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Combined management report

Overview of financial year 2013 and outlook 2014

Operating profit increased in a challenging year

Dividend of €3.00 per share proposed

Positive outlook for 2014

Results of operations

- ___ Output volume of €8,509 million at level of the prior year
- ___ Figures for orders received of €8,296 million and order backlog of €7,411 million also reached the levels of the prior year
- ___ Adjusted EBIT increased by 6 percent to €409 million
- ___ Adjusted EBITA margin rose to 4.8 percent
- ___ Adjusted net profit from continuing operations climbed to €249 million
- ___ Dividend of €3.00 per share proposed

Financial position and net assets

- ___ Cash flow from operating activities of €162 million influenced by lower cash earnings as well as structural changes in working capital
- ___ Investments in financial assets of €251 million primarily for corporate acquisitions
- ___ Investments in property, plant and equipment of €170 million
- ___ Free cash flow decreased to €217 million
- ___ Cash and cash equivalents of €669 million at end of the year
- ___ Financial liabilities decreased to €545 million
- ___ Sound capital structure continues to offer considerable investment scope for the Group's ongoing strategic development

Outlook 2014

- ___ Positive development in all business segments expected in 2014
- ___ Output volume for the Group will increase to at least €9 billion. With the exception of Construction, organic growth is expected in all business segments with the acquisitions already made also contributing to the increase
- ___ Adjusted EBITA and adjusted net profit will increase considerably. The basis for this development is the planned increase in output volume and, primarily, ongoing cost reduction measures

The Bilfinger Group

Legal form and organization

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

The Executive Board manages the company in its own responsibility. The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the company. These bodies work in close cooperation for the benefit of

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

Organization

The Bilfinger Group is organized decentrally. Bilfinger SE is a holding without its own business activities. The operating activities are carried out through subsidiaries which act on the market as independent profit centers. Since January 1, 2014, they have been allocated to divisions within Bilfinger SE which in turn are each part of one of our four business segments.

Until the end of the reporting year, the operating activities were managed by Subgroups. This organization was abandoned within the scope of our program to increase the efficiency of the company (Bilfinger Excellence). From financial year 2014, the Executive Board members responsible for a specific business segment will directly control the

STRUCTURE OF THE BUSINESS SEGMENTS UNTIL DECEMBER 31, 2013

Industrial	Power	Building and Facility	Construction
Bilfinger Industrial Services	Bilfinger Power Systems	Bilfinger Facility Services	Bilfinger Construction
Bilfinger Industrial Technologies		Bilfinger Hochbau	Bilfinger Infrastructure
		Bilfinger Government Services	

STRUCTURE OF THE BUSINESS SEGMENTS FROM JANUARY 1, 2014

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

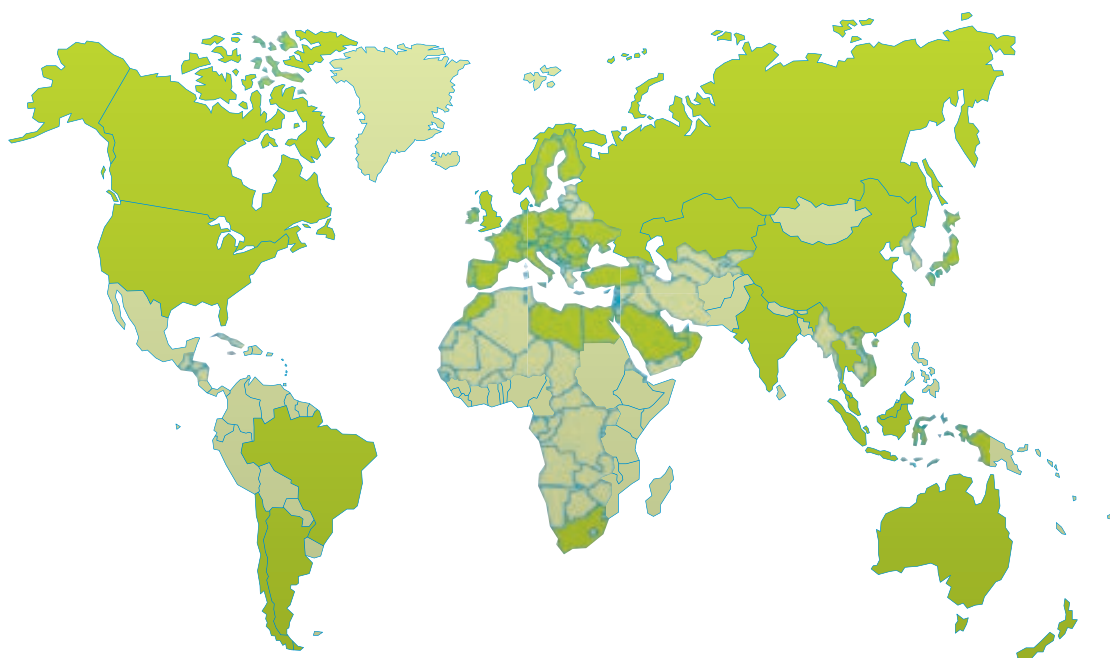
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REGIONS



operating activities of the individual subsidiaries via the 14 divisions. Despite changes to the management organization, the structure within our four business segments remained mostly unchanged.

Concessions, our former fifth business segment, has ceased to exist due to the company's disposal of these activities. The corresponding key figures are disclosed in the reporting year under 'discontinued operations.'

Business model

As an engineering and services group, Bilfinger develops, builds, maintains and operates plants and buildings for infrastructure, real estate, industry and the energy sector. The Group operates internationally with a broad range of subsidiaries. With our expertise, the outstanding performance of our more than 70,000 employees and a comprehensive range of services, we enable our customers to concentrate on the core of their entrepreneurial activities. They can entrust us with the development, construction and operation of the facilities and buildings they require.

Objectives and strategy

Following the successful transformation to an engineering and services group, Bilfinger is using its financial strength and operating potential for the next phase in its development. Supported by the strategic programs BEST (Bilfinger Escalates Strength) and Bilfinger Excellence, output volume will grow to €11-12 billion by 2016 and net profit will increase to about €400 million.

Bilfinger has decided to focus on optimization in five key areas:

Operational Excellence We want to provide our clients with the highest level of quality.

Organic and acquisitional growth in high-margin areas Each business segment has concrete objectives for organic and acquisitional growth.

Networking within the Group for increased cross-selling and new service packages Through increased internal cooperation we want to increasingly offer our clients comprehensive service packages.

Internationalization We are optimizing our international organization in order to better coordinate our activities abroad.

Effective risk management We consistently develop our risk management system and the ability to realistically evaluate risks.

Implementation of key modules

The implementation of the BEST strategic program was vigorously pushed forward in 2013. We created the required structures for intensified cooperation between all parts of the Group, based upon which we will systematically offer our clients a comprehensive range of services:

- ___ The uniform brand architecture makes the variety of services we offer transparent, both internally and externally.
- ___ An optimized international organization coordinates the work on our brand in major regions.
- ___ All operating units have access to a complete set of rules, on the basis of which joint projects are tackled and implemented.

Bilfinger Excellence

In addition to BEST, we have initiated a program to enhance our efficiency and competitiveness: with Bilfinger Excellence we want to sustainably improve our competitiveness through

- ___ a focus on organic growth with a lean and efficient corporate structure, an intensified cooperation among all Group units and concentration on daily business activities,
- ___ acceleration of decisions and avoiding redundant efforts in the Group by reducing decision-making levels,
- ___ an increase in the profitability of Bilfinger through a reduction of general administrative expenses.

To facilitate achievement of these objectives, we are optimizing structures and processes in the company and repositioning ourselves: from 2014, the former Subgroup structure will be abandoned and replaced by 14 customer-group oriented divisions within Bilfinger SE which will assume responsibility for the operational units. Administrative functions currently located at Group headquarters and in the Subgroups will be streamlined and merged. This also includes the establishment of shared service centers. By taking these measures, we will avoid duplicate work and harmonize the heterogeneous structures which had arisen in recent years in connection with our extensive acquisitional activities. Bilfinger will thus become leaner and more efficient. The structural improvements and the reduction of 1,250 administrative positions worldwide

in the coming two years will, following complete implementation of the measures, lead to annual savings in personnel costs of €80 million to €90 million as well as in non-personnel costs in the low to middle double-digit million range.

Financial management system

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

Output volume In addition to the Group's revenue, the figure for output volume also includes our proportion of the goods and services supplied by joint ventures and consortiums. Orders received and order backlog constitute a key basis for the planning of output volume. Profitable growth in output volume forms a cornerstone of our strategy for increasing Bilfinger's enterprise value. Our goal is to expand the Group's output volume to between €11 billion and €12 billion by 2016. We aim to achieve organic growth averaging 3 to 5 percent per annum. In addition, targeted acquisitions will contribute to the growth in output volume.

EBITA and return on EBITA The indicator of operating profit of the corporate units and of the Group, and thus the measure of earnings for segment reporting, is earnings before interest, taxes and amortization of intangible assets from acquisitions (EBITA). When performing such an analysis, the focus is on the profit margin – calculated as operating profit as a percentage of output volume. By 2016, we plan to achieve a Group EBITA margin of approximately 6 percent. For better comparability over the course of time, we also consider 'adjusted EBITA' with adjustments made, for example, for one-time capital gains or restructuring expenses.

