. The price of the share package was €170.35. The remaining difference from the bonus was paid out. All other employees in Germany who qualified could purchase a share package with five shares at the price of €173.20. As part of the 2015 employee share program, a total of 10,935 shares of Bilfinger SE were purchased by employees.

After the employee share programs from 2012 to 2015, 18 percent of the around 23,700 employees in Germany who are eligible to participate hold employee shares. About 84 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 are held in the depot. The next allocation of bonus shares will take place in the fourth quarter of 2016.

Events after the balance sheet date

Our business 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. On May 11, 2016, we will provide a detailed overview of developments in the first quarter of 2016.

In February 2016, we sold the Water Technologies division to Chinese company Chengdu Techcent Environment Group. Net proceeds from the sale for Bilfinger will amount to approximately €200 million after deducting transaction-related expenses. Subject to the necessary approval from the responsible anti-trust authorities, the transaction should be concluded in the first quarter of 2016 and the net proceeds from the sale will flow to Bilfinger as additional liquidity.

Furthermore, we have received offers for a possible acquisition of the Building, Facility Services and Real Estate divisions in the Building and Facility business segment from various interested parties. The Executive Board is subjecting these to a detailed review in the best interest of the company. This review is being conducted without prejudice as to the outcome.

Risk and opportunity report

Risks and opportunities

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

Against a backdrop of strategic corporate planning approved by the Executive Board, detailed three-year planning is being developed. In order to regularly check the achievement of targets, identify trends and subsequently identify possible deviations, the Executive Board regularly conducts business reviews together with the divisional management in which business development is discussed as are short and medium-term earnings expectations of the divisions and measures to prevent risks and take advantage of opportunities. This treatment takes key 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 requirements of our customers will change fundamentally within the next few years as a result of the rapid digitalization of industrial production processes and real-estate processes. We are thus now faced with the task of using Bilfinger's good starting position in this area and making the Group competitive for the future. This requires an effective system that can realistically analyze future market developments and allow for quick decisions as to how available opportunities can best be used and how possible risks can be countered. This is something we are working hard to achieve. Creative thinking is just as important as the comprehensive willingness in the company to undergo fundamental change.

I. Risk-management system

The Bilfinger risk-management system focuses on identifying the risks that present themselves at an early stage, evaluating them and ensuring the continued successful development of Bilfinger through suitable measures. We continuously revise and improve the system. The strategy followed is therefore to apply suitable measures to reduce the risks to an acceptable level. The risk tolerance that arises is therefore proportional to the earnings opportunities that are identified. In accordance with the Group Principles on risk awareness, Bilfinger only assumes manageable risks.

In order to further develop the risk-management system, the Executive Board initiated a program for the re-design of the existing risk management system elements in 2015. In the first stage, a financial risk assessment was carried out for the period Q3/2015 to Q1/2016 with the aim of identifying and evaluating financial risks. The risk assessment and evaluation was carried out through a top-down assessment with the members of the Executive Board, heads of financial corporate departments as well as divisional management and a bottom-up assessment in a representative selection of companies for the Group and its divisional structure. A validation of these results will be carried out by the end of Q1/2016.

As part of this program, an updated risk guideline will be created for the Bilfinger risk-management system. This particularly includes the definition of roles and responsibilities (Risk Owner, Risk Manager) and sets out the process steps for the design of a risk-management control cycle. These include:

- Identification and evaluation of risks at the level of the company by the defined Risk Owner, monitored by the Risk Manager. The evaluation of the risks is carried out using the likelihood and impact parameters.
- Definition, introduction and allocation of measures to reduce or transfer financial impact (mitigation measures).
- Aggregation of the individual risks using a Monte Carlo Simulation approach.
- Risk reporting – both ad hoc and at predetermined reporting periods (at least quarterly).
- Monitoring of the identified risks and implementation of the mitigation measures.

In accordance with integrated corporate governance, the guidelines and the financial risk assessment approach take into consideration the connection between the risk-management system, internal control system and auditing system.

The program is based on a comprehensive risk map using all process steps, so that the developed approach can be extended to all risk categories on the basis of the financial risk assessment.

For the timely identification, evaluation and responsible handling of risks, diverse management, recording, control and transfer systems are in place which are connected with the auditing system and which are being further expanded and improved. Together this forms Bilfinger's risk-management system which is currently being re-designed. The elements of our risk-management system are currently and will in future be the strategic and operative business planning combined with a comprehensive reporting system and extended by a monthly forecast process which together serve as the early-warning and monitoring system. Our risk management is based on the general inclusion of the consolidated group and takes into consideration the special features of the project and service business as well as the international positioning of our activities.

Already today, the risk-management function comprises the following components which will be further enhanced by the current re-design:

- General principles of risk awareness and fostering individual risk-conscious behavior
- Detailed specification and control of key performance indicators
- Monthly evaluation of the key financial risks from a qualitative and quantitative perspective for each individual risk on the basis of expert assessment as well as the implementation of measures for risk management
- Collective controlling by corporate departments (Corporate Controlling, Corporate Procurement, Corporate Treasury, Corporate Project Controlling, Corporate Internal Audit, Corporate Legal & Insurance, Corporate Compliance and Corporate HSEQ).
- Particular risk review and monitoring for major projects and large service contracts (Corporate Project Controlling, Corporate Internal Audit)
- Internal control and risk-management system as relates to the accounting process (Corporate Internal Audit)
- Transfer of insurable and insurance-worthy risks to external insurance companies (Corporate Legal & Insurance) – this applies in particular to risks with a generally low likelihood and high potential for damage, whose risk transfer is organized centrally

Risk management at Bilfinger is a continuous and decentralized operative 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 and their key risks. The Group's collective risk-management function is exercised by the Executive Board and Group headquarters and monitored by the Supervisory Board. Effectively avoiding risks requires more than just good instruments and procedures. Risk awareness among employees is also a factor that we promote through training sessions and other measures. Group-wide, general principles of risk awareness apply to management and staff. Here, too, we are working on further improvements as part of the re-design.

Each year, the Group defines new targets for all of its subsidiaries at a divisional level for the key performance indicators. These and other key figures are monitored with the use of monthly reporting. An analysis of the current situation, comparison with planning and derivation of measures is carried out at all operative levels.

In consultation with the Executive Board, the corporate departments perform a specialist monitoring function throughout the Group. They have wide-ranging obligations to request and receive information, to intervene in some cases and to issue individually defined guidelines, and be progressively actively involved with their specialist colleagues at the divisions and subsidiaries.

Group headquarters is also responsible for monitoring tasks of overriding importance. The areas of Corporate Accounting, Corporate Controlling, Corporate Procurement, Corporate Treasury, Corporate Project Controlling, Corporate Internal Audit, Corporate Legal & Insurance, Corporate Compliance and Corporate HSEQ report regularly to the Executive Board on the risk situation from their respective specialist perspectives, based on which the Audit Committee and the plenum of the Supervisory Board produce a risk report every quarter, which includes all key risks. Within the framework of the initiated re-design of the risk-management system, this element is also subject to a methodological and content review. The Audit Committee is therefore informed of the results of the review and monitoring activities by the heads of Corporate Project Controlling, Corporate Internal Audit and Corporate Compliance.

Orders with large volumes or special risks are only accepted if they are expressly approved by the Executive Board. Above a specified volume, approval of the Supervisory Board is also required. Orders with greater risks are analyzed more intensively by the Executive Board prior to a bid being submitted and continue to be monitored when an order has been received:

- Corporate Project Controlling supports these projects above certain thresholds from the bidding phase until completion. The technical, financial and time line-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 by the Executive Board with significant support from Corporate Treasury as well as Corporate Legal & Insurance.
- Corporate Internal Audit, both on a scheduled 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 corporate departments and operating units.

- In addition to monthly collection and processing of central performance measures and other information relevant for decisions, Corporate Controlling is also responsible for active controlling of subsidiaries. By permanently monitoring business developments, Corporate Controlling thereby develops a complete picture of the financial situation of the companies and analyzes opportunities and risks. Furthermore, it is responsible for the content and further development of the key figure system as well as related instruments including the maintenance and adjustment of the supporting reporting and information systems.
- With its supplier management system, Corporate Procurement supports the evaluation and selection of subcontractors, materials suppliers and external service providers.
- Corporate Legal & Insurance reviews and evaluates legal risks, particularly before bid submissions, above certain threshold values and in certain risk categories, takes the lead in protecting our legal interests as well as in legal disputes in connection with contract fulfillment and ensures appropriate insurance coverage in the key, insurable risk areas.
- Corporate HSEQ has developed a Group-wide HSEQ management system, which displays the processes and objectives. This includes, among others, the implementation of audits in order to analyze existing risks in connection with health, safety, environment and quality and to review the methods used to control them. Results are analyzed and measures for continued improvement are introduced.
- Corporate Compliance defines the priorities and measures in connection with the Bilfinger anti-corruption program and supports its worldwide implementation. As part of the company-wide risk analysis, Bilfinger companies and units are classified according to their risk of corruption. The decisive factors here are the business activities as well as the country-specific evaluation of the Corruption Perception Index produced by anti-corruption organization Transparency International. Following this prioritization, we implement the necessary measures for corruption prevention on the basis of risk evaluation in the companies and units.

  The globally appointed Compliance Officers are particularly important as direct contact partners for the business units and as an interface to the Corporate Compliance Organization. The compliance experts provide comprehensive support on the subject of compliance for the companies and business segments. They support the management in upholding anti-corruption regulations in accordance with the Bilfinger Compliance Program. The Compliance Officers report regularly both within the business unit and to Group headquarters. In order to further minimize corruption risks, the existing standard process for the review of business with public authorities and government-related customers in countries with an increased risk of corruption is being further developed and improved.

  In order to minimize corruption risks, we carry out a risk-based integrity review of business partners and make contractual agreements with these partners which outline our expectations as regards lawful conduct. This is also being further developed as part of the re-design.

  Managers have a special degree of responsibility as role models and important contact partners for employees. The fundamental importance of compliance is thereby firmly integrated into the qualification program for managers and junior managers as well as in talent promotion. Concrete compliance objectives are also set for managers. In future, we will link variable management remuneration even more closely with compliance behavior.

  Our whistleblower system is the central point of contact for global reception, documentation and processing of suspected misconduct. Here suspected cases can be confidentially reported, anonymously if desired, via diverse contact routes. Employees are requested to report concrete suspicions of breaches of criminal law or of our principles of conduct. The protection of whistleblowers is binding. The processing of the received information regarding suspected misconduct is investigated independently and led by Corporate Internal Audit. In order to increase transparency, we regularly inform managers of all significant reported information on suspected misconduct in an anonymized form. If required, processes can be changed or optimized using the case analysis in order to prevent damage in future.

  All new employees must complete web-based training on the Bilfinger principles of conduct. We also offer comprehensive training on corruption prevention worldwide. Furthermore, the top managers of the company take part in targeted anti-corruption workshops. These trainings undergo continuous development.

The corporate departments develop uniform standards for the elements of company controlling, with the support of the Group Governance functional area.

Our management, controlling and risk transfer tools form the Group's comprehensive risk-management system which is further developed on an ongoing basis.

Processes and approval procedures are documented in guidelines, work procedures, manuals and instructions. Via the intranet, employees throughout the Group have access to the content of the risk-management system. The risk-management handbook is also currently being reviewed as part of the re-design project for the risk management-system. The functionality and effectiveness of central elements of this system, including the operative, non-accounting-related internal control system, are reviewed by Corporate Internal Audit. In addition, the Audit Committee of the Supervisory Board and the auditor also have general review and monitoring functions. Recommendations for the optimization of the risk-management system resulting from the review are currently being implemented as part of the initiated re-design project of risk management, among others.

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

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

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

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

The basic structure of the internal control system includes the five core business processes Purchase to Pay, Order to Cash, Hire to Retire, Investment to Disposal and Financial Reporting. The key risks have been identified for these business processes and necessary correlating controls have been defined within the framework of a risk control matrix. This structure represents the Group-wide binding ICS standard.

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

The effectiveness of the internal control system is ensured through annual effectiveness checks (tests). The tests are carried out by external auditors, Corporate Internal Audit and by the units themselves (control self-assessments). This forms the basis for the evaluation of the appropriateness and effectiveness of the Group-wide control system by the Executive Board at the end of the financial year. Recommendations for improvement become part of the ongoing development of the internal control system.

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

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

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

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

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

II. Risks

Significant risks

The following risks could lead to significant negative impacts on our net assets and financial position as well as on our reputation. Unless otherwise stated, the risks presented in this chapter affect the Group or all of our business segments. The risks are presented on a gross basis before risk limitation measures.

In our risk categories 'Risks related to our business environment', 'Risks related to service provision', 'Financial risks' and 'Other risks', we have identified the following risks as the greatest challenges for Bilfinger:

- Risks related to our business environment – market risks The development of the crude oil price in particular could severely impact the business in the Industrial business segment. Furthermore, the negative development of the energy markets in Europe could negatively affect the business of individual areas of our company. Both factors could lead to our customers reducing their investment and maintenance budgets. In addition, competition could continue to increase. This could result in risks for the net assets and financial position of our Group.
- Other risks – compliance risks In connection with the Deferred Prosecution Agreement to prevent legal proceedings against Bilfinger, which was concluded with the United States, there is a danger that the suspended legal proceedings against Bilfinger reach the point of prosecution or the duration of observation by the Compliance Monitor is extended. The resulting costs could have a significant impact on the financial position of Bilfinger. In addition, there are also reputation risks which, if they were to materialize, would noticeably affect our competitive position.
- Risks related to service provision – HSEQ risks Events which result in personal, environmental or property damage or quality defects may lead not only to liability claims and damage to the company's reputation, but may also have a significant impact on our customer relationships. The consequences could range as far as the loss of existing or future contracts.

The order of the risks presented within the individual risk categories reflects the importance for Bilfinger. This also applies to the business segment-specific risks, which are presented separately within each category.

a. Risks related to our business environment

Bilfinger depends on the general economic situation and the development of its markets. We are also exposed to political and macroeconomic risks. There is a tremendous amount of competition in our markets. Changes in legal requirements could also burden our earnings. To manage these risks, we regularly analyze how countries' economies and legal framework conditions are developing and continually evaluate our competitiveness in our markets.

Significant market risks in the Industrial business segment

- Oil price development The strong decline in the price of oil is a risk factor for our activities in the Industrial segment. Parts of our business are highly dependent on the development of global fossil fuel prices. The development of the oil price makes cost-intensive fracking technologies in the extraction of oil and gas as well as deep-sea extraction unprofitable.

  This particularly affects the Oil and Gas division, which is represented in the Norwegian and British offshore business. As a result of the low oil price, our customers in the Norwegian and British oil and gas sector have significantly reduced current maintenance and investment budgets for insulation and corrosion protection work. In the US shale gas sector, where our Industrial Fabrication and Installation division is active, the boom which continued until 2014 has noticeably declined and, as a result, demand for our services decreased significantly in the last year.

  Overall, a long-term stagnation of the oil price at its current low level or even a further decline could have a noticeable impact on the net assets and financial position of the Industrial business segment.
- Prospects for our customer industries The industry sectors in which we are active with our industrial services business will see moderate growth in the coming years.

  For the companies in the oil and gas sector and refinery business, a slight decline in the annual gross value added is expected until 2020. Stagnation at the current extremely low level is expected in the energy industry.

  In view of the focus of our business in these sectors, risks for our business development and the reaching of future growth targets in the Industrial segment could result from the overall restrained growth trend.

We will counteract risks from the development of the oil price and growth prospects for our customer industries by adapting our capacities in the affected areas. Furthermore, these framework conditions form the basis of the restructuring and strategic repositioning of the Industrial business segment. The focusing of the activities on defined core regions, industries, customers and services is discussed in the chapter about the Industrial segment from page 50.

Significant market risks in the Building and Facility business segment

- **Reliance on major customers** In the Facility Services division, a significant part of the business is dependent on service contracts with high order volumes and terms of several years. In an intensively competitive market, there is the risk that important contracts are terminated, not extended or are lost to the competition. The construction industry is also traditionally dependent on individual customers' willingness to invest. If the construction sector in Germany declines, this could lead to a decrease in demand for the services of our Building division. Reliance on individual major customers could therefore have a negative impact on the net assets and financial position of the Building and Facility business segment.

  Our divisions that are focused on real-estate services have expanded their customer base across a large number of different sectors. The range of services was also expanded in order to reduce vulnerability from weak demand in individual sectors or reliance on major customers. The wide range of individual, combined and integrated services also allows for a flexible service offer across the entire lifecycle of a property, which is individually developed in close cooperation with customers.
- **Reliance on the economic environment in our core markets** A general economic downturn in the real-estate sector in Germany and the United Kingdom could have noticeably negative consequences for the net assets and financial position in our Building and Facility business segment.
- **Interest rate development** Interest rates are an important parameter in the real-estate sector, influencing investors' willingness to invest and thereby the demand for construction and real-estate services. An increase in currently low interest rates would have an impact – although manageable – on demand in our Building and Facility business segment.

  Our Real Estate division in particular benefits from the dynamic development of transaction volumes in the real-estate sector resulting from the low interest rate environment. Increasing interest rates and thereby internationally decreased transactions could affect the business development of this division. However, only a small part of the annual sales are generated through transactions.

Significant market risks in the former Power business segment, which has been put up for sale (discontinued operations)

- **Energy policy** With the fundamental changes to German energy policy, a major market risk has arisen in recent years in the Power business segment. Against this backdrop, however, it has not been possible to generate more planning security for power plant operators. The investment backlog that began with the energy transformation has continued. This is on top of increasing savings in the maintenance budgets.

  In other European countries, too, the energy transformation is having a negative effect on investment behavior. The resulting decline in orders received could have a negative impact on the net assets and financial position of the Power business. Impacts on the attainable conditions for the planned sale cannot be ruled out.

  These market risks necessitate the expansion of the business into other service areas and regions.

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. As part of the strategic repositioning of the company, we are focusing our business on the European core market. Country risks which could have a negative impact on earnings have decreased significantly.

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. New or changed environmental legislation and regulations could lead to significant cost increases, particularly for our European customers in the energy-intensive process industry. This could result in our customers making savings, thereby decreased demand for our products and services and thus an impact on our results of operations, net assets and financial position.

The direct consequences of climate change such as extremely strong rainfall or the lack of precipitation, above-average high or low temperatures could have a negative impact on our production activities, because services are primarily conducted outdoors.

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, in 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. In spite of this, an impact on our reputation is possible.

b. Risks related to service provision

Occupational health, safety and quality

Quality-related problems in the execution of our services could have a negative impact on the business success of our operating units and thereby negatively affect the financial position of the Group. Industrial customers in particular have high requirements not only for health, safety and environment but also for the quality of the services provided. Failure in these areas could lead to adverse effects on our customer relationships through to loss of orders as well as contractual penalties and damage claims.

We counteract risks from quality defects by using comprehensive quality and process management. It starts with the operating units, which are responsible for the process as well as the quality of their services. Quality management in the operating units is embedded in the quality management of the superordinate divisions and in Corporate HSEQ. Through system requirements and targets and internal audits, they both work toward the continued development of quality standards. Our processes and units are audited and certified by external companies, for example in accordance with DIN EN ISO 9001. We work closely with the German Society for Quality, the European Organization for Quality and with technical inspection associations.

Project business

When planning and executing projects, significant calculation and execution risks exist which are often larger than in the service business due to the project volumes and higher degree of technical complexity. In the Industrial business segment, project orders involve, for example, major inspections or new construction of industrial production plants; in the Building and Facility segment they primarily include the construction business of the Building division.

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

The limitation of risks is a key task of the unit responsible for the individual project at Bilfinger. There are thus minimum requirements which a project must fulfill in order to be accepted by the responsible unit. Depending on the bid volume and risk categories, the independent Project Controlling and Legal & Insurance departments must be involved as an additional supervisory authority. The joint risk management begins with the targeted selection of the projects. In addition to the actual task of the project, the client's person, conditions in the region in which the project is to be carried out, the competence and capacity of the Group unit that will potentially do the work, execution risks, the draft contract as well as the payment plan and payment security are analyzed. In the following bid phase, positive or negative deviations from the generally expected conditions are systematically listed. In the determination of costs, the calculation initially assumes planned conditions. Subsequently, the positive or negative particularities are analyzed, evaluated and decisively taken into account in the final decision on the bid and its formulation. Projects above a certain volume or with a high degree of complexity are consistently monitored by a central unit in accordance with defined regulations from the bid phase through to implementation, completion and processing of any warranty claims.

Specific project risks in EPC / turnkeyfixed-price contracts are discussed under the risks related to service provision in the Industrial business segment (see page 82) and in the former Power business segment, which has been put up for sale (see page 83).

Service business

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

Overall, the calculation and execution risks in the service business are however lower than in the project business due to the lesser degree of complexity and lower order volumes. In terms of the risk profile of Bilfinger, we therefore focus our activities on the service business.

The basis for the management of risks in the service sector is a profound understanding of the customer, the services being provided and of the contract conditions that have been agreed. For the execution of the work, our operative companies have competent, reliable and experienced staff. In view of the high degree of involvement in the business processes of our customers, we pay particular attention to the appropriate level of qualification of the persons assigned. Precise knowledge of the specific conditions in the plants we manage is a decisive factor for our business success. Service contracts above a certain volume must be subject to a regular review by Corporate Project Controlling over the contract period.

In order to reduce the risks from our operative activities, in 2015 we launched a program for far-reaching optimization of the processes in service orders in the Industrial business segment. The main focus is on the standardization and efficiency enhancement of procedures in workshops and logistics chains as well as processes in information technology and resource planning.

In order to avoid miscalculations, offers are compared with practical benchmarks. For complex offers which require a high level of specialist knowledge, an internal competence center is involved in the offer process in the Facility Services division. This is the case, for example, for offers in the areas of data centers or energy efficiency of life-cycle projects. Offers for consulting and management services are generally only processed by the Real Estate division once the scope of the order has been clearly defined and the necessary technical expertise and personnel capacities are available for processing.