Net profit / dividend policy Net profit consists of operating profit plus / minus amortization of intangible assets from acquisitions, financial income and expense and taxes. Also with regard to net profit we make reference to an 'adjusted net profit' with adjustments made for the above-mentioned exceptional items as well as for amortization of intangible assets from acquisitions. We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. By 2016, we plan to increase our net profit to approximately €400 million. With regard to the dividend, we intend to pay out to shareholders approximately 50 percent of net profit.

Return on capital employed (ROCE), value added An important financial management system at the Bilfinger Group is the system of return-on-capital-employed controlling. With this method, we measure the value added by our business segments and by the Group. We employ our capital specifically where high value added is achieved. The main idea behind this concept is that positive value added can only be achieved for the Group if the return on the average capital employed is higher than the weighted average cost of capital (WACC). We aim to achieve a return on capital employed (ROCE) in the coming years of between 15 and 20 percent.

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

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

Investments / acquisitions Although compared with some industries our business is not very capital intensive, planned additions to property, plant and equipment are subject to intensive investment controlling. The planned investment ratio in relation to output volume is around 2 percent. For corporate acquisitions, we have defined minimum requirements that generally have to be fulfilled. For example, acquisitions should make a positive contribution to net profit in the first full financial year after being acquired, and should make a positive contribution to value added with a return on capital employed above the respective cost of capital.

Further key figures On the basis of our strategic corporate planning, we regularly review the effects on our financial risk profile of various scenarios for the business and financial development of the Group. The key financial metrics are the dynamic debt-equity ratio, gearing and cash-flow protection. In line with our targets, their levels should reflect

a financial standing comparable with our sound investment-grade rating (BBB+). For the dynamic debt-equity ratio (quotient of adjusted net debt and adjusted EBITDA), we have determined a target value of less than 2.5, the target value for gearing (quotient of financial debt and total equity) is less than 40 percent. The target for cash-flow protection (quotient of cash inflow from operating activities before change in working capital and adjusted net debt) is more than 40 percent. Accordingly, the tolerated level of Group debt on a recourse basis is oriented toward meeting these targets. Its present level gives us substantial scope to finance the strategic development of the Bilfinger Group.

Research and development

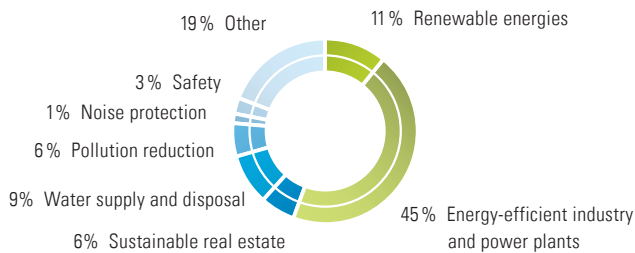
Climate protection and resource conservation through the optimization of power plants, industrial facilities and buildings We are making an important contribution to meeting the ecological challenges of our time with about 190 different research and development projects. The expenses for products, service concepts, optimization of processes and procedures as well as patents amounted to about €14 million in 2013. Our research and development activities are generally oriented toward the lifecycles of the objects and lead to practical, economically feasible solutions for our clients. The focus is on renewable energies and distribution networks, energy efficiency and pollutant reduction in power plants and industrial facilities, sustainable real estate, water supply and sewage systems as well as noise protection.

Increased research activities As part of the strategic program BEST (Bilfinger Escalates Strength) which was launched in 2011, we are accelerating our activities in research and development. We are increasingly tapping technologies that are of particular importance for the development of our company. Inside the Group, measures for the expansion of our expertise, the development of new products and the further development of existing solutions are being funded. The products that are developed are professionally marketed through our own company start-ups. Bilfinger also invests in external companies in the start-up / growth area which market the innovations they themselves have developed.

With the intensifying of our research and development activities, we are expanding our technological competences in a targeted manner in order to achieve greater value added and, also in the future, to be able to offer our clients innovative services in all business segments.

Renewable energies and distribution networks Together with other well-known companies and research institutes, Bilfinger is participating in a project for the development of solar thermal tower power plants.

DISTRIBUTION OF ACTIVITIES FOR RESEARCH AND DEVELOPMENT 2013 BY EXPENSE



Concentrated Solar Power (CSP) power plants use mirrors to focus sunlight to a central receiver located in a tower. With the enormous heat from the focused sunlight it is possible to generate electricity through a steam turbine. Bilfinger is contributing its competence in firing and steam generation technology to the project along with its extensive knowledge in high-pressure piping systems. In the future, CSP power plants can make an important contribution to securing a sustainable supply of electricity. The heat that is created through the concentration of sunlight can be conserved for several hours in special heat storage systems. For this reason, thermal solar power plants can continue to supply electricity even when the sun is no longer shining.

One of the key tasks of future energy supply is to sensibly integrate decentralized generation into existing distribution structures. This applies primarily to the design of low-voltage electrical networks. Together with partners from scientific organizations and the energy sector, Bilfinger developed the 'Intelligent Distribution Network Management System' which was awarded the Hessian state prize for intelligent energy in the spring of 2013. The system, known as iNES, is a smart grid system solution for the decentralized management of network capacities within a low-voltage network which can react to existing requirements in real time and which thus avoids over-voltage and under-voltage as well as operational malfunctions.

In many facilities such as hospitals or data centers, a reliable electricity supply is absolutely essential. For the stabilization of the network and for an uninterrupted supply of power, Bilfinger has developed a powerful short-term storage system on the basis of electrical flywheel technology. Bilfinger is applying its competences and experience in the field of superconducting magnet technology to reduce the loss of tension in the wheels and thus to improve efficiency levels. The goal is to achieve nearly friction-free ball-bearing joints using super-conducting technology.

Together with partners, Bilfinger is developing combined pipe-cable installation systems, so-called PowerTubes, which can be used in the expansion of electricity networks in sensitive regions and in metropolitan areas. With these systems, high-voltage cables and other supply lines are laid underground in accessible tubes. The advantages of this solution include the ideal mechanical protection of the lines as well as the ease with which they can be monitored, updated and quickly repaired.

Energy efficiency and pollution reduction for power plants and industrial facilities By increasing the steam temperature in coal-fired power plants, the level of efficiency in the production of electricity is significantly improved and, therefore, emissions can be reduced and resources saved. As part of a joint project sponsored by the German Ministry of Economics and Technology at the Mannheim power station, we are gaining knowledge about the behavior of new materials and welded joints at temperatures above 700°C.

Our newly developed micro-gas turbine unit QiP®, which can simultaneously generate electricity and heat for heating or production processes (cogeneration), was presented at the industrial trade fair in Hanover. With an electrical output of 100kWel and a thermal output of 200 kWth, the unit is suitable for decentralized applications in industry, trade, agriculture and in the public sector. It features a high degree of efficiency, the flexible use of various fuels, a long operating life and low maintenance expenses.

In the context of the energy transformation, the flexibility of conventional power plants must be increased in order to cover for fluctuations in the supply of electricity from renewable sources. Here, traditional lignite-fired power plants quickly reach their limits due to the high water content in the lignite – because the combustion process becomes instable with lower loads. One possible solution is the use of dried lignite as a fuel. Together with a partner, Bilfinger has developed an innovative new dried lignite firing burner. The pioneering technology in this unit makes use of plasma generated from microwaves to ignite the fuel. It significantly simplifies and accelerates the starting up of steam generators. Secondary fuels such as oil or gas are unnecessary which also substantially reduces the cost of starting up the generator. In a block at the Jänschwalde power plant, the new burner for dried lignite firing will be put to use for the first time in the fall of 2014.

Sustainable buildings Bilfinger develops methods to optimize building technology systems for the sustainable operation of real estate properties. To this end, energy measurement data is gathered, evaluated and graphically presented so that the systems can be efficiently controlled and operated on the basis of this analysis.

We are participating in the EU-sponsored Campus 21 project, which deals with the integration of production and consumption subsystems in

a comprehensive building energy management system (building EnMS). Within an EnMS, the performance parameters of a building are used to optimize the operation of lighting, heating, ventilation and cooling and to thus reduce energy consumption and CO₂ emissions. The individual elements of the measurement and control technology in the technical building equipment are linked in such a way that the data recorded allows for real-time, needs-oriented management of the building.

Water supply and disposal Within the scope of the publicly-funded project 'CuveWaters' in Namibia, a decentralized concept for the provision of water in dry regions is being explored. The objective of the project is to make use of natural sources of water such as rainwater or saline groundwater in these areas, which are at times subject to extreme drought, and to make water resources available throughout the year. For this purpose, Bilfinger has developed a system for wastewater collection and treatment by means of vacuum sewer systems and subsequent mechanical cleaning. The biogenic waste material is fermented and used for the production of electricity. The treated wastewater can be used to irrigate agricultural areas or for other applications.

In another development project, we are pursuing the goal of optimizing the process efficiency of wastewater treatment plants while maintaining the quality of the effluent water. In this regard, both technologies and components (e.g., fine-bubble aeration systems), as well as process control and measurement and control technology are constantly improved. As a result of this optimization, energy can be saved and the quality of the water can be increased.