Human recources

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

We carefully counteract the human-resources risks that might arise due to a shortage of junior managers, staff turnover, lack of qualifications, low motivation or an excessively old work force with a range of personnel development measures. We therefore attach great important to the training and development of qualified skilled workers. In order to retain future managers in the company, we 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. We counteract headhunting attempts by competitors with attractive wage and salary structures, an interesting working environment and defined possibilities for individual development. An extensive range of courses and further training is available to our workforce as part of the Bilfinger Academy. Career prospects are discussed regularly and individually with our employees. In addition to the discussed direct measures, within the scope of our human resources controlling we closely analyze structural changes within our workforce and can thus counteract any negative developments at an early stage.

Business partners

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, insurers 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, this can impact our liquidity and financial situation.

We counter these risks by carefully selecting our partners in terms of reliability and performance, a consistent dunning system and – when necessary – 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. Where possible, we pursue a 'multi-sourcing' strategy in order to be able to draw on alternatives quickly in the case of a loss of a partner, particularly suppliers, and thereby avoid a potential performance failure. Within the scope of the monthly debtor reporting, receivables with our customers are brought together and evaluated in terms of the respective probability of default based on the external rating. In order to avoid cluster risks, volume-graded limits are defined at Group level in relation to the external customer rating.

We subject important suppliers, service providers, subcontractors, working groups, consortia and joint ventures as well as all distribution agents to an integrity review before contract signing.

A particular problem is presented by advance performance obligations, which affect some areas of our business. 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. This could result in risks for the calculated earnings of an order. In order to avoid such risks, we follow the systematic payment behavior, business conduct and the financial situation of the customer and try, particularly within the project area, to meet security requirements.

Procurement

With a volume of more than €2.5 billion, purchasing is a decisive factor in our success. If the size and structure of the company were to change, there is the risk of significant price increases as a result of reduced demand. Preliminary work from our suppliers, subcontractors or service providers that is lacking, too expensive or inadequate in terms of quality could have significant negative impacts on our financial position. Unexpected price increases in components, energy and raw materials could also be a burdening factor. Procurement risks exist mainly in the Industrial business segment.

Energy prices are an increasingly important central cost factor for our customers. Within the scope of our business, we guarantee them partially significant energy savings through optimized operation of plant and building technology. We reduce the particular resulting procurement risks for energy through our operating units making use of the Group-internal Procurement Network in order to achieve lower prices through the bundling of purchasing volumes for electricity, gas and heating fuel for multiple objects.

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 safeguard ourselves against inflation by means of sliding-price clauses in our offers as far as this is permitted and the competitive position allows this.

Significant risks related to service provision in the Industrial business segment

- **Overcapacities** Against the backdrop of demand development in sub-markets of our industrial service business, we are faced with risks resulting from overcapacities and reduced cost flexibility. Fluctuations in demand could continue to have a noticeable impact on the financial position in the Industrial business segment.

  We are therefore developing measures to adapt administrative capacities and reduce over-capacity. We consistently adapt these structures to the requirements of the restructured operating business.

  We also continuously work on gaining a greater degree of flexibility in our operating costs. In addition to measures for greater flexibility in the availability of our own staff, we also constantly examine the vertical integration within the scope of structured 'make or buy' decisions as regards the appointment of our own employees or the use of subcontractors.
- **EPC/ turnkey fixed price contracts** Bilfinger takes responsibility for the engineering, procurement and construction (EPC) in project orders. These plant construction projects are complex and require a large purchasing volume and qualified project management. Project contracts are typically concluded as EPC/turnkey fixed-price contracts with the obligation to provide turnkey construction of the plant or plant components. A key risk lies in the fact that the calculated prices are inadequate for the contractual performance for diverse reasons (e.g. construction site conditions, delays due to weather conditions, mistakes by subcontractors) and that further claims cannot be obtained from the customer. This results in a decreased profit margin and in some cases can lead to significant losses from the contract.
- **Technical characteristics** In the Industrial segment, contracts generally assure technical parameters and availability of the plants and guarantee this through technical penalties. If the technical values or availability are not achieved, there is the risk of significant costs of rectification, the payment of technical penalties or withdrawal of the customer in the case of obligation for payment of damages.
- **Sales structures** In the Industrial business segment, we see a further need for improvement in our sales structures. These should be more closely oriented toward the market. If the corresponding measures are not implemented in good time or are insufficient, then this is expected to have a negative impact on the further business development of the segment.

We therefore launched a program to optimize our commercial excellence in 2015. Among other things, it includes the implementation of improved key account management, the creation of account plans and the active identification of outsourcing opportunities.

Significant risks related to service provision in the Building and Facility business segment

- **Projects** In our real-estate business, project risks particularly exist in the Building division. Errors in bid processing as well as shortcomings in planning and execution could significantly impact the economic success of the construction projects and thereby the financial position in the construction business.

  The Building division counteracts project risks through standardized technical feasibility audits in bid processing, a compulsory review of the contents of the contract by Corporate Legal & Insurance or an independent audit by Corporate Project Controlling above a defined project size or risk category.

  The management of project risks is also discussed in detail in the corresponding chapter of this risk report on page 80.
- **Consulting, management and operation** In the Facility Services and Real Estate divisions there are risks resulting from the consulting, management and operation of properties of our customers. The unforeseeable change to economic conditions could, for example, lead to the content of provided consulting services proving insufficient or incorrect. In the bid processing for service contracts, which often run for many years, incorrect assessments of future developments and errors in the calculation could impact the business success of the affected divisions. This also applies to faults in the execution of real-estate services.

  The occurrence of risks from consulting, management and operation of real estate could have a negative impact not only on the net assets and financial position of Bilfinger, but also damage the reputation of the company as one of the leading real-estate service providers in Europe.

  The Facility Service and Real Estate divisions have diverse instruments for the risk management of orders in the service business. In order to achieve a high level of cost security, an intensive survey of the object to be managed as well as systematic feasibility audits are fixed components of the bid processing. Specially trained start-up teams are appointed when building operation begins, who have far-reaching experience in the implementation of organization, technical, commercial and infrastructural processes. In order to ensure quality of service in ongoing operations, we utilize our own, qualified staff. The planned economic development of the individual orders is monitored using regular object reports.

  The risk management of service contracts is also discussed in the corresponding chapter of this risk report on page 80 f.

Significant risks related to service provision in the former Power business segment, which has been put up for sale (discontinued operations)

- **EPC/turnkey fixed-price contracts and technical conditions** In the Power segment, over half of orders were processed in the project business. Power thereby takes responsibility for engineering, procurement and construction (EPC). In addition, technical parameters and availability of the plants are generally assured and guaranteed through penalties. The significant risks correspond to the risks described for the Industrial segment resulting from fixed-price contracts (see page 82).
- **Service range** With activities in the Power area we are faced with the risk that existing competences and offered services no longer quantitatively and to some extent qualitatively meet the requirements of the German market. It is possible that there is a risk to the ongoing selling process.

  Against the backdrop of the development of demand, we have therefore begun an extensive restructuring of the Power division and created the conditions to pursue a fundamental repositioning. Not only the service offer is considered; the measures introduced also aim to achieve additional savings, reduce overcapacity and achieve a greater level of cost flexibility.

  With a view to the initiated selling process, a group of experts is optimizing the operating business processes. They analyze current and completed projects of all sizes over the entire value chain so that, based on this analysis, appropriate instruments for the improvement of project management and project execution can be identified and implemented.

c. Financial risks

We are also subject to financial risks in the form of liquidity and financing risks, market price risks from the fluctuation in currency and commodity prices and change in interest rates as well as credit risks of our banking partners. We monitor these 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 Corporate Treasury. All relevant equity interests and joint ventures are included in this monitoring.

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.

As a result of an unexpected negative business development, increased financing needs can occur in the operating units. At the same time, a negative business development can lead to changes in Bilfinger's credit rating, particularly through rating agencies and banks, which could lead to more difficult and more expensive financing, or make securing bonds and guarantees more difficult and expensive. External financing can also result in a worsening of the dynamic gearing ratio. Within the scope of the agreed financial covenant, it is ensured that this gearing ratio is met. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counteract this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. 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 with consideration of matching maturities. In 2012, a €500 million bond with maturity in 2019 was issued with a fixed interest rate over the entire period. To finance working capital, we have a €500 million pre-approved credit line at attractive conditions that is in place until June 2018. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio net debt / EBITDA. As of December 31, 2015, the value is significantly below the contractually agreed upper limit. If adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and services business with a volume of more than €2,000 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 700 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.

Market-price risks in the finance sector primarily involve exchange rates, interest rates, raw-material prices and the market values of financial investments. As a globally active company, we are subject to exchange rate fluctuations, for example between the euro and the US dollar, because part of our volume of business is generated in the USA. A rise of the euro against the US dollar in particular could therefore have a negative effect on our financial position. Furthermore, we are also faced with interest rate fluctuations. Negative developments in the financial markets and changes to the policies of central banks could have a negative impact on our earnings. Fluctuations in commodity prices can also have a negative impact on the financial position.

We counteract market price risks by protecting against currency, interest rate and commodity risks through derivative financial instruments. This allows our centralized control of market-price risks to net out cash flows and financial positions to a large extent. We make use of derivative financial instruments in order to minimize residual risks and fluctuations in earnings, valuations and cash flows.

Depending on the development of exchange rates and interest rates, hedging transactions could affect our net assets and financial position. We therefore do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges.

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, 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.

Positive market values and the investment of liquid funds in banks result in credit risks from banks. In the case of a collapse of the bank, there is the risk of a loss, which can have a negative impact on our net assets and financial position. We counteract these risks by entering 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.

Note 28 (see pages 166 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 27 of the Notes to the Consolidated Financial Statements (see pages 164 ff).

d. Other risks

Compliance

At the end of the proceedings against Bilfinger in the USA as a result of violations of the US Foreign Corrupt Practices Act (FCPA), a Compliance Monitor was appointed as part of the agreement with the authorities (Deferred Prosecution Agreement, DPA), who will regularly report on the effectiveness of the Bilfinger compliance program to the US authorities in the coming years. There is a danger, especially if as yet unknown or repeated misconduct is identified in connection with the FCPA or the compliance program does not meet with requirements, that the suspended legal proceedings against Bilfinger may reach the point of prosecution or the duration of observance by the Compliance Monitor may be extended. In addition to the risk that resulting costs and other consequences could have a significant impact on the financial position, there is also a significant reputation risk for Bilfinger in the market.

Overall, the significance of compliance risks for Bilfinger has increased. Changes to the regulatory environment in markets where we do business could affect our business globally and impact our business situation, net assets and financial position. Bilfinger could also face fines, sanctions and damage to its reputation. Furthermore, uncertainty in the legal environment could mean that we are subject to increasing costs for adequate compliance programs. In 2016 we expect one-time expenses in the amount of approximately €50 million in connection with the further development and re-design of our compliance program and the conclusion of older cases.

Sanctions such as those imposed by the USA, the European Union (EU) or other countries or organizations can restrict us in our business activities as a globally active company or prevent us from gaining or keeping investors, customers or suppliers.

Corruption, antitrust or similar proceedings against Bilfinger could lead to criminal or civil prosecution as well as fines, sanctions, injunctions, disgorgement of profits, to the exclusion from direct or indirect participation in certain business activities or to other restrictions. Furthermore, cases of corruption could endanger our business with authorities and organizations.