Economic report

Business developments 2013

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

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

Output volume in financial year 2013, of which the share generated by international markets was unchanged at 61 percent, was at the level of the prior year at €8,509 million (previous year: €8,586 million). Growth in the Industrial business segment and the Building and Facility business segment was offset primarily by a further significant decrease in the Construction business segment. Overall, organic growth was short of our expectations. The figures for orders received of €8,296 million (previous year: €8,304 million) and order backlog of €7,411 million (previous year: €7,388 million) also reached the levels of the prior year.

The key figures of the activities to be sold of the former Concessions business segment are presented under 'discontinued operations' in the annual financial statements 2013. The prior-year figures have been adjusted accordingly. Unless otherwise stated, all of the figures provided in the financial statements refer to the Group's continuing operations.

OUTPUT VOLUME, ORDERS RECEIVED, ORDER BACKLOG / ADJUSTED EARNINGS

€ million

	2013	2012	Δ in %
Output volume	8,509	8,586	-1
Orders received	8,296	8,304	0
Order backlog	7,411	7,388	0
EBITA adjusted ^{1,2}	409	387	+6
EBITA margin adjusted (in percent) ^{1,2}	4.8	4.5	
Adjusted net profit from continuing operations ³	249	241	+3
Adjusted earnings per share from continuing operations (in €) ³	5.64	5.46	+3

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

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

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

Following a positive earnings trend over the course of the year, adjusted EBITA increased to €409 million (previous year: €387 million). The Industrial and Building and Facility business segments in particular contributed to this development. With a very good margin, Power again achieved the earnings level of the prior year despite a decrease in output volume. Earnings in the Construction business segment were heavily burdened by the situation in the infrastructure unit. Net profit of continuing operations adjusted for amortization of intangible assets from acquisitions and exceptional items rose to €249 million (previous year: €241 million).

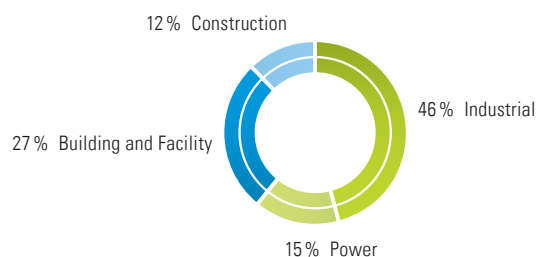
PLAN / ACTUAL COMPARISON	Actual 2013	Outlook Interim Report Q3 2013	Outlook Interim Report H1 2013	Outlook Interim Report Q1 2013	Actual 2012
Output volume	€8.5 billion	about €8.6 billion	about €8.7 billion	increase	€8.6 billion
Adjusted EBITA	€409 million	about €400 million	increase with higher margin	increase with higher margin	€387 million
Adjusted net profit from continuing operations*	€249 million	over €240 million	increase with higher margin	increase with higher margin	€241 million

* Since the first quarter 2013, our earnings forecast relates to adjusted EBITA and adjusted net profit from continuing operations. This serves to enable comparability over time.

OUTPUT VOLUME BY BUSINESS SEGMENT

€ million

	2013	2012	Δ in %
Industrial	3,963	3,705	+7
Power	1,256	1,319	-5
Building and Facility	2,346	2,249	+4
Construction	1,038	1,404	-26
Consolidation, other	-94	-91	
	8,509	8,586	-1

CONSOLIDATED INCOME STATEMENT
(ABRIDGED)

€ million

	2013	2012
Output volume from continuing operations (for information only)	8,509	8,586
Revenue	8,415	8,343
Cost of sales	-7,299	-7,222
Gross profit	1,116	1,121
Selling and administrative expenses	-837	-832
Other operating income and expense	-24	61
Income from investments accounted for using the equity method	32	31
Earnings before interest and taxes (EBIT)	287	381
Net interest result ¹	-43	-34
Earnings before taxes¹	244	347
Income tax expense ²	-72	-102
Earnings after taxes from continuing operations³	172	245
Earnings after taxes from discontinued operations	4	34
Earnings after taxes³	176	279
thereof minority interest	3	3
Net profit³	173	276
Average number of shares (in thousands)	44,149	44,140
Earnings per share (in €)⁴	3.91	6.26
thereof from continuing operations	3.83	5.50
thereof from discontinued operations	0.08	0.76

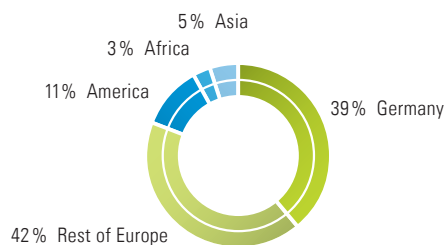
¹ Following adjustment of the prior year figure due to IAS 19R by + €2.0 million² Following adjustment of the prior year figure due to IAS 19R by - €0.5 million³ Following adjustment of the prior year figure due to IAS 19R by + €1.5 million⁴ Basic earnings per share are equal to diluted earnings per share.

The adjustments due to IAS 19R only had an insignificant influence on earnings per share.

OUTPUT VOLUME BY REGION

€ million

	2013	2012	Δ in %
Germany	3,349	3,324	+1
Rest of Europe	3,604	3,730	-3
America	904	692	+31
Africa	245	468	-48
Asia	407	372	+9
	8,509	8,586	-1



Results of operations

Adjusted earnings per share

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

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

Exceptional items in 2013 result from one-time expenses in connection with our efficiency enhancement program Bilfinger Excellence in the amount of €85 million as well as burdens from the sale of our German road construction activities in the amount of €5 million. This was offset by extraordinary income from the sale of 6.5 percent of our investment in Julius Berger Nigeria PLC, Abuja, in the amount of €19 million. In the previous year, the reduction of investments in the Nigerian business led to earnings contributions in the amount of €45 million.

Intangible assets result from purchase-price allocation following acquisitions. The amortization of these intangible assets is therefore of a temporary nature.

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 1 percent to €8,415 million (previous year: €8,343 million) while output volume fell by 1 percent to €8,509 million (previous year: €8,586 million). Revenue primarily comprises revenue from the rendering of services and construction contracts, but also from goods and services supplied to joint ventures as well as our proportionate share of joint ventures' profits and losses. Revenue does not include our share of the output volume generated by joint ventures. For the presentation of the total output volume generated by the Group, we therefore 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 and profit and loss transfers from 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.

CALCULATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

€ million

	2013	2012
Earnings before taxes	244	347
Special items in EBITA	71	-45
Amortization of intangible assets from acquisitions	50	51
Adjusted earnings before taxes	365	353
Adjusted income tax expense	-113	-110
Adjusted earnings after taxes from continuing operations	252	243
thereof minority interest	3	2
Adjusted net profit from continuing operations	249	241
Average number of shares (in thousands)	44,149	44,140
Adjusted earnings per share from continuing operations (in €)	5.64	5.46

The level of these costs in relation to 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 is reflected in both material expenses and personnel expenses, all costs for the use of subcontractors are allocated to material expenses.

Cost of sales increased by 1 percent to €7,299 million (previous year: €7,222 million). In relation to revenue, cost of sales remains nearly unchanged at 86.7 percent (previous year: 86.6 percent). Of that total, material and personnel expenses accounted for 75.6 percentage points (previous year: 77.8 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions which was unchanged at €51 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 €139 million (previous year: €125 million), of which €111 million was allocated to cost of sales (previous year: €98 million). The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

With an unchanged gross margin of 13.1 percent of output volume, gross profit of €1,116 million is at the prior-year level (previous year: €1,121 million).

Selling and administrative expenses

Selling and administrative expenses remained largely unchanged at €837 million (previous year: €832 million), equivalent to 9.8 percent of output volume (previous year: 9.7 percent).

Other operating income and expense

The balance from other operating income and expenses of minus €24 million is negative following a positive figure of €61 million in the previous year. It should be taken into account here that in the reporting year, restructuring expenses in the amount of €69 million in connection with our efficiency enhancement program Bilfinger Excellence are included. A gain of €19 million was realized from the sale of shares in Julius Berger Nigeria PLC. In the previous year, the reduction of investments in the Nigerian business led to earnings contributions in the amount of €45 million.

Income from investments accounted for using the equity method

Income from investments accounted for using the equity method is composed of the income and expenses from associates and joint ventures and amounts to €32 million (previous year: €31 million).

EBITA / adjusted EBITA / EBIT

EBITA (earnings before interest, taxes and amortization of intangible assets from acquisitions) serves as a measure of operating profit. For better comparability over the course of time, from financial year 2013 we also consider 'adjusted EBITA' with adjustments made, for example for one-time capital gains or restructuring expenses. Adjusted EBITA increased to €409 million (previous year: €387 million). In relation to output volume, the adjusted EBITA margin was 4.8 percent (previous year: 4.5 percent).

In the Industrial business segment, EBITA increased to €232 million – as a result of acquisitions as well as organic growth (previous year: €206 million). The EBITA margin increased to 5.9 percent (previous year: 5.6 percent).

In the Power business segment, EBITA amounts to €123 million as in the prior year, the EBITA margin was increased, not least as a result of the completion of a number of projects, to the unusually high figure of 9.8 percent (previous year: 9.3 percent).

In the Building and Facility business segment, EBITA rose despite the deconsolidation of the Nigerian activities in the middle of 2012 to €116 million (previous year: €106 million). The reasons for this development were the acquisitions made and the good organic growth. The EBITA margin increased to 4.9 percent (previous year: 4.7 percent).