Corruption and antitrust cases or other misconduct could have a detrimental effect on our involvement in business with public-sector customers – up to exclusion from public-sector contracts. Criminal prosecution could also result in the cancellation of some of our existing contracts and third parties, including competitors, could initiate proceedings against us on a large scale.

We are currently investigating suspicious cases in various countries and are cooperating with the authorities. According to current assessments, there is a risk of fines or significant disgorgement of profits in connection with these transactions. Furthermore, restrictions for the affected companies in connection with tenders as well as damage claims of third parties are possible.

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 financial loss arising from correct, incorrect or lengthy decisions on the part of courts or public authorities.

Legal disputes predominantly arise from our provision of services, especially in the project business. Controversies with customers mainly relate to claimed defects in our services, delays to completion or to the scope of services provided. In such cases there is often also a similar dispute with the subcontractors that were used. We strive to avoid legal disputes wherever possible. 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. We therefore cannot exclude the possibility that the outcomes of litigation and proceedings may deviate from our assessments and forecasts and that damages may occur to our net assets and financial position.

For individual projects in Germany and the USA in which we were involved in joint ventures with an additional partner or subcontractor, customers have made legal claims for diverse reasons in the low double-digit million range. According to current assessments, we do not expect the claims to be upheld – at least not in the asserted amount.

In the Power segment, we are currently affected by arbitration proceedings with a subcontractor in relation to a plant construction project. The subcontractor has asserted a claim in the high double-digit million range, whereby we have made a counterclaim for a small amount. According to current assessments, we do not expect any relevant negative impact on the financial position of Bilfinger as a result of the proceedings.

In 2015 we were able to end a lengthy dispute through a settlement with a subcontractor with whom we worked in 2009 on construction of a freeway in Doha, Qatar. The out-of-court settlement came within a framework that was acceptable for both sides and Bilfinger had a sufficient balance sheet provision.

Overall, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all ongoing disputes. However, it is still possible that the available provisions are insufficient as a result of the difficulty in making projections.

Damage cases in connection with the business activities of the Bilfinger Group, including those outside of legal disputes, can have significant negative financial impacts for the affected Group company and for the Group. We generally transfer such risks to financially sound, international insurance companies as part of insurance contracts. The key insurance contracts of the Group include diverse liability insurances to protect against claims from third parties, technical insurances and property and transport insurances.

The major ongoing damage cases include the proceedings in connection with the collapse of the Cologne Municipal Archives in 2009. Bilfinger has a one-third involvement in working group, which was commissioned to construct an underground line below the then location of the municipal archives. Gathering of evidence in these proceedings has still not been completed. As previously, we do not expect this damage case to have any major negative impacts on the net assets and financial position of Bilfinger.

Furthermore, the seller of an entity we acquired has asserted claims to further compensation in the low double-digit million range. Only diverse legal claims to the right to information have been asserted so far. According to our current assessment, the further compensation claims are unfounded.

Disposals

Disposal plans generally carry the risk that certain business activities cannot be sold as planned. In addition, completed disposals could result in negative impacts on our results of operations, net assets and financial position and damage our reputation.

The key disposal plan as of the balance sheet date is the structured selling process for the former Power business segment, which began in June 2015 and is continuing as planned. Alongside the general risks described above, if we are unable to sell the Power business as planned, or can only sell part of it, the risk profile aimed for by Bilfinger in view of the high share of project orders in the Power portfolio would not be achieved.

In general, clearly predetermined processes and criteria are observed with disposals: In the first stage a review is carried out to determine whether the disposal of a business unit is consistent with the Group strategy or whether there are other considerations in favor of selling and what the framework conditions for the sale of a business unit are.

Particular consideration is given to whether there could be a promising group of buyers and whether there are initially identifiable risks for the Group. Furthermore, alternatives such as restructuring or closure, for example, are taken into account and examined.

The disposal process is generally supported by external experts, in order to enable structured targeting of a wide group of bidder companies in the selling process. The implementation of disposals in the Group follows a strict internal approval process, in which all key decisions are made by the Executive Board. Approval of the Supervisory Board is also required for larger disposals.

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 or market developments, the appearance of unforeseen financial obligations, inadequate integration or increased personnel fluctuation. Because we have not made any large acquisitions in the reporting year and are not presently planning any, risks from acquisitions for Bilfinger are currently low. It is however still possible that risks from earlier acquisitions occur, particularly as concerns possible impairments to goodwill (see note 14 of the notes to the consolidated financial statements for the impairment tests of goodwill).

A seller of an entity we acquired has asserted a claim out of court for additional compensation in the low double-digit million range, however has only claimed for the right to information so far. According to our current assessment, these further compensation claims are unfounded.

The following criteria are of particular importance for acquisitions: 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, sustainable profitability, management quality, market prospects and compliance aspects. 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 by the Executive Board. Approval of the Supervisory Board is also required for larger company acquisitions. The Supervisory Board ensures that it is also informed regularly and in detail about the development of newly acquired Group companies.

Strategic repositioning and cost reduction

In the course of the strategic repositioning of Bilfinger, we are also working closely on initiatives for cost reduction. This concerns both structural optimization of our organization as well as the adjustment of capacities. If the necessary merging of units and the focusing of our service range cannot be implemented as planned, their benefits are less than originally estimated, they take effect later than expected or do not have any effect or the necessary one-time expenses and investments are higher than currently foreseeable, this would result in a negative deviation from our planning. We continually control and monitor the processes of the strategic repositioning of Bilfinger and implement appropriate concepts for the management and controlling.

Subsidiaries

The subsidiaries are responsible for the operating business of the Bilfinger Group. This carries the risk that misconduct occurring here is not promptly identified at the Group headquarters and countermeasures against impending negative effects on our results of operations, net assets and financial position are implemented too late.

All the companies of the Group are therefore subject to the regular financial controlling of subsidiaries and associated companies. Corporate Controlling reports to the Executive Board once a month and informs it of any unusual developments without delay. Outside of the reporting hierarchy, Corporate Controlling develops a complete picture and an independent opinion on the financial situation of the companies. The following instruments and analyses are particularly used:

- Monthly results forecasts for the year end with a focus at a division level including documentation of opportunities and risks
- Analysis of the loss-making units and cash-negative units
- Working capital analysis and documentation of changes to net working capital
- Analysis of the statement of cash flows with a focus at division level

In addition, there is a decentralized financial controlling department in each division that reports to the respective divisional management and is subject to the functional supervision of Corporate Controlling.

IT

Threats to information security could result in risks to the security of our services, systems and networks. The confidentiality, availability and reliability of data could also be endangered through unauthorized access to our information technology. Furthermore, negative effects on our reputation, competitiveness and business could occur.

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. The IT security is regularly audited in a standardized process by internal and external auditors.

In order to more effectively shape our organization and increase our competitiveness, key investments in the standardization of the IT landscape of the Group will be necessary. If these measures cannot be implemented as planned, their benefits are less than originally estimated, they take effect later than expected or the necessary investments are higher than currently foreseeable, this would lead to a negative deviation from our planning.

III. 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 have been discussed for the Group, the Industrial and Building and Facility business segments as well as Power, which has been put up for sale (discontinued operations). The most important risks are discussed on pages 78 ff.

As regards the overall risk situation of the Bilfinger Group, the following image emerges: While the market risks remain high as a result of the possible negative consequences of a continued low oil price, our project risks should be reduced with the planned sale of the former Power business segment. The focusing of our business on the defined core regions, industries, customers and services reduces the risks related to service provision. Furthermore, we have introduced additional measures, in order to particularly counteract the identified compliance risks. We are convinced that the risks associated with our business activities are sustainable for the Group as a result of 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.

IV. Opportunities

a. Group

Bilfinger SE is a holding without its own business activities. The operating business is organized in a decentralized manner and is operated by the subsidiaries in the two business segments Industrial and Building and Facility. This is in addition to discontinued operations, which primarily include the former Power business segment.

We have initiated a fundamental restructuring of the administrative functions which will be implemented in 2016 and 2017. With a streamlined and efficient organization, we will increase Bilfinger's entrepreneurial flexibility. Through the associated significant reduction in administrative costs, we intend to dramatically increase the competitiveness and thereby the market opportunities of our operating units.

There are only limited operating synergies between the Industrial segment, the Building and Facility segment and the Power segment, which has been put up for sale (discontinued operations). We therefore consider our market opportunities separately for each segment.

The order of the presented business segment-specific opportunities reflects the current assessment of their importance for Bilfinger.

b. Opportunities related to our business environment

Industrial

- Customer base Bilfinger has an unusually strong customer base in industrial services. We generate a significant part of our segment volume with strategically important top customers, including numerous internationally active companies, without being dependent on individual customers. In order to make use of the associated opportunities, we are currently working on a program to strengthen our commercial excellence. We intend to grow profitably through intensified key account management at segment level with defined, strategically important industrial customers.
- Outsourcing The demand for outsourcing solutions for industrial maintenance is stable. Our successfully implemented Bilfinger Maintenance Concept (BMC) offers us the opportunity for above-average growth in this market. BMC has a modular design and can be individually adapted to specific customer requirements. On this basis, we would like to increasingly expand our customer base from larger industrial locations to medium-sized companies. The regional expansion of the offer to customers in the United Kingdom as well as in Northern Europe also offers market opportunities.
- Digitalization The process industry is currently implementing extensive changes toward the digital management of its production processes. Bilfinger is already using numerous mobile applications for the maintenance of industrial plants and further digital services are in development. Existing process and engineering know-how gives us an important head start in the shaping of the transformation process and the resulting future opportunities.
- Consolidation process The market for industrial maintenance services is characterized by a large number of providers. In this fragmented competitive landscape, a progressive consolidation process is underway. In view of our size and leading market position, we have good opportunities to further expand our market share in many areas. In the medium-term, we intend to be actively involved in shaping market consolidation, which also includes the possibility of geographical expansion.

Building and Facility

- Integrated real-estate services Bilfinger offers its customers integrated services across the entire life cycle of real estate. This offering is particularly advantageous in customer relationships with large companies that operate international real-estate portfolios. The introduced bundling of our competences for the requirements of our customers in the production industry offers opportunities. In addition, we will expand rental management services that have so far been primarily offered in the United Kingdom to the German market.
- Energy efficiency Energy efficiency of buildings has become extremely important for our customers. Bilfinger can offer innovative solutions in consulting, implementation, contracting and auditing with digital solutions in particular. Energy monitoring systems based on real-time data offer the opportunity to develop new business models. In addition, we will develop capacities for consulting services and continue to raise our profile as an expert for energy efficiency in the real-estate sector.
- Digitalization The digitalization of the real-estate sector offers our customers significant optimization potential. This applies to all processes, from consulting to design and construction through to

operation and marketing. For example, we develop cost-efficient solutions for the recording of our customers' real-estate data; mobile devices to carry out technical due diligence are already in use and are being further developed. Furthermore, our unique access to real-estate data allows the development of new business models.