ADJUSTED EBITA BY BUSINESS SEGMENT

€ million

	2013	2012
Industrial	232	206
Power	123	123
Building and Facility	116	106
Construction	1	25
Consolidation, other	-63	-73
Continuing operations	409	387

Earnings expectations were not met in the Construction business segment. The heavy loss-making road construction business in Germany was sold in the fourth quarter. In addition, it was not possible by the end of the year to reach an agreement on outstanding claims relating to completed road construction projects in Poland. Overall, EBITA amounts to €1 million (previous year: €25 million).

Adjusted EBITA not allocated to the business segments amounts to minus €63 million (previous year: minus €73 million). From this financial year, it includes, in addition to headquarters costs, at-equity earnings of the investment in Julius Berger Nigeria as well as the earnings contributions from two concession projects that are not presented under 'discontinued operations.' Headquarters costs are at the level of the prior year.

Overall, EBITA amounts to €338 million. This includes exceptional items from one-time expenses in connection with the efficiency enhancement program Bilfinger Excellence in the amount of €85 million as well as burdens from the sale of the German road construction activities of €5 million. A gain of €19 million was realized from the sale of shares in Julius Berger Nigeria PLC. In the prior-year period, additional contributions to earnings of €45 million from the reduction of the interest in the Nigerian business led to total EBITA of €432 million.

After deducting amortization of intangible assets from acquisitions, which amount to €51 million as in the prior year, EBIT of €287 million remains (previous year: €381 million).

Net interest expense

Net interest expense increased to €43 million (previous year: €34 million). Interest income declined due to the lower interest rates on investments to €8 million (previous year: €12 million). Current interest expense increased following the issue of a corporate bond at the end of 2012 to €32 million (previous year: €26 million). The interest expense

from the increase in the retirement benefit obligation – offset against the income from plan assets – amounted to €14 million (previous year: €13 million). Income of €2 million was achieved from securities (previous year: €1 million).

The interest expense for minority interest was unchanged at €7 million (previous year: €8 million).

Earnings before and after taxes

Earnings before taxes of continuing operations amount to €244 million (previous year: €347 million) and earnings after taxes amount to €172 million (previous year: €245 million). The effective tax rate, adjusted for tax-free capital gains, was 31 percent – as in the prior year.

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

Overall, earnings after taxes decreased to €176 million (previous year: €279 million).

Minority interest

Profit attributable to minority interest amounts to €3 million, as in the prior year.

Net profit / earnings per share

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

DETERMINATION OF THE COST OF CAPITAL (WACC)

	2013	2012
Risk-free interest rate	3.0%	3.0%
Market risk premium	5.5%	5.5%
Beta factor	0.84	0.87
Cost of equity capital after taxes	7.62%	7.80%
Cost of borrowed capital before taxes	4.00%	4.25%
Tax rate	31.0%	31.0%
Cost of borrowed capital after taxes	2.76%	2.93%
Proportion of equity capital	70.0%	70.0%
Proportion of borrowed capital	30.0%	30.0%
Cost of capital (WACC) after taxes	6.17%	6.34%
Income tax rate	31.0%	31.0%
Cost of capital (WACC) before taxes (rounded)	9.00%	9.25%

Sustainable dividend policy

It is proposed that a dividend, unchanged from the previous year, of €3.00 be paid out for financial year 2013. This represents an unchanged total dividend distribution of €132 million in relation to the number of shares entitled to a dividend as of March 13, 2014. Bilfinger thus upholds its sustainable dividend policy despite higher negative exceptional items. In relation to the share price at the end of 2013, this represents a dividend yield of 3.7 percent.

Value added

Value added – the difference between return on capital employed (ROCE) and the cost of capital – is an important key figure for measuring profitability of capital employed and for the efficient controlling of

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed € million		Return € million		ROCE %		Cost of capital %		Value added € million	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Industrial	1,536	1,351	232	206	15.1	15.2	8.75	9.25	98	81
Power	475	384	123	125	25.9	32.5	8.75	9.25	81	89
Building and Facility	666	525	122	107	18.4	20.5	8.75	9.25	64	59
Construction	227	243	12	39	5.0	16.1	11.50	11.25	-15	12
Consolidation, other	179	56	-70	-76	–	–	–	–	-87	-76
Continuing operations	3,083	2,559	419	401	13.6	15.7	9.00	9.25	141	165

capital employed. From this financial year, we are focusing only 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 9.00 percent before taxes (previous year: 9.25 percent). ROCE of the business segments is compared with segment-specific cost-of-capital rates to reflect their differing risk profiles. For the business segments Industrial, Power and Building and Facility, this amounted to 8.75 percent (previous year: 9.25 percent) and for the Construction business segment 11.50 percent (previous year: 11.25 percent). Further details can be found in the chapter 'Return-on-capital-employed controlling' (see pages 204 ff.).

The average capital employed of continuing operations increased to €3,083 million in the reporting year (previous year: €2,559 million). Average interest-bearing liabilities increased significantly.

ROCE from continuing operations decreased due to the higher capital employed to 13.6 percent (previous year: 15.7 percent); value added in absolute terms fell to €141 million (previous year: €165 million).

In the Industrial business segment, ROCE was at the level of the prior year with 15.1 percent (previous year: 15.2 percent), despite significantly higher EBITA. This was due to a primarily acquisition-related increase in capital employed to €1,536 million (previous year: €1,351 million). Value added increased to €98 million (previous year: €81 million).

Despite the nearly unchanged return in the Power business segment, ROCE declined due to the higher level of capital employed to 25.9 percent (previous year: 32.5 percent). Value added decreased to €81 million (previous year: €89 million).

Despite higher returns in the Building and Facility business segment, ROCE decreased due to increased capital employed following acquisitions to 18.4 percent (previous year: 20.5 percent). Value added increased to €64 million (previous year: €59 million).

As a result of the significantly lower EBITA, ROCE in the Construction business segment fell to 5.0 percent (previous year: 16.1 percent). Value added was negative at minus €15 million. In the previous year, the figure was positive at €12 million.

The value added by headquarters and consolidation was negative at minus €87 million (previous year: minus €76 million).

Net assets

For the analysis of net assets, in order to gain better comparability with the figures as of December 31, 2013, the assets and liabilities of discontinued operations of the former Concessions business segment are shown separately in an item on the assets side and an item on the

CONSOLIDATED BALANCE SHEET (ABRIDGED)

€ million

	Dec. 31, 2013	Dec. 31, 2012
		pro forma
Assets		
Non-current assets		
Intangible assets	2,023	1,890
Property, plant and equipment	712	689
Other non-current assets	399	352
	3,134	2,931
Current assets		
Receivables and other current assets	2,373	2,226
Cash and cash equivalents	669	1,061
Assets classified as held for sale	356	632
	3,398	3,919
	6,532	6,850
Equity and liabilities		
Equity		
	2,165	2,037
Financial debt, non-recourse		
	41	16
Non-current liabilities		
Provisions for pensions and similar obligations	423	394
Non-current financial debt, recourse	517	519
Other non-current liabilities	260	301
	1,200	1,214
Current liabilities		
Current financial debt, recourse	28	192
Other current liabilities	2,783	2,813
Liabilities classified as held for sale	315	578
	3,126	3,583
	6,532	6,850

liabilities side of the pro-forma balance sheet as of December 31, 2012.

Total assets decreased due to the sale of concession projects to €6.5 billion (previous year: €6.9 billion). This is evident from the decrease of assets and liabilities classified as held for sale.

On the assets side, non-current assets increased to €3,134 million (previous year: €2,931 million).

As a result of the acquisition of companies, intangible assets, which primarily comprise acquired goodwill of €1,885 million (previ-

ous year: €1,744 million) and intangible assets from acquisitions of €106 million (previous year: €121 million), increased to €2,023 million (previous year: €1,890 million).

Property, plant and equipment increased to €712 million (previous year: € 689 million) due to acquisitions.

The increase in other non-current assets to €399 million (previous year: €352 million) relates primarily to deferred tax assets.

Receivables and other current assets rose to €2,373 million due to an increase in inventories as well as in trade receivables (previous year: €2,226 million).

Cash and cash equivalents amounted to €669 million at the end of the year (previous year: €1,061 million). Current and non-current financial liabilities – excluding project debt on a non-recourse basis – were reduced to €545 million (previous year: €711 million). Net liquidity amounts to €124 million as of the balance sheet date (previous year: €350 million).

Non-recourse debt in the amount of €41 million (previous year: €16 million) reflects project financing, which is granted without any liability for the Group.

Pension provisions increased to €423 million (previous year: €394 million) due to acquisitions.

Other non-current liabilities decreased as a result of lower purchase-price liabilities to €260 million (previous year: €301 million). The balance relates primarily to deferred tax assets.

Other current liabilities were at the level of the prior year with €2,783 million (previous year: €2,813 million).

The negative working capital decreased to minus €410 million (previous year: minus €587 million).

Equity increased to €2,165 million (previous year: €2,037 million). Earnings after taxes contributed €176 million of the increase while dividend payments led to a decrease of €135 million. Items not recognized in the income statement increased equity by €87 million. This primarily reflects the reduction in the negative hedging instruments reserve of €150 million which, in addition to increased interest rates, was also caused by the sale of concession projects. This was offset by negative exchange rate effects with €75 million.

The equity ratio rose to 33 percent at the balance sheet date (previous year: 30 percent).

Financial position

Principles and objectives of financial management

The main aspects of the Group's financial policy are determined by the Executive Board of Bilfinger SE. The prime objective of financial management is to maintain liquidity and limit financial risk. In addition, we

regard financial flexibility as an important precondition for our further corporate development.

Within the context of centralized Group financing, the application of available surplus liquidity as well as the provision and utilization of financing instruments on a recourse basis for the entire Bilfinger Group are managed and executed by Group 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 110 ff. and in the notes to the consolidated financial statements under Note 30 '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.

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

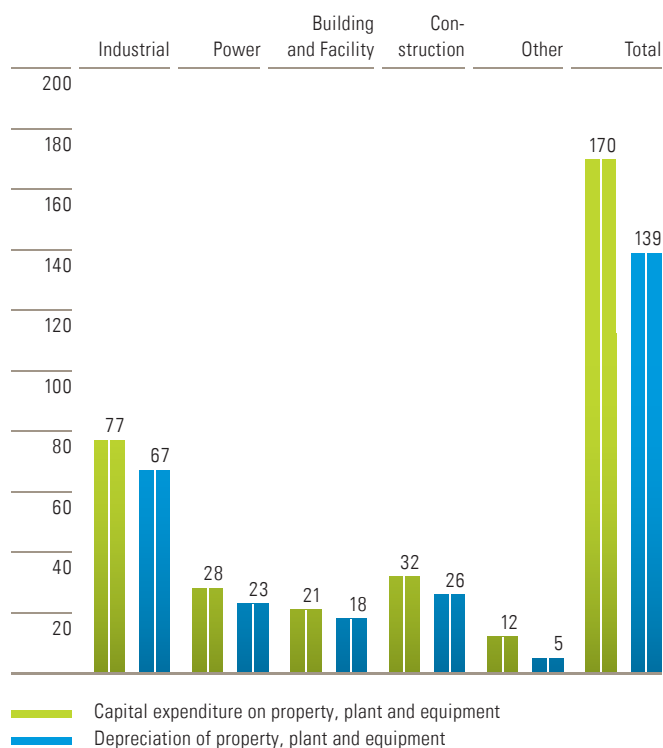
We have credit by way of bank guarantees of nearly €3.0 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized.

Detailed information on existing financial debt with maturities and interest rates is provided in the notes to the consolidated financial statements under Note 26 'Financial debt.'

GROUP FINANCIAL STATUS, RECOURSE LIABILITIES € million	Available credit	Amount utilized	Available credit	Amount utilized
	2013		2012	
Bank guarantees	2,974	2,001	3,288	2,179
thereof with residual term < 1 year	2,974	2,001	1,468	988
Syndicated credit facility	670	28	680	27
thereof with residual term < 1 year	170	24	180	22
Promissory-note loan	-	-	166	166
thereof with residual term < 1 year	-	-	166	166
Corporate bond	500	500	500	500
thereof with residual term < 1 year	-	-	-	-
Finance leases	17	17	18	18
thereof with residual term < 1 year	4	4	4	4

**CAPITAL EXPENDITURE / DEPRECIATION
BY BUSINESS SEGMENT**

€ million



Financial debt – excluding non-recourse debt – totaled €545 million on the balance sheet date (previous year: €711 million). Of that total, €517 million is non-current (previous year: €519 million) and €28 million is current (previous year: €192 million). It includes financial leasing of €17 million (previous year: €18 million).

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

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

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

We report in detail on the existing authorizations of the Executive Board to raise capital in the management report on pages 121 ff., as part of the disclosures pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB).

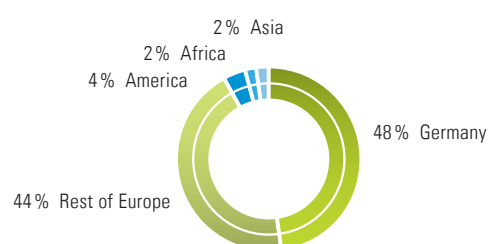
Investments

Capital expenditure on property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – amounted to €170 million (previous year: €143 million). €72 million of the total was invested in operating equipment and office equipment, €60 million in technical equipment and machinery,

**CAPITAL EXPENDITURE ON PROPERTY, PLANT AND
EQUIPMENT BY REGION**

€ million

	2013	2012
Germany	82	69
Rest of Europe	75	65
America	6	1
Africa	4	4
Asia	3	4
Total	170	143



€25 million in land and buildings and €13 million in intangible assets. Depreciation and amortization amounted to €139 million (previous year: €126 million).

Investments accounted for by the Industrial business segment were unchanged at €77 million or 45 percent. €42 million was invested in operating equipment and office equipment, of which scaffolding accounted for €21 million (previous year: €46 million, thereof €28 million for scaffolding). A further €25 million was invested in technical equipment and machinery (previous year: €21 million).

Capital expenditure in the Power business segment totaled €28 million (previous year: €20 million), with €12 million invested in operating equipment and office equipment (previous year: €9 million) and an unchanged €7 million invested in technical equipment and machinery.

The Building and Facility business segment invested a total of €21 million (previous year: €14 million), with €12 million invested in operating equipment and office equipment (previous year: €7 million) and €4 million invested in technical equipment and machinery (previous year: €3 million).

Investment at the Construction business segment totaled €32 million (previous year: €29 million) with €23 million (previous year: €19 million) primarily in technical equipment and machinery and an unchanged €5 million in operating equipment and office equipment.

The regional focus of investment was again on Europe, which accounted for 92 percent of the total (previous year: 93 percent). Germany accounted for an unchanged 48 percentage points of European investments.

Payments in the amount of €251 million (previous year: €378 million) were made for investments in financial assets – corporate acquisitions, increases in equity interests and earn-out obligations. The most important acquisitions include the American water technology specialists Johnson Screens Inc. and the British real-estate services provider Europa Support Services Ltd. Important acquisitions from the previous year included Neo Structo / India, Tebodin / The Netherlands, Westcon / USA and the German company Envi Con. Further information on corporate acquisitions can be found in the notes to the consolidated financial statements on pages 152 ff. under 'Consolidated Group.'

Statement of cash flows

Cash earnings declined to €289 million (previous year: €419 million), primarily due to the lower level of EBIT. Working capital was still significantly negative and decreased by €99 million (previous year: €134 million). Primarily impacted by this were the Power and Construction business segments due to the comparatively low orders received.

The gains on disposals of non-current assets, which are to be deducted from operating cash flow, decreased to €28 million (previous year: €53 million). They relate primarily to capital gains realized on the reduction of our investments in the Nigerian business.

Cash flow from operating activities of continuing operations amounted to €162 million (previous year: €232 million).

Investments in property, plant and equipment and intangible assets exceeded the relatively low level of the prior year with €170 million (previous year: €143 million). These cash outflows were offset by a cash inflow which was unchanged at €17 million.

Disposals of financial assets resulted in total proceeds of €208 million (previous year: €333 million); of that amount, €171 million was accounted for by the sale of concession projects (previous year: €270) million and €25 million by the reduction of investments in the Nigerian business (previous year: €59 million). This led to a free cash flow of €217 million (previous year: €439 million). Investments in financial assets totaled €251 million after €378 million in the prior year. They relate to corporate acquisitions, increases in equity interests and earn-out obligations.

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

Continuing operations resulted in a net cash outflow of €330 million. There had been a net cash inflow of €396 million in the prior year.

STATEMENT OF CASH FLOWS (ABRIDGED)

€ million

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

The cash outflow from discontinued operations amounts to €46 million (previous year: €151 million).

Exchange-rate changes led to an arithmetical decrease in cash and cash equivalents of €13 million, after an increase of €5 million in 2012.

Cash and cash equivalents of concessions projects classified as held for sale amount to €22 million on the balance sheet date, €7 million were disposed of in the course of the sale.

In total, cash and cash equivalents at the end of the year decreased to €668 million (previous year: €1,087 million).

Information on the net assets, financial position and cash flows 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 €110 million (previous year: €113 million) and resulted almost solely from output volume charged to companies of the Group.

Other operating income of €7 million (previous year: €8 million) is primarily the result of currency translation.

The decrease in personnel expenses resulted from lower expenses for bonus payments. Insofar as these relate to employees of subsidiaries, they are covered in the reporting year by the relevant units themselves.

Other operating expenses primarily consists of non-personnel administrative expenses, rents and leases, insurance premiums, other service and personnel expenses as well as additions to provisions.

Financial income of €206 million (previous year: €294 million) mainly comprises income from profit-and-loss-transfer agreements as well as other investment income from companies of the Group. Income and expenses from profit-and-loss-transfer agreements are subject to fluctuations relating to the accounting of contracts in accordance with the realization principle of the German Commercial Code (HGB).

The net interest result decreased due to reduced interest income (minus €5 million) related to lower levels of interest rates and a decrease in income from plan assets for pension provisions and due to increased interest expenses (plus €4 million) in the course of the issue of a €500 million bond in December 2012.

Profit from ordinary activities decreased to €120 million (previous year: €212 million). The decline is attributable to significantly lower earnings from financial assets.

There was no tax expense in the reporting year (previous year: €14 million). It must be considered here that earnings from profit-and-loss-transfer agreements primarily comprise tax-free distributions and capital gains.