- Diversification of influences Business in the Building and Facility segment is subject to very different economic influences. These include, among others,
  - continuing consolidation of the competitive environment
  - continuing trend toward the outsourcing of services
  - increasing sustainability requirements for buildings
  - continuing globalization of markets
  - different economic cycles of diverse industries
  - the development of interest rates with their effects on investment behavior in the real-estate sector

  This diversification of influences makes business more independent from changes to individual factors. It also offers the possibility of profitable growth through strategic initiatives in selected areas. Bilfinger continually analyzes the economic environment in the markets of the Building and Facility segment. On this basis, we develop business models in order to specifically identify opportunities.

c. Opportunities related to service provision

Industrial

- Operational performance In order to provide our services more efficiently, we have implemented a program for the optimization of our processes with service orders, which will come into effect in key units in 2016. The standardization and efficiency enhancement of work orders in plants, processes in workshops and logistics chains as well as in information processing and resource planning gives us the opportunity to further increase profitability in industrial services.
- Employees In industrial services, Bilfinger employs specialists with above-average qualifications who can meet the strict requirements of their customers. The comprehensive technical and plant know-how, particularly of processes in the process industry, is an advantage which significantly increases our chances of success in competition with other providers. For this reason, vocational training, professional training and targeted development of specialists and management staff are a key part of our strategy.
- Restructuring In view of significantly reduced investment and maintenance budgets, the reduction of unused capacities in the industrial services business is essential. Furthermore, we will adapt personnel and administrative costs to the restructured operating business. We intend to achieve cost leadership in our sector with low fixed costs. High competitiveness increases the opportunity for our operating companies to expand their leading positions in a market characterized by constant cost pressure.

Building and Facility

- Independent organization The transfer of the divisions in the Building and Facility segment that are focused on real-estate services to an independent organization allows even better utilization of synergy potentials within the segment. In this way, we can continue to optimize and integrate our service range. With a clear organizational structure and short decision-making processes, we are establishing the conditions to further improve market opportunities and increase margins.

d. Power (discontinued operations)

The Power business segment, which has been put up for sale, offers a wide range of services over the entire lifecycle of power plants – from new construction, efficiency enhancements, and service-life extensions to repair and maintenance as well as decommissioning. This applies to all fuels such as gas, coal, lignite, nuclear plants and even hydroelectric power.

The following areas offer significant market opportunities:

- Expansion of the service offer for coal-fired power plants in new markets. In Poland, Russia, Turkey and some Asian countries such as India and China, the modernization of existing plants in particular and the adaptation to modern environmental standards offers potential.
- Extension of the existing business units in the oil and gas business in Europe, South Africa, Turkey and the Middle East and expansion into new markets such as Iran and Egypt.
- Application of comprehensive competence in denitrification, desulphurization and dust removal technology in areas with combustion-intensive processes. This includes the cement industry, the petrochemical industry and thermal waste disposal. As a result of new legal requirements, significant environmental regulations will have to be observed in the operation of large marine diesel engines in the near future. Bilfinger offers the corresponding technology for this.
- Using its own patents and excellent market access, Bilfinger has good opportunities to expand its market share in the area of efficiency enhancements and service-life extensions of salt-water desalination plants, particularly in the Middle East.
- In recent years, Bilfinger has received excellent references for special deliveries and services in the construction and assembly of nuclear power plants. This presents new opportunities in the modernization of the French nuclear power plants as well as in the new construction of nuclear power plants in the United Kingdom and Scandinavia. Furthermore, specialist units have leading know-how, which is required for the safe handling and storage of fuel elements. This competence can be applied to the expansion of activities in countries where nuclear power continues to play a large part in energy supply.

- Expansion of the service offer for hydroelectric power plants in Central and Northern Europe and expansion of a leading market position as a supplier for pressure piping systems in selected countries of Latin America.

The opening of new markets and further internationalization of activities requires expansion of the major project business, which currently already represents over half of the output in this area. The former Power business segment is thus no longer in line with the strategy and risk profile of Bilfinger as an engineering and services group.

V. General assessment of the opportunities situation

By focusing on future-oriented services in combination with the professional competence of our employees and the further implementation of the restructuring of the Group, there are significant opportunities for a successful development of Bilfinger's market position.

Outlook

For the year 2016, we anticipate a generally cautious development of economic conditions in those markets that are relevant for Bilfinger.

Overall economic development

The outlook for the economy and the willingness to invest on the part of companies worsened toward the end of 2015. Unfavorable economic data in a number of emerging markets and uncertainties with regard to how lasting the upswing in the United States might be led to a reduction of global growth forecasts.

Monetary and fiscal policies should, however, secure growth in Europe. From today's perspective, the opportunities and risks for the economy even themselves out. Against this backdrop, the European Commission believes that the Eurozone grew by a good 1.8 percent in 2015 and that company investments increased by nearly 5 percent.

The geopolitical environment, however, remains complex and our markets continue to be challenging. We generate a considerable share of sales in difficult industries such as energy as well as oil and gas, and we therefore generally anticipate declining volumes in our business. Assuming that the economy does not fall below current expectations, we anticipate the following development in the year 2016.

Assumptions

The outlook relates – unless stated otherwise – to adjusted figures, which means that special items, in particular one-time burdens from efficiency enhancement programs, primarily for the reduction of administrative expenses, or any positive effects from the sale of parts of the company are excluded.

We are also subject to currency translation effects, primarily with regard to the US dollar, British pound and Norwegian krone. In our planning we have anticipated a stabilization at the level of the second half of 2015.

Our forecast takes into account the expected hesitation among our clients in the oil and gas business both in terms of investments and in the maintenance budgets due to the uncertain medium-term outlook for the price of oil. We also assume that there will be more aggressive competitive behavior as a result of the tight market and limited demand. This applies to all areas of the market within the production chain, even at a local level we see few differences. As far as the price of oil is concerned, we are planning for a continuing low level in the coming year, whereby we expect a slight improvement to approximately USD40 per barrel in the second half of the year.

Industrial

Measured in terms of the overall assessments of the economic situation, we are more reserved about the perspectives for our key industries in the Industrial business segment.

The investment dynamic in chemicals and pharmaceuticals will continue to be held back by unfavorable growth forecasts for a number of emerging markets. Growth impetus for these industries is most likely to come from the US business, particularly since stronger growth in the US market has led to it becoming the most important export market for the German chemicals industry.

A sweeping and rapid recovery in the price of oil and gas is not expected in light of excess supply throughout the world and the continued weak economy in emerging countries. The oil and gas industry, in the USA in particular, will, from today's perspective, further reduce its investment and maintenance budgets in 2016.

The energy sector's willingness to invest remains limited in light of policy-related uncertainties surrounding the energy transformation. The lack of a prospect of profitability even for modern conventional power plants has crippled the willingness to invest in modernization or replacement in this area.

In the Industrial business segment, due to the weakness in demand and expiring projects, Bilfinger currently expects a significant decrease in output volume in 2016 as compared to 2015 (€3,650 million). The maintenance business for process industry plants, on the other hand, continues to see stable development. With regard to adjusted EBITA, despite the significantly lower output volume, we expect a figure at the level of the reporting year (€128 million, or slightly above it) due to positive effects from programs for efficiency enhancement and process optimization. Specific uncertainties surround the oil price level and the consequences for the oil and gas business.

Building and Facility

The environment for the real-estate sector in Germany and Europe will remain favorable in 2016. The European Central Bank has not, up to this point, given any indication that it intends to change its zero interest rate policy. The expectations of all experts are that this will continue to stimulate the willingness to invest in residential and commercial real estate. This benefits transaction volumes in important markets such as Germany or the United Kingdom and will continue to foster demand for premium real-estate services.

Against this backdrop and the ongoing outsourcing trend, the market for facility management will continue to grow moderately. Outside Germany, especially in Central and Eastern Europe, above-average growth potential is expected as a result of the existing backlog in the awarding of facility services. Growth in Germany is boosted in particular by the increased need for bundled services and cross-national manage-

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

	Output volume		EBITA adjusted	
	2015*	expected 2016	2015*	expected 2016
Industrial	3,650	significant decrease	128	at prior-year level or slight increase
Building and Facility*	2,627	slight increase	126	slight increase
Other	-77	–	-90	–
Group*	**6,200**	**significant decrease**	**164**	**slight increase**

* on a comparable basis, i.e. without Water Technologies   Definition for the qualitative comparative forecast: at prior-year level: +/- 0 % slight: 1-5 % significant : > 5 %

ment from a single source, while saturation tendencies are appearing in the market growth for simple infrastructural services.

For residential construction in Germany, the increase in construction permits, which became apparent already in 2015, points to a significant expansion for the coming year. The new federal investment programs established at the beginning of 2015 will be reflected in a rise in construction activity at all levels of government in the coming year, leading to a rise in public-sector construction. From today's perspective, the recovery in commercial construction will be more reserved. Weakness in the industrial economy which manifested itself clearly at the end of 2015 will dampen the willingness to invest in industrial construction. Only when the concerns regarding the status of the global economy fade can significant increases in commercial construction be expected.

Output volume in the Building and Facility business segment, on the basis of good order backlog, will grow slightly in 2016 (comparable basis 2015: €2,627 million). Adjusted EBITA 2016 will also increase slightly (comparable basis 2015: €126 million). In this context, it will be possible to offset margin pressure in an intense competitive environment with growth and efficiency enhancements.

Group

Output volume Output volume for the Group will decrease significantly in 2016 (comparable basis 2015: €6,200 million). At December 31, 2015, order backlog was €4,727 million. We expect that €3,152 million of that total will translate into output volume in 2016.

Adjusted EBITA / adjusted net profit from continuing operations For adjusted EBITA, we expect a slight increase as compared with the reporting year with a higher margin (comparable basis 2015: €164 million). Adjusted net profit will also increase slightly (comparable basis 2015: €93 million).

In 2016 we expect, from today's perspective, the following significant one-time expenses: restructuring expenses in the high double-digit million range, in particular for the program to reduce administrative expenses, including substantial investments in IT systems for the standardization of the system landscape. On top of this, there will be expenses in connection with the further development of our compliance system and the conclusion of older cases in the amount of approximately €50 million. Further, reported net profit will likely be burdened by the non-capitalization of deferred taxes on the negative result of the holding.

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 2016, however, we again expect a return on capital employed for continuing operations slightly below the cost of capital of 9.75 percent. The reason for this is earnings in the Industrial business segment which in 2016 will remain below a sustainable level, whereas the Building and Facility business segment will achieve a return on capital employed that is significantly above its cost of capital.

Dividend policy The Executive Board and the Supervisory Board will propose to the Annual General Meeting to suspend the dividend payment for financial year 2015. The reasons for this step are the unusually high net loss as well as the substantial cash outflows for ongoing and upcoming restructuring measures.

In general, depending on the earnings and liquidity development, our dividend policy calls for a distribution ratio of approximately 50 percent of adjusted net profit.

Free cash flow from operating activities Free cash flow from operating activities in 2016 will be significantly below the reporting year (comparable basis: €216 million). In addition to operational influences, payments for restructuring and compliance measures will also have an impact.

Capital expenditure on property, plant and equipment Due to backlog effects, planned investments in property, plant and equipment for 2016 of nearly 2 percent will be at the upper end of the sustainable level of 1.5 to 2 percent following reduced volumes in the years 2014 and 2015.

Financing structure Cash and cash equivalents amounted to €429 million at the end of 2015. 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 2018.

We expect that the limit defined in the loan agreement for the covenant – dynamic debt-equity ratio = adjusted net debt / adjusted EBITDA – can be maintained.

Discontinued operations: Power

A break in the growing investment backlog in the German power plant market is also not expected for the coming year. The increasingly tense financial situation of the traditional utility companies is also preventing a recovery in investments for modernization as well as maintenance and repair.

The global market for power plant services will continue to be supported by the high investment need in emerging markets. We currently see opportunities in particular in the Middle East and in Turkey. Accelerated growth in the market can only be expected, however, when the economic situation in the emerging markets begins to improve again. For oil-producing countries, a continuation of the very low price of oil would increasingly cast a shadow on the ability to finance ambitious long-term investment projects.

In the Power business segment, Bilfinger again expects a significant decrease in output volume in 2016 as a result of restrained orders received (reporting year: €1,284 million). Adjusted EBITA will improve significantly as a result of effects from capacity adjustments, improved project risk management as well as the elimination of one-time burdens (reporting year: minus €59 million).

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

Following a sometimes difficult financial year in 2015, we are concentrating on an improvement in operating performance and on the implementation of the strategy for focusing our business that was announced in October 2015. On the basis of our strengths as an engineering and services group, we intend in the medium term create a foundation for organic and external growth again.

Effects from our efficiency enhancement programs and from capacity adjustment measures will also contribute to improved margins despite the fact that markets will remain challenging. Concentration on our core business will, in the medium term, lead to leaner processes and thus to a higher degree of efficiency and greater visibility.

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, Camana Bay, Cayman Islands, Cevian Capital Partners Limited, Floriana, Malta, and Cevian Capital II Co-Investment Fund LP, Camana Bay, Cayman Islands.

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 90,988 voting rights had been transferred to the association.

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

The appointment and dismissal of members of the Executive Board are subject to the statutory provisions of Section 39 of the SE Regulation, Section 16 of the SE Implementation Act and Sections 84 and 85 of the German Stock Corporation Act (AktG), as well as the provisions of Article 8 of the Bilfinger SE Articles of Incorporation. Accordingly, members of the Executive Board are appointed by the Supervisory Board for a maximum period of five years. Re-appointments are permitted. The Supervisory Board can dismiss a member of the Executive Board when there is good cause for the dismissal. The Supervisory Board decides on the appointment or dismissal of a member of the Executive Board by simple majority. In the event of a tied vote, 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 Regulation 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 the SE Regulation is required as well as for cases in which a greater voting or capital majority is stipulated by law. Pursuant to Article 25 of the Articles of Incorporation, the Supervisory Board is authorized to make resolutions concerning amendments and supplements that affect only the wording of the Articles of Incorporation.

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

In February 2008, the Executive Board, with the consent of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share. Of this amount, a total of 48,682 shares were issued in financial years 2013 and 2014 and a further 10,935 in the reporting year as part of employee share programs. Afterwards, the company holds 1,824,383 treasury shares; this corresponds to 3.96 percent of the current voting rights.

The company has no rights from these treasury 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 fulfillment 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 of May 7, 2015 also authorized the Supervisory Board to use the shares to meet the rights of members of the Executive Board to the granting of shares of Bilfinger SE which the Supervisory Board had granted as part of Executive Board remuneration.

The Annual General Meeting of May 7, 2015 canceled the authorization from the Annual General Meeting of April 18, 2013 to acquire the company's own shares; the authorizations in the resolution of the Annual General Meeting of April 18, 2013 on the use of the company's own shares are not affected. It authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until May 6, 2020 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 of the 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 the company's 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 May 7, 2015 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 in connection with bonds relate which were issued or sold, subject to an exclusion of subscription rights, on or after May 7, 2015 pursuant to Section 186 Subsection 3 Sentence 4 AktG either directly, analogously or mutatis mutandis. The shares may also be used within the scope of corporate mergers or acquisitions or the purchase of assets associated with such mergers or acquisitions, recalled without any further resolution by the Annual General Meeting, or used for the fulfillment of conversion and / or option rights or obligations under bonds. These treasury shares may also be offered 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 of May 7, 2015 also authorized the Supervisory Board to use treasury shares that are acquired as a result of this authorization or which were acquired as a result of a previous authorization to meet the rights of members of the Executive Board to the granting of shares of Bilfinger SE which the Supervisory Board had granted as part of Executive Board remuneration.

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, for the bilateral credit lines of €1,700 million, and for the investors in our corporate bond of €500 million.

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

In the case of a change of control and if certain other conditions are fulfilled, the members of the Executive Board have the right to terminate their contracts of service. This regulation would give the members of the Executive Board the required independence in the case of a takeover bid so that they could direct their actions solely to the benefit of the company and its shareholders. Further details can be found in the remuneration report (see page 105).

Executive Board remuneration

The remuneration of the members of the Executive Board is generally comprised of a fixed annual salary, variable remuneration as well as fringe benefits and retirement benefits. A new remuneration system was introduced from financial year 2015 for new and re-appointed members of the Executive Board. Further information including individualized details of payments can be found in the remuneration report (see pages 101 ff.). The remuneration report is part of the combined management report.

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' is generally understood to refer 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 four members (see page 181). 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 and business of Bilfinger SE and the Group as well as implementing and monitoring an efficient risk management system. It represents the company to third parties. Its actions are guided by the interests of the company, i.e. the interests of employees, shareholders and the public, with the aim of a sustainable increase of enterprise value. The members of the Executive Board base their actions on the legal requirements, the Articles of Incorporation, the Rules of Procedure and the Schedule of Responsibilities as well as on the other relevant regulations. In accordance with the Schedule of Responsibilities approved by the Supervisory Board, the Executive Board members are each allocated responsibility for the management of certain areas. They take joint responsibility for corporate governance, however. In addition, the Chairman of the Executive Board coordinates the work of Executive Board members. The resolutions of the Executive Board are made primarily in the regular Executive Board meetings, but may also be made in written procedures or through other methods of communication. The Rules of Procedure require a resolution by the entire Executive Board for certain transactions and actions; approval from the Supervisory Board is required for particularly significant actions and transactions in accordance with the Articles of Incorporation and Rules of Procedure. This includes, among other things, the addition of new business segments or the discontinuation of existing business segments, the purchase and sale of investments above a certain volume as well as entering into long-term financial commitments.

Details of the remuneration of the Executive Board members can be found in the remuneration report, which is included as a section of the Group management report (see page 101 ff.).

Supervisory Board In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of 12 members, six of whom are representatives of the shareholders and six of whom are employee representatives. The shareholder representatives are elected by the Annual General Meeting, and 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 page 10 f.).

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 page 182 f.). 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 pages 101 ff.).

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 members of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders, and the external auditors. In addition, 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 entitles its holder to one vote at 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 on 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 as well as the public and other stakeholders in the management and supervision of German listed and capital market oriented 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 a standard time limit for membership on the Supervisory Board as well as diversity. 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:

- At least two members should, as a result of their international experience, embody to a significant extent the criteria 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 Subsection 5 AktG (so-called 'financial expert').
- As a rule, no member should be over 70 years of age at the time of the Annual General Meeting which is to decide on his or her appointment as member of the Supervisory Board; exceptions are to be justified.
- As a rule, no member of the Supervisory Board should remain a member for longer than three standard terms, as per the term of office specified in the Articles of Incorporation; exceptions are to be justified.
- In accordance with the law on the equal participation of men and women in management positions in the private sector and in the civil service, a fixed gender quota of 30 percent is to be observed with the reappointment of the Supervisory Board from January 1, 2016. This means that in future at least four women must be members of the Supervisory Board. The Supervisory Board aims to fulfill the quota with equal representation.

The composition of the current Supervisory Board complies with the objectives stated above with the following exceptions: There is currently only one woman on the Supervisory Board and Mr. Rainer Knerler has been a member of the Supervisory Board since 1996. As a result of his long-standing experience, Mr. Knerler was once more appointed to the Supervisory Board as an employee representative by the SE Works Council on February 10, 2016.

The Supervisory Board intends to consider the above objectives in 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. The implementation of the legally prescribed gender quota for the Supervisory Board remains unaffected.

Declaration of compliance On December 16, 2015, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following annual Declaration of Compliance:

"Bilfinger SE complies with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 with the following exception:

- The recommendation in Section 4.2.3 Section 2 Subsection 5 (limitations on the maximum amount of Executive Board remuneration in general and the variable components of that remuneration) is not followed. As part of the long-term incentive (LTI), the variable remuneration component for members of the Executive Board of the company which is valid from this year, virtual shares in the company, so-called performance share units (PSU), are allocated each year, the number of which is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as determined by the Supervisory Board as well as the development of the total shareholder return value (TSR value) of the company's share in relation to the TSR value of the shares of the remaining MDAX listed companies. The final number of units is subject to a cap which limits the final number to 150% of the original number of units. The share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of a share-based remuneration. The Supervisory Board is authorized, however, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs.

Since issuing the declaration of compliance of February 11, 2015, the Company has complied with all recommendations of the GCGC as amended on June 24, 2014 until the current date, with the exception of the recommendations in Sections 5.1.2 Subsection 1 Sentence 2 Clause 2, 4.2.3 Subsection 2 Sentences 2, 4, 7 and 8 and 4.2.3 Subsection 2 Sentence 6."

The declaration of compliance is published on the company's website and is updated when changes occur. This and previous versions are available for at least five years in accordance with Section 3.10 of the German Corporate Governance Code.

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 of the German Corporate Governance Code). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology such as the Internet (Section 2.3.4 of the German Corporate Governance Code) is followed insofar as the speech of the Chairman of the Executive Board is broadcast on the Internet. An exception was made in the reporting year as a result of the unusual situation of the company in the suggestion that the maximum possible appointment period of five years for the first-time appointment of members of the Executive Board should not be the rule (Section 5.1.2 Subsection 2 Sentence 1 of the German Corporate Governance Code).

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

Compliance with legal and internal regulations is the basis of successful business activity and part of good corporate governance. The company has undertaken substantial efforts to ensure compliance with laws and internal regulations and will continue to do so. Our prevention-oriented compliance system is based on a Code of Conduct which outlines the topic-based general principles of our actions. The individual subject areas are formulated in specific terms with related guidelines and instructions and provide the basis for ethical business conduct within our activities. These subjects are regularly taught worldwide through on-site training, e-learning and webinars; the rules and regulations are available to our employees in over 20 languages. The compliance system will be reviewed and improved on an ongoing basis.

From third parties with whom we cooperate within the scope of our business activities, we expect the same attitude toward integrity as we do from our employees. To minimize risks, third parties are subjected to an integrity audit prior to the signing of a contract. This integrity audit is a key element of our compliance system; the standards and methods that serve as its basis are developed on an ongoing basis.

The Group's Chief Compliance Officer reports directly to the Chairman of the Executive Board and regularly informs the Chairman of the Audit Committee of the Supervisory Board. A Compliance Officer assigned to each division reports directly to the Chief Compliance Officer and supports the business units in all compliance-related queries with their directly subordinate compliance managers.

Close cooperation with the Executive Board, divisional management and other managers and close consultation with the departments Corporate Legal and Insurance and Corporate Internal Auditing form the basis for the effective implementation of compliance regulations.