Net profit after taxes amounts to €120 million (previous year: €198 million). Of that total, €45 million (previous year: €99 million) has been transferred to other retained earnings. Including the profit carried forward of €63 million (previous year: €97 million), this results in distributable earnings of €138 million (previous year: €196 million).

INCOME STATEMENT OF BILFINGER SE (HGB)

€ million

	2013	2012
Revenue	110	113
Other operating income	7	8
Personnel expenses	-61	-65
Amortization of intangible assets / depreciation of property, plant & equipment	-1	-1
Other operating expenses	-129	-134
Earnings from financial assets	206	294
Net interest result	-12	-3
Earnings from ordinary business activities	120	212
Income tax expense	0	-14
Net profit	120	198
Profit carryforward	63	97
Allocation to other retained earnings	-45	-99
Unappropriated retained earnings	138	196

Net assets and financial position

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

Total assets of €2,956 million (previous year: €3,225 million) primarily comprise financial assets of €1,538 million (previous year: €1,948 million), receivables of €961 million (previous year: €349 million), and cash, cash equivalents and securities of €430 million (previous year: €904 million).

Financial assets decreased by €410 million to €1,538 million. Loans to associates in particular decreased by €322 million. The decrease results primarily from the repayment of long-term loans to subsidiaries. Through the Group's internal transfer of companies, shares in associates decreased by €84 million.

Receivables and other assets of €917 million (previous year: €335 million) mainly comprises receivables from subsidiaries in connection with the Group's central corporate financing. The increase resulted on the one hand from the financing of acquisitions and on the other hand from the restructuring of long-term loans in short-term loans.

On the other side of the balance sheet, equity amounts to €1,500 million (previous year: €1,512 million), provisions amount to €195 million (previous year: €253 million) and liabilities amount to €1,261 million (previous year: €1,460 million).

Provisions include tax provisions of €44 million (previous year: €45 million) and other provisions of €150 million (previous year: €208 million). The reduction in other provisions was use-related, among other things due to the payment of a fine to the U.S. Department of Justice.

The retirement benefit obligation is fully funded with plan assets, whereby the surplus funding of €23 million (previous year: €21 million) is presented as a net asset after offsetting.

Liabilities in the amount of €637 million (previous year: €699 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: €666 million) for a primary unsecured bond issued in December 2012 with a term until December 2019. The decrease of €166 million results from the scheduled repayment of a promissory note loan.

The equity ratio was 51 percent at the balance sheet date (previous year: 47 percent).

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. Positive expectations with regard to the Group's business development will generally affect the earnings of Bilfinger SE. We do, however, expect a substantial merger loss in financial year 2014 in connection with our planned Group restructuring with the merger of Subgroup parent companies and Bilfinger SE which will lead to significantly lower earnings for the year as compared to the prior year. This will not hinder the ability to distribute a dividend since the company has extensive reserves to offset this merger loss. We assume that we will continue to achieve net profit sufficient for our shareholders to participate in the company's success with an attractive dividend.

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

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

BALANCE SHEET OF BILFINGER SE (HGB, ABRIDGED)

€ million

	Dec. 31, 2013	Dec. 31, 2012
Assets		
Non-current assets		
Intangible assets and P, P & E	4	3
Financial assets	1,538	1,948
	1,542	1,951
Current assets		
Receivables and other assets	961	349
Cash and cash equivalents	430	904
	1,391	1,253
Excess of plan assets over pension liability	23	21
	2,956	3,225
Equity and liabilities		
Equity	1,500	1,512
Provisions	195	253
Liabilities	1,261	1,460
	2,956	3,225

INDUSTRIAL

AS ONE OF THE WORLD'S LEADING PROVIDERS
OF INTEGRATED TECHNICAL SERVICES FOR THE PROCESS INDUSTRY
AND THE ENERGY SECTOR, WE COMBINE
ENGINEERING EXPERTISE AND SERVICE MENTALITY.

THE KEY TO OUR SUCCESS IS OUR COMPREHENSIVE RANGE
OF TECHNICAL SERVICES FOR THE ENTIRE LIFECYCLE
OF INDUSTRIAL PLANTS, FROM ENGINEERING TO MAINTENANCE.

WE PROVIDE OUR SERVICES TO CLIENTS WORLDWIDE
WITH THE HIGHEST STANDARDS OF OCCUPATIONAL SAFETY,
ENVIRONMENTAL PROTECTION AND QUALITY.

Economic environment

In the euro zone, the year under review brought another setback for investments in plant and equipment, which are important for industrial services. Following a fall of 4.8 percent in 2012, companies' capital expenditure fell by a further 2.9 percent in 2013 (COM 2013). Companies' willingness to invest was noticeably impacted also in Germany, where a significant decrease of 2.7 percent was recorded. The reasons for this lack of business confidence were the uncertainties of the euro crisis and the related weakness of sales in Europe. However, a noticeable improvement in companies' optimism and rising willingness to invest were apparent as the year progressed.

Companies were more willing to invest in the United Kingdom, where capital expenditure increased by 3.3 percent. Negative development in the chemical and oil and gas sectors could therefore be offset by increasing business activity in other sectors. In Norway, a high level of investment continues to flow into oil and gas production which means that market prospects remain good. Investment proceeded at a steady pace also in the United States with an increase of 3.5 percent. There, utilization of fossil fuels was expanded significantly. By drilling for natural gas into dense rock strata with the use of new technologies (fracking), gas production has increased by 27 percent since 2005 and has meanwhile reached an all-time high (TI USA in Focus 2013). The boom in shale gas and the accompanying increase in oil production reduced the import dependence of the U.S. economy once again in 2013. The International Energy Agency expects the United States to become the world's biggest oil producer by the 2020s. Due to the U.S. energy boom, there is a strong and sustained willingness to invest in the oil and gas industry.

The German market is meanwhile estimated to have a volume of €25 billion (LünIS 2013). However, due to the unfavorable level of investment, the growth rate fell again compared with the previous year by 1 percentage point to 4.7 percent (LünIS 2013), and is thus significantly lower than the double-digit rates of expansion of 2010/2011. Chemicals and petrochemicals continue to be the most important sectors; their proportion of the market increased slightly from 33.1 percent to 34.4 percent (LünIS 2013). The ongoing trend to outsource industrial services has facilitated further growth of the market in Germany.

Sources:

COM 2013: European Commission, European Economic Forecast, Autumn 2013, November
LünIS 2013: Lünendonk Study 2013, Leading industrial service companies in Germany, September 2013
TI USA in Focus 2013: Trade & Invest Germany, USA in Focus, August 2013

Market position and strategic success factors

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

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

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

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

We further extended our expertise in the field of control systems in 2013 with the acquisition of GreyLogix, an automation specialist. The intelligent networking of local energy producers has a key role to play in the context of the energy transformation. Bilfinger technology controls the operation of natural-gas storage units, adjusts the electricity feed into the network to current consumption and optimizes the use of local energy sources.

Growth strategy

Organic

- Our entire range of services is offered in all markets
- We are expanding our activities in the general overhaul of large plants in the process industry ('turnarounds')
- Outsourcing (maintenance of industrial plants also by taking over the client's service personnel) especially with major international clients
- Growth of integrated service packages

Acquisitional

- Regions: United States, Europe, Asia
- Sectors: engineering, oil and gas, mechanical engineering, and electrical, instrumentation and control technology

Performance

The Industrial business segment showed successful development after a moderate start to the year. Output volume increased by 7 percent to €3,963 million. The strong upturn in the second half resulted in organic growth of 3 percent for the financial year as a whole. Orders received increased at a higher rate than output volume to €4,290 million. With the margin increasing to 5.9 percent, EBITA reached €232 million. The number of employees rose to 37,945.

Apart from Germany with a share of 21 percent, the most important markets were in European countries outside Germany, which had a share of 59 percent, in particular Scandinavian and Benelux countries, the United Kingdom, Austria and Eastern European countries. 17 percent of output volume was generated in the American market.

Market trend

The market for industrial services is generally stable, despite ongoing pressure on margins. In the project business, we continue to observe a reticence to invest on the part of our clients in many markets. But in the United States, as a result of the country's energy policy, the oil and gas industry is booming and Bilfinger is participating. Projects for inspections of major production plants are ensuring good capacity utilization in European markets. In the consulting and engineering business, the markets of the Middle East offer particularly good prospects. We are supporting international clients' strong investment activity with feasibility studies, engineering services and project management.