In order to identify possible misconduct at an early stage and to allow our employees to report violations of the rules, we operate a whistleblower system. Whistleblowers – who may be anonymous – can report misconduct by telephone, Internet or e-mail if they would prefer not to use the normal reporting line to their supervisor or other representative. Such information is investigated by an independent authority in order to punish possible misconduct and continually improve the compliance program or the effectiveness of controls. Whistleblowers are protected against any reprisal; the whistleblower system can also be used by third parties (suppliers, subcontractors, business partners or other service providers) via our homepage. Confirmed misconduct leads to consequences for those involved up to termination or criminal complaints with authorities.

Our Corporate Department Internal Audit performs risk-based checks of adherence to compliance regulations, controls and guidelines as part of the regular audits of the business units. Suspicious cases or special business transactions are reviewed for compliance with special audits by Corporate Internal Audit. In this context, too, we are working on an ongoing improvement in the compliance system.

The Supervisory Board, Audit Committee and Executive Board are regularly informed about important developments within compliance. In addition, a Compliance Committee made up of the members of the Executive Board, the Chief Compliance Officer, the Head of Corporate Legal and the Head of Corporate Internal Audit, deals with all relevant issues on a monthly basis.

The entire Bilfinger Compliance System is continually reviewed and developed by us so that regulatory requirements, market changes and the requirements of our customers are taken into consideration. In particular, the recommendations of the independent Compliance Monitor, Dr. Mark Livschitz, are included. The Monitor regularly reviews our compliance system in accordance with a 2013 agreement with the U.S. Department of Justice. In addition, we take into consideration the comments of the internationally renowned expert Louis Freeh, who advises the Supervisory Board on the topic of compliance.

Financial loss liability insurance

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

Declaration of corporate governance

The Executive Board issued a declaration of corporate governance pursuant to Section 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 10, 2016

Bilfinger SE
The Executive Board The Supervisory Board

Remuneration report

This remuneration report describes the current remuneration system for the Executive Board which is valid for new and re-appointed members of the Executive Board from financial year 2015 and was approved by the Annual General Meeting on May 7, 2015. The previous remuneration system, which remains applicable for three members of the Executive Board who left the company in financial year 2015 is presented. The report also presents actual remuneration granted and paid to individual members of the Executive Board for financial year 2015. The remuneration report also provides details of the remuneration of the Supervisory Board in 2015. The remuneration report is part of the Group management report.

Executive Board remuneration

Remuneration system valid from financial year 2015

From financial year 2015, a new remuneration system shall apply for new and re-appointed members of the Executive Board and, with regard to Dr. Keysberg, shall take effect from January 1, 2015 and, with regard to Mr. Utnegaard, Mr. Salzmann and Mr. Bernhardt, took effect from the time of their appointment to the Executive Board.

In accordance with the new remuneration system, Executive Board remuneration consists of an annual fixed salary and a variable remuneration with two components. Further components of the remuneration system, described below in two separate sections, include non-cash benefits and retirement benefits.

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

Variable remuneration The variable remuneration shall consist of two components, a variable remuneration with a one-year assessment basis, the short-term incentive (STI), and a variable remuneration with a multi-year assessment basis, the long-term incentive (LTI).

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. Below the minimal value, the degree of target achievement is zero. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to a maximum target value of 135 percent to a maximum value of 200 percent of the STI value ('cap').

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 each member of the Executive Board under consideration of his individual performance in the financial year (factor 0.8 to 1.2).

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. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to a maximum target value of 135 percent to a maximum value of 150 percent of the ROCE target ('cap'). 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. For the TSR value as well, a target achievement below the minimum value is zero and above the maximum value is 150 percent ('cap').

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 maximum 150 percent of the initial number of PSUs ('cap'). In addition, the Supervisory Board is authorized, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs. At the end of the performance period, members of the Executive Board receive a number of real Bilfinger shares corresponding to the final number of PSUs. The company is authorized, however, to make a full or partial cash 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.

Previous remuneration system for members of the Executive Board

The previously valid remuneration system for members of the Executive Board was applicable in financial year 2015 to the remuneration of Messrs. Enenkel, Koolen and Müller until their departures. A special regulation applied for Mr. Bodner, who was appointed as Chairman of the Executive Board on an interim basis from August 9, 2014 to May 31, 2015 (see page 104). The previous remuneration system included 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, as well as an additional variable component in the form of a special incentive. Non-cash benefits and retirement benefits were provided and are presented separately.

Annual fixed salary The annual fixed salary amounted to €499 thousand for full members of the Executive Board in accordance with the previous remuneration system. As a newly appointed member of the Executive Board in 2013, the remuneration received by Mr. Koolen was reduced by 20 percent until March 18, 2015.

Variable remuneration In the previous remuneration system, members of the Executive Board received variable remuneration according to a profit-sharing model related to the average of earnings before taxes (EBT) achieved in the past three financial years. Of the amount of variable remuneration calculated in this way, only 65 percent was 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 were as follows: as the starting amount of variable remuneration, each full member of the Executive Board received €3,800 (€3,040 for as long as the annual fixed salary was reduced by 20 percent) per €1 million of the average EBT achieved by the Group in the past three years. This starting amount was limited by a cap of €1,300 thousand (€1,040 thousand for as long as the annual fixed salary was reduced by 20 percent). Only 65 percent of the starting amount was paid out immediately. The remaining 35 percent (deferral) was or will be 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 share underperforms the MDAX by more than 60 percent, 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 or could 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 or could 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 was introduced as a supplement to the existing variable remuneration for members of the Executive Board from January 1, 2013. This supplement had a term of four years and was 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 could receive a bonus which for 100 percent target achievement amounted 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 was achieved, full members of the Executive Board could receive €50 thousand and the Chairman of the Executive Board received €75 thousand.

The annual EBT target values were based on strategic planning as approved by the Executive Board and the Supervisory Board in October 2011. If the actual figures were more than 5 percent below target, this portion of the special incentives was not granted for the relevant financial year; if the figures exceeded 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 was applied. Within this span, a linear interpolation was used to determine the amount of the bonus.

The liquidity targets were 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 was missed by more than 15 percent, that portion of the bonus was not granted; if the target was exceeded by more than 30 percent, a cap was applied. This cap was set at €100 thousand for full members of the Executive Board and €150 thousand for the Chairman of the Executive Board. A linear interpolation was also used here to determine the bonus within the span as described. Because the fixed threshold values for the earnings and liquidity targets were not met, a special incentive did not apply in financial years 2013-2015; additional regulations for such a payment were also not applicable.

Non-cash benefits Both the remuneration system valid from financial year 2015 and the previous system of Executive Board remuneration call for fringe benefits primarily in the form of insurance cover and the use of company cars including driver, the value of which is accounted for in accordance with applicable tax law.

Retirement benefits 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, dependants 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 Mr. Utnegaard, in addition to the annual contributions to the relief fund in the amount of 45 percent of the fixed salary, pension capital of €1,800 thousand in the form of a re-insured direct commitment was also granted in financial year 2015 in order to offset financial disadvantages arising as a result of his move to Bilfinger. Payment of the pension capital will be made in financial year 2016.

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 received the funds intended for his pension plan including the provisions for the risk of occupational disability in the gross amount of €225 thousand p.a. (previous year: €180 thousand) under consideration of tax regulations as a payment which he can apply to his own pension plan.

For Mr. Enenkel and Dr. Keysberg, additional retirement pension commitments exist that were granted before they were appointed to the Executive Board. The relevant values amount to €190 thousand for Mr. Enenkel (previous year: €185 thousand) and €209 thousand for Dr. Keysberg (previous year: €205 thousand).

The following table shows the company's contributions to the relief fund for the year 2015 and the annual pension entitlements already achieved by members of the Executive Board.

RETIREMENT BENEFITS € thousand	Probable annual pension entitlement upon retirement	Payments to relief fund	
		2015	2014
Per H. Utnegaard (from June 1, 2015, Chairman)	117	315	–
Michael Bernhardt (from November 1, 2015)	112	45	–
Joachim Enenkel (until October 2, 2015)	43	–	225
Dr. Jochen Keysberg	149	270	225
Joachim Müller (until March 31, 2015)	72	–	225
Axel Salzmann (from April 1, 2015)	48	203	–
	541	833	675

Remuneration arrangement for Mr. Bodner The interim appointment of Herbert Bodner as Chairman of the Executive Board until May 31, 2015 made a remuneration arrangement that is geared toward long-term business success appear inexpedient. Mr. Bodner instead received a fixed monthly payment of €225 thousand which was oriented toward the remuneration for the Chairman of the Executive Board for the year 2013. There was no variable remuneration. The Supervisory Board did not make use of its discretionary power to grant Mr. Bodner at the end of his Executive Board mandate a recognition bonus oriented toward the success of his work, which was not to exceed 20 percent of the fixed remuneration paid. Mr. Bodner received the benefits mentioned above; payments for pension plans were not made.

Total remuneration granted for the financial year Total remuneration granted for 2015, 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 charts on page 106 f.

Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code recommends that the maximum amount of Executive Board remuneration and the variable components of that remuneration be defined. The company deviates from this recommendation as relates to the remuneration system that is valid from financial year 2015; this was disclosed most recently in its declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) dated December 16, 2015. As already described, in accordance with the remuneration system in place from financial year 2015, members of the Executive Board receive a certain number of PSUs as part of the LTI. While the final number of PSUs is limited, the share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of share-based remuneration. The table thus contains no maximum amounts. With regard to the remuneration system that was previously valid, 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 given, although in a realistic assessment it would not actually be achieved. No payment was made in accordance with the special incentive since the thresholds were not reached.

The members of the Executive Board who joined the company in 2015 as externals have assumed great responsibility for Bilfinger. As a result of this special situation, the Supervisory Board has reached supplementary agreements with them:

For 2015, Mr. Utnegaard will receive a fixed amount from the STI of about €1,167 thousand; this corresponds to – on a pro rata temporis basis – the amount that would result from maximum target achievement. For 2016, he will receive from the STI at least the amount that would have resulted from a 100 percent target achievement. This arrangement takes into consideration that Mr. Utnegaard was not involved in the determination of corporate planning which is the basis of the target values for the short-term success. In addition, this also offsets financial disadvantages which he had as a result of his move to Bilfinger.

Because Mr. Salzmann was also not involved in the corporate planning for 2015 he will receive an amount from the STI equal to at least – pro rata temporis – a 100 percent goal achievement; this payment amounts to €375 thousand, allowing for an IPF of 1.0.

The financial disadvantages that arose for Mr. Bernhardt as a result of his move to Bilfinger earlier than his original appointment were compensated for with a one-time payment of €200 thousand. For 2016, he will receive from the STI at least the amount that would have resulted from a 100 percent target achievement because he was not involved in the corporate planning for this financial year.

Mr. Müller stepped down from the Executive Board prematurely on March 31, 2015. Within the scope of the termination of his contract, he received 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 thousand. Further, contributions to retirement benefits in the amount of €225 thousand were 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 was not 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. An amount of €376 thousand applies to the reporting year.

Mr. Koolen stepped down from the Executive Board prematurely on August 24, 2015. Within the scope of the termination of his contract, he received as severance compensation his basic salary and fringe benefits until the end of his contract on September 18, 2016 to which he is entitled in the amount of €551 thousand. In addition, for the period from his departure until the regular end of his contract, he receives variable remuneration (not including special incentive) for each of the financial years 2015 and 2016 insofar as the conditions have been met. There was no variable remuneration for financial year 2016. He also received a final payment for retirement benefits for the period from September 2015 to September 2016 in the amount of €225 thousand. The severance cap as defined in the German Corporate Governance Code is also not exceeded in this case. Mr. Koolen did not receive payment for non-competition.

Mr. Enenkel stepped down from the Executive Board prematurely on October 2, 2015. No agreement could be reached in the reporting year as regards possible claims to remuneration settlement. A severance payment was therefore not awarded in the reporting year.

No loans or advances were made to the members of the Executive Board in 2015. No remuneration was paid for positions held on supervisory boards or comparable boards of companies of the Group in 2015.

Additional disclosures

Other arrangements for the members of the Executive Board In the case of a change of control, i.e., if a shareholder in the company reaches or exceeds a shareholding of 30 percent of the company's voting rights and in addition, due to an allocation of responsibilities decided upon by the Supervisory Board, a significant change occurs in the Executive Board members' responsibilities, or if the company enters into a control agreement as the controlled company, the members of the Executive Board have a special right of termination for their contracts of service. In the case of termination of a contract of service due to a change of control, the members of the Executive Board receive severance compensation for the remaining periods of their contracts of service subject to a maximum of three years. Severance compensation comprises the annual fixed salary as well as the variable remuneration, i.e. STI and LTI. The amount accounted for by STI is calculated based on the average variable remuneration from the last five full financial years, the amount accounted for by the LTI on the annual allotment value of the PSU. In accordance with the recommendation in Section 4.2.3 Subsection 5 of the German Corporate Governance Code, severance compensation in the case of a change of control is limited to 150 percent of the general severance cap of two years' remuneration in accordance with Section 4.2.3 Subsection 4 of the German Corporate Governance Code.

In the case of the termination of the executive board employment contract (with the exception of termination in the case of a change of control), the member of the Executive Board is subject to a 24-month – under pain of a contractual penalty – post-contractual prohibition of competition for which the company shall pay compensation for each month of the prohibition in the amount of one-twelfth of 50 percent of the annual remuneration of the member of the Executive Board (annual fixed salary and variable remuneration). Other remuneration or a pension of the member of the Executive Board during this period is charged at 50 percent against the respective monthly compensation. The company can waive the post-contractual prohibition of competition at any time with a 6-month period of notice for the continued payment of the compensation (except in the case of a valid extraordinary termination by the company).

Pensions of former members of the Executive Board The pension payments to former members of the Executive Board who left the company prior to the reporting year or their surviving dependants totaled €2,239 thousand (previous year: €2,225 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €28,137 thousand (previous year: €31,470 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 2015 amounted to €1,300 thousand (previous year: €1,301 thousand). In financial year 2015, members of the Supervisory Board were also compensated for expenses in the total amount of €92 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

	2015	2014
Dr. Eckhard Cordes (from November 5, 2014; Chairman from November 11, 2014, Chairman of the Presiding Committee)	182	27
Dr. h. c. Bernhard Walter (Chairman until November 4, 2014, Chairman of the Presiding Committee)	–	153
Stephan Brückner (Deputy Chairman, member of the Presiding Committee)	147	147
Herbert Bodner (until August 8, 2014, member of the Audit Committee; August 9, 2014 to November 13, 2014 inactive mandate)	–	67
Volker Böhme (until December 31, 2014, member of the Audit Committee)	–	112
Wolfgang Bunge (from January 1, 2015, from January 26, 2015 member of the Audit Committee)	111	–
Wolfgang Faden (from November 14, 2015 until May 7, 2015)	26	10
Dr. John Feldmann (member of the Presiding Committee, member of the Audit Committee)	115	112
Lone Fønss Schrøder	73	74
Thomas Kern (member of the Audit Committee)	113	112
Ingo Klötzer (from May 8, 2014)	75	50
Rainer Knerler (member of the Presiding Committee)	112	112
Hans Peter Ring (from May 7, 2015, from October 1, 2015 Chairman of the Audit Committee)	66	–
Udo Stark (until September 30, 2015 Chairman of the Audit Committee)	130	146
Holger Timmer (until May 8, 2014)	–	27
Jens Tischendorf	75	76
Marek Wróbel	75	76
	1,300	**1,301**

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Per H. Utnegaard[1] (from June 1, 2015, Chairman)				Axel Salzmann[1] (from April 1, 2015, Chief Financial Officer)				Michael Bernhardt[1] (from November 1, 2015, Member of the Executive Board)			
	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max
Fixed remuneration	–	700	700	700	–	450	450	450	–	100	100	100
Fringe benefits	–	6	6	6	–	18	18	18	–	5	5	5
One-time payment	–	–	–	–	–	–	–	–	–	200	200	200
Total	**–**	**706**	**706**	**706**	**–**	**468**	**468**	**468**	**–**	**305**	**305**	**305**
One-year variable remuneration[2]		1,167	1,167	1,167	–	375	375	750	–	83	0	166
Multi-year variable remuneration												
LTI (share-based)	–	339[3]	0	n/a[7]	–	426[3]	0	n/a[7]	–	44[3]	0	n/a[7]
Variable remuneration immediate payment	–	–	–	–	–	–	–	–	–	–	–	–
Variable remuneration deferral (2014-2016) (share-based)[3]	–	–	–	–	–	–	–	–	–	–	–	–
Variable remuneration deferral (2015-2017) (share-based)[3]	–	–	–	–	–	–	–	–	–	–	–	–
Special incentive deferral (2013-2016)	–	–	–	–	–	–	–	–	–	–	–	–
Total	**–**	**2,212**	**1,873**	**n/a[7]**	**–**	**1,269**	**843**	**n/a[7]**	**–**	**432**	**305**	**n/a[7]**
Benefit expense	–	2,115	2,115	2,115	–	203	203	203	–	45	45	45
Total remuneration	**–**	**4,327**	**3,988**	**n/a[7]**	**–**	**1,472**	**1,046**	**n/a[7]**	**–**	**477**	**350**	**n/a[7]**

ALLOCATION FOR THE REPORTING YEAR

€ thousand

	Per H. Utnegaard[1] (from June 1, 2015, Chairman)		Axel Salzmann[1] (from April 1, 2015, Chief Financial Officer)		Michael Bernhardt[1] (from November 1, 2015, Member of the Executive Board)	
	2014	2015	2014	2015	2014	2015
Fixed remuneration	–	700	–	450	–	100
Fringe benefits	–	6	–	18	–	5
One-time payment	–	–	–	–	–	200
Total	**–**	**706**	**–**	**468**	**–**	**305**
One-year variable remuneration[2]	–	1,167	–	375	–	36
Multi-year variable remuneration	–		–		–	
LTI (share-based)	–	–	–	–	–	–
Variable remuneration immediate payment	–	–	–	–	–	–
Variable remuneration deferral (2012-2014) (share-based)[8]	–	–	–	–	–	–
Variable remuneration deferral (2013-2015) (share-based)[9]	–	–	–	–	–	–
Special incentive deferral (2013-2016)	–	–	–	–	–	–
LTI 2010-2014[10]	–	–	–	–	–	–
Total	**–**	**1,873**	**–**	**843**	**–**	**341**
Benefit expense	–	2,115	–	203	–	45
Total remuneration	**–**	**3,988**	**–**	**1,046**	**–**	**386**

1 Taking into account the proportionate mandate
2 According to the previous remuneration system: special incentive immediate payment; according to the current remuneration system: STI
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 Taking into account possibilities for increase due to personal performance
7 Not applicable since the LTI is not limited due to the payment in real shares
8 Time of the allocation pursuant to German tax law: after the Annual General Meeting 2015
9 Time of the allocation pursuant to German tax law: after the Annual General Meeting 2016
10 Components of the remuneration system valid until the end of 2010

	Dr. Jochen Keysberg[4] (Member of the Executive Board)				Herbert Bodner[1] (Aug. 9, 2015 to May 31, 2015, interim Chairman)				Joachim Müller[1] (until March 31, 2015, Chief Financial Officer)				Joachim Enenkel[1] (until October 2, 2015, Member of the Executive Board)				Pieter Koolen[1,5] (until August 24, 2015, Member of the Executive Board)			
	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max	2014	2015	2015 min	2015 max
	466	600	600	600	1,125	1,125	1,125	1,125	499	125	125	125	499	375	375	375	400	268	268	268
	88	94	94	94	46	46	46	46	45	12	12	12	52	30	30	30	50	30	30	30
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	554	**694**	**694**	**694**	**1,171**	**1,171**	**1,711**	**1,171**	**544**	**137**	**137**	**137**	**551**	**405**	**405**	**405**	**450**	**298**	**298**	**298**
	122	500	0	1,000	–	–	–	–	–	–	–	–	130	98	0	196	104	–	–	–
	–	480[3]	0	n/a[7]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	771	–	–	–	–	–	–	–	825	–	–	–	825	261	0	287[6]	660	209	0	230[6]
	413	–	–	–	–	–	–	–	442	–	–	–	442	–	–	–	354	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–	140	0	154[6]	–	113	0	124[6]
	65	–	–	–	–	–	–	–	–	–	–	–	70	53	0	105	56	–	–	–
	1,925	**1,674**	**694**	**n/a[7]**	**1,171**	**1,171**	**1,171**	**1,171**	**1,811**	**137**	**137**	**137**	**2,018**	**957**	**405**	**1,147**	**1,624**	**620**	**298**	**652**
	225	270	270	270	–	–	–	–	225	–	–	–	225	–	–	–	180	225	225	225
	2,150	**1,944**	**964**	**n/a[7]**	**1,171**	**1,171**	**1,171**	**1,171**	**2,036**	**137**	**137**	**137**	**2,243**	**957**	**405**	**1,147**	**1,804**	**845**	**523**	**877**

	Dr. Jochen Keysberg[4] (Member of the Executive Board)		Herbert Bodner[1] (Aug. 9, 2015 to May 31, 2015, interim Chairman)		Joachim Müller[1] (until March 31, 2015, Chief Financial Officer)		Joachim Enenkel[1] (until October 2, 2015, Member of the Executive Board)		Pieter Koolen[1,5] (until August 24, 2015, Member of the Executive Board)	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
	466	600	1,125	1,125	499	125	499	375	400	268
	88	94	46	46	45	12	52	30	50	30
	–	–	–	–	–	–	–	–	–	–
	554	**694**	**1,171**	**1,171**	**544**	**137**	**551**	**405**	**450**	**298**
	0	219	–	–	–	–	0	0	0	–
	–	–	–	–	–	–	–	–	–	–
	455	–	–	–	438	–	438	0	350	0
	33	–	–	–	251	–	237	–	–	–
	–	195	–	–	–	244	–	–	–	56
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	368	–	65	–	–	–
	1,042	**1,108**	**1,171**	**1,171**	**1,601**	**381**	**1,291**	**405**	**800**	**354**
	225	270	–	–	225	–	225	–	180	225
	1,267	**1,378**	**1,171**	**1,171**	**1,826**	**381**	**1,516**	**405**	**980**	**579**