KEY FIGURES INDUSTRIAL

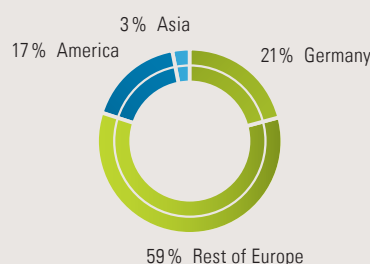
€ million

	2013	2012	Δ in %
Output volume	3,963	3,705	+7
Orders received	4,290	3,737	+15
Order backlog	2,967	2,733	+9
Capital expenditure on P, P & E	77	77	0
Depreciation	67	61	+10
EBITA / EBITA adjusted	232	206	+13
EBITA margin (%)	5.9	5.6	
Employees (at December 31)	37,945	37,056	+2

INDUSTRIAL: OUTPUT VOLUME BY REGION

€ million

	2013	2012	Δ in %
Germany	841	805	+4
Rest of Europe	2,345	2,292	+2
America	652	490	+33
Asia	125	118	+8
	3,963	3,705	+7



Management structure and areas of activity

From financial year 2014, management of the operational Group units in the Industrial business segment will be carried out by divisions of Bilfinger SE with the following areas of activity:

Industrial Maintenance

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

Insulation, Scaffolding and Painting

- ___ Insulation solutions (heat insulation, cold insulation, noise protection, fire protection)
- ___ Scaffolding (industrial and specialist solutions)
- ___ Painting and coating (surfaces / corrosion protection)

Oil and Gas

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

Industrial Fabrication and Installation

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

Engineering, Automation and Control

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

Support Services

- ___ Placement of qualified own personnel in the industrial and commercial areas
- ___ Provision, repair and logistics for machines and equipment

Clients

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

Key competitors

Cape, Fabricom, Fluor Industrial Services, Hertel, Kaefer, Redhall, Remondis, Voith Industrial Services

Important events 2013

Our services business for oil and gas production facilities in the North Sea and Barents Sea continued to develop well. Framework agreements with long-standing clients like Statoil, Marathon Oil and Chevron for extensive repair and maintenance services were extended once again. Our tasks include repairs and maintenance as well as the modernization of offshore production platforms and onshore processing facilities including Europe's largest gas liquefaction plant near Hammerfest in Norway as well as refineries and steel works in the Benelux countries. In the reporting year, as market leader for services in the processing industry in Scandinavia, Bilfinger extended the contract with plastics manufacturer Borealis, for example, for maintenance services at its Swedish location in Stenungsund.

In North America, another focal point of our project business, we have received, among others, orders for the construction of gas processing plants as well as for the comprehensive project management and assembly work in a new refinery as part of the first new refinery in the USA since 1976.

Our services in the consulting and engineering business are also in demand. In Abu Dhabi we won an order for the detail engineering of a plant for the commercial separation, utilization and storage of carbon dioxide. The project is the first of its kind in the Middle East. The new plant extracts the CO₂ from the production process of a steel factory, compresses and dries it before sending it through a 50-kilometer long pipeline to the oilfield on the Rumaiitha Coast. There are three immediate benefits from this project: the reduction of fuel gas emissions in the United Arab Emirates, the availability of the carbon dioxide for efficient oil production technology and the reclamation of natural gas for domestic energy production.

Our experts are also finding solutions to very specialized problems: the Norwegian community of Rjukan is located in a deep valley which receives no sunlight in the winter. Bilfinger has now made the one-hundred year old idea to redirect the sun's light into the town using mirrors a reality. Computers are helping three heliostats as tall as houses to follow the path of the sun and reflect 80 percent of its rays to the town's marketplace. They were built with the cold, snowy and stormy Norwegian winter in mind. The sun reflectors operate on wind and solar energy. The appearance of the winter sun in Rjukan was a global media event at the end of October 2013.

Outlook

We have summarized details of the expected development of Industrial and our other business segments in the Outlook section on pages 118 ff.

POWER

EXPERTISE, QUALITY, RELIABILITY AND ADHERENCE TO DEADLINES ARE THE BASIS FOR OUR SUCCESS.

MODERNIZATION AND SERVICE-LIFE EXTENSIONS FOR EXISTING POWER STATIONS ARE BECOMING INCREASINGLY IMPORTANT.

WE ARE WELL-PREPARED FOR THE CHALLENGES OF THE ENERGY TRANSFORMATION.

Economic environment

The German market for services in the area of power plants and energy developed only moderately in 2013. The German energy transformation had no direct negative effects on the volume of repair and maintenance services for fossil and nuclear power plants. Conventional power plants with low electricity generation require these services as well as – due to the long dismantling times – nuclear power plants before or after decommissioning (LünIS 2013). However, the energy transformation is still causing considerable uncertainty with regard to the construction of new conventional power plants and the modernization of existing ones in Germany. Uncertainty about future sales and price prospects continued to be a significant obstacle to investment and also adversely affected the market for power-plant services.

In the Gulf States, substantial investment has been initiated in regenerative energy and nuclear power with the aim of diversifying the supply of energy away from the almost complete dependence on fossil fuels. Saudi Arabia for example intends to double its power-plant capacity by 2032 to between 120 and 130 gigawatts. Renewable energies are then to supply 50 gigawatts of that total (TI Saudi Arabia Trends 2013).

Capacity shortages in electricity production have always been a serious obstacle to economic development in South Africa. By 2030 therefore, 43 gigawatts of new power-plant capacity is to be created, with renewable energies taking a substantial share of 40 percent of this extra capacity. (TI South Africa Solar Energy 2013).

Sources:

LünIS 2013: Lünendonk Study 2013, Leading Industrial Services Companies in Germany, September 2013

TI Saudi Arabia Trends 2013: Trade & Invest Germany, Economic Trends Mid-2013 – Saudi Arabia, June 2013

TI South Africa Solar Energy 2013: Trade & Invest Germany, Compact Sector – Solar Energy – South Africa, June 2013

Market position and strategic success factors

The depth of our own vertical integration, quality and on-time delivery all give Bilfinger Power an excellent market position. With our own expertise and our own capacities, we provide power-plant operators with products and services of the highest quality. We optimize the downtimes that are necessary for the maintenance and modernization of facilities and reliably adhere to deadlines that have been set. In light of the aging of many power plants and public resistance to new locations, modernization and service-life extensions of existing power plants are highly important.

Bilfinger Power's competitive advantage is its broad portfolio. Our specialists plan, produce, supply and install all boiler components for power plants. By optimizing combustion systems, we achieve higher efficiency, reduce CO₂ emissions and extend plant lifetimes. Our services portfolio ranges from engineering to commissioning, allowing us to cover the complete lifecycle of power plants.

Combustion technology is the key to steam generation, because efficiently controlled combustion improves a power plant's efficiency and reduces CO₂ emissions. And that applies no matter whether the plant uses lignite, coal, oil, natural gas, biomass, nuclear power or waste as a source of primary power. Our goal is to achieve increased output with less fuel, and thus to reduce emissions. In order to increase power-plant efficiency, higher temperatures and higher pressures are required. We have special expertise in the highly critical processing of the special materials needed in these processes.

In the year under review, we expanded our portfolio with the addition of turbine services by acquiring the assets of the Swiss company ESG Energy Service Group (ESG). ESG provides services for steam and gas turbines and generators as well as manufacturing and supplying components. Its expertise and equipment capacities are a perfect fit with Bilfinger's existing structures. This acquisition allows us to offer our clients the demanding, complex maintenance of their entire power plant from one source.

Our highly qualified engineers are constantly developing new and intelligent solutions to meet the steadily growing demands of power-plant processes. We cooperate with the universities of BTU Cottbus, TU Darmstadt and Duisburg- Essen on individual development projects. This includes for example control technology for low-voltage networks and our mobile micro gas-turbine unit QIP®.

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

Bilfinger's machine and apparatus engineering has specialist knowledge in the combination of welding technology and mechanical processing as well as in the assembly of large, heavy and complex steel components. The services provided include reactor containers weighing several tons for the chemical industry, core containers for nuclear power plants, as well as blade wheels for hydroelectric power plants and foundations for offshore wind turbines.

Engineers in the Nuclear and Environmental Technology business units deliver pioneering new solutions for highly complex facilities. These include, for example, flue gas purification systems for power plants, superconducting magnets for research facilities and containment structures for nuclear power plants. A broad spectrum of specialized knowledge and decades of experience in environmental technology, magnet technology as well as nuclear technology and service mean that our experts are sought-after partners for the operators of power plants and major research facilities.

Growth strategy

Organic

- ___ Developing new regions
- ___ Expanding our service portfolio in all markets

Acquisitional

- ___ Regions: United States, Europe, Middle East, Asia
- ___ Sectors: extensive portfolio for power-plant technology and regenerative energies

Performance

Output volume in the Power business segment decreased to €1,256 million. This is attributable to the current reluctance of energy suppliers to make investments and the planned reduction in output volume from the Belchatow power plant project in Poland, which will, however, increase once again in 2014. Although organic growth was down by 8 percent, the total decrease in output volume amounted to 5 percent. Orders received and the order backlog also stood at a comparatively low level. EBITA amounted to €123 million as in the previous year. The EBITA margin increased to an unusually high level of 9.8 percent not least due to the completion of a number of projects. The number of employees increased to 10,028.

Business in Germany accounted for 34 percent of output volume. 32 percent of volume was generated in European countries outside Germany with a focus on Finland, the Netherlands and Poland. South Africa as well as the Middle East are also important international markets.

Market trend

With population growth and increasing industrialization, global demand for energy is rising and can only be met through a mix of the various energy sources that are available. In addition to renewable energy, coal, gas and nuclear power will be indispensable to cover base loads for the foreseeable future. The use of these energy sources will therefore increase moderately.

We are faced with strong demand for our know-how in both conventional power plants and nuclear technology in our international markets. The importance of our international business is growing steadily. With our expertise, we are in great demand as a partner for projects usually involving a high degree of complexity. This applies, in particular, to our specialty – modernization and service life extension of existing plants.

In Germany, energy utilities' willingness to invest in conventional power plants is still low due to uncertainty about the future form of the country's energy policy. We were able to partially offset the drop in demand in Germany with our international business. The proportion of business generated in Germany, which was still two-thirds of the business segment's total revenue just a few years ago, has decreased to one-third. In view of the lack of storage possibilities for the growing

KEY FIGURES POWER

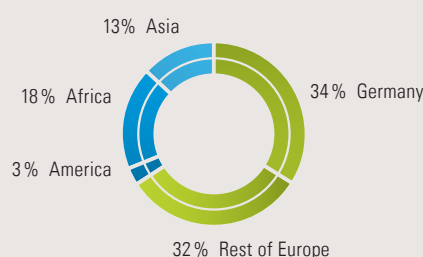
€ million

	2013	2012	Δ in %
Output volume	1,256	1,319	-5
Orders received	1,094	1,178	-7
Order backlog	1,176	1,311	-10
Capital expenditure on P, P & E	28	20	+40
Depreciation	23	22	+5
EBITA / EBITA adjusted	123	123	0
EBITA margin (%)	9.8	9.3	
Employees (at December 31)	10,028	9,278	+8

POWER: OUTPUT VOLUME BY REGION

€ million

	2013	2012	Δ in %
Germany	432	487	-11
Rest of Europe	406	435	-7
America	33	11	+200
Africa	226	237	-5
Asia	159	150	+6
	1,256	1,319	-5



production of green electricity, the new federal government – on the basis of the coalition agreement between the CDU / CSU and the SPD – intends to ensure that enough conventional coal- and gas-fired power plants remain in the network to secure a permanent supply of electricity. It remains to be seen to what extent and in which periods these plans will lead to specific investments by utilities.

Management structure and areas of activity

From financial year 2014, management of the operational Group units in the Power business segment will be carried out by divisions of Bilfinger SE with the following areas of activity:

Power Systems

- Services for power plants over their entire lifecycles (new construction, maintenance and demolition)
- Efficiency-enhancing measures, wear protection and lifetime extensions for power plants
- Design, production and installation of components for power-plant construction

Piping Systems

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

Clients

Energy utilities, industrial companies, plant manufacturers and research institutes

Major competitors

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

Important events in 2013

In the international business, demand for our power-plant services is high. Our longstanding client Dubai Aluminium placed an order with us in 2013 to replace five old waste-heat boilers with modern units in the Jebel Ali gas and steam power plant. This refitting will significantly increase the steam output and considerably reduce the plant's sound levels.

In Europe's biggest lignite-fired power plant in Belchatow, Poland, we completed the renovation of three boilers last year and six more are currently being renovated. The plant is being fitted with state-of-the-art technology so that it meets the strict environmental standards of the European Union. In the late summer of 2013, we were contracted to carry out the lifetime extension, efficiency and output improvements as

well as emission reduction of an additional block, on which we will start work in 2016. Also in Poland, we are modernizing the Turow power plant with three flue-gas desulfurization units with the use of limestone slurry as a scrubbing medium. The order received by Bilfinger Power includes not only the components for the desulfurization units, but also the complete electrical and control system. Bilfinger Construction is responsible for the related construction work.

The cooperation we started with the European Organization for Nuclear Research (CERN) in 1990 is being continued. Together with experts from CERN, our engineers will develop and produce superconducting prototype magnets in the innovative niobium-tin technology, which will be required for the next stage of the LHC particle accelerator in Geneva. With the new material combination, the strength of the magnetic field is to be increased by more than 30 percent. Our specialists have already produced more than 400 dipole magnets for CERN.

In Germany, there is little willingness to invest in conventional power plants due to uncertainty about the effects of the energy transformation. In view of the decommissioning of nuclear power plants that has been decided upon, the energy utilities will have to adapt to the implementation of these measures. Dealing with residual and waste materials is of key importance for the disposal of nuclear power plants that are no longer in use. With the application of appropriate methods, dismantled contaminated and activated plant components – so-called residual materials – will be selected, treated and recycled as far as possible. Bilfinger has expertise with services in the nuclear field and practical experience with technology for processing residual materials, for example with equipment for dismantling and with special decontamination methods for minimizing waste.

Outlook

Summarized details of the expected development of the Power business segment and of our other business segments are provided in the Outlook section on pages 118 ff.

BUILDING AND FACILITY

WE ARE STRENGTHENING OUR LEADING MARKET POSITION
FOR FACILITY SERVICES IN GERMANY AND EUROPE

OUR SPECIALTY: SOLVING COMPLEX TASKS

BUILDING AND FACILITY SERVICES OFFER AN
INNOVATIVE LIFECYCLE PRODUCT: 'ONE'

Economic environment

Building

The German market for building construction featured a disparate development in 2013. For private and institutional investors, residential construction continued to be attractive due to ongoing low interest rates, the good level of employment and the low yields on secure financial investments. On the other hand, investment in the construction of public-sector commercial properties decreased moderately, but stabilized as the year progressed. In the previous year, construction in the public sector had fallen by a double-digit rate due to the expiry of economic stimulus packages. The improved revenue situation of public-sector budgets had a positive impact in 2013. In the area of commercial construction, the segment of logistics and warehouses once again profited from growth in the mail-order business. Prices for building construction again increased at higher rates than consumer-price inflation

Facility Services

The market for outsourced facility management services in Germany has recently shown only moderate expansion at an annual rate of 1 to 2 percent (LünFac 2013). The market growth has been driven by rising new construction of office buildings and other commercial properties, but also by an increased industry penetration rate. While the volume of services provided externally is estimated at nearly €60 billion, Germany's Federal Statistical Office calculates a market volume of about 5 percent of GDP (LünFac 2013) or €130 billion for the total of facility management services provided both internally and externally.

With regard to the demand for services, a shift was apparent towards technical facility management, which meanwhile accounts for one-third of all outsourced real-estate services. Energy management became increasingly important. The importance of traditional building services such as cleaning decreased somewhat, however. The share of the entire market accounted for by commercial facility management increased slightly, but is still relatively low at 6.5 percent of all services.

The process of consolidation within the industry continued, so the proportion of organic growth of the companies active in the German market therefore decreased slightly. Demand for facility management services from the industry and IT / telecommunication sectors continued to grow; those sectors together accounted for 40 percent of all revenue in the German market.

Market internationalization continued in both directions. On the one hand, foreign providers were increasingly active in the German market, which is very attractive due to its stability compared with other European countries. On the other hand, German providers were able to increase their revenues outside Germany faster than their domestic revenues, following a decrease in the proportion of total revenue generated outside the country due to the euro crisis in the previous year. The most important foreign markets for German providers of facility management services are still the neighboring countries of Austria, Benelux, Poland, the Czech Republic and Switzerland. Of the countries directly bordering on Germany, only France continued to be difficult to access. Outside Europe, North America, the Gulf region and Asia are the most important foreign markets.

Source:
LünFac 2013: Lünendonk Study 2013, Leading Facility Service Companies in Germany, July 2013
(Source for all figures and qualitative statements: LünFac 2013)

Market position and strategic success factors

Under the brand 'one,' we offer our real-estate clients something special: We guarantee not only the design and construction costs, but also future energy consumption and other operating expenses over an agreed period of up to 30 years. In this way, we create a large degree of security for an investment.

The product 'one' is the result of close cooperation between the employees of the Building and Facility business segment, who are intensively occupied with the design, construction and operation of buildings. With the knowledge and experience they have gained, they are able to optimize the lifecycle of a property in consideration of production costs and future operating costs; this applies to the energy-related modernization of older buildings as well as new construction. With the expertise of its specialists, Bilfinger reliably produces cost-effective and sustainable real estate.

Building

With a full-range service offering, we are among the leading German companies for building construction. We avoid pure price competition and instead focus on providing our clients with high-quality solutions for sustainable, energy-efficient and cost-optimized buildings. We focus on partnership contract models for design and construction, allowing us to apply our expertise to the benefit of our clients and to achieve better margins.

We cover the most important areas in Germany through a network of operational branches, with a major project unit, our own companies for interior fitting, cold storage construction and facade engineering, as well as specialized consulting, design and logistics units. Since 2013, with SPM Projektmanagement of Munich, we now also have our own unit for the management of construction projects, especially in the fields of healthcare and education.

Facility Services

Bilfinger is the market leader for facility services in Germany and is among the leading providers in Europe. With our 360° Facility Services concept, we offer our clients tailored services with innovative solutions in the facility management, real estate and water technology sectors. We have competitive advantages from the high proportion of services we provide directly and from a comprehensive portfolio in all our markets. We provide all services for the management of all kinds of facilities. In control centers, towers at international airports and other properties of DFS Deutsche Flugsicherung (the German company for air-traffic control), we make sure that technical facility management runs just as smoothly as air traffic. For Telefónica, we are responsible for the complete integrated facility management comprising technical equipment, security, catering, rental / operator management and shop expansion, and the planning and execution of alterations and modernization. This takes place within the framework of holistic real estate – an innovative contract and management model by which the client ultimately will rent workplaces fully operated by Bilfinger. During sport events such as the Confederations Cup, we take care of catering with our organizational and logistical services. In shopping centers like Buyaka Istanbul, we not only designed the operator model, but are also responsible for letting the floor space successfully. We look after major clients through a tailored management model so that they can concentrate on strategic tasks, and we also take over the important area of energy management. Along with increasing globalization, our international clients' demand for 'one-stop shops' is growing and boosting our outsourcing business. In currently 40 countries, we offer a uniformly high level of comprehensive services to companies in all sectors and are continually expanding this offering.

KEY FIGURES BUILDING AND FACILITY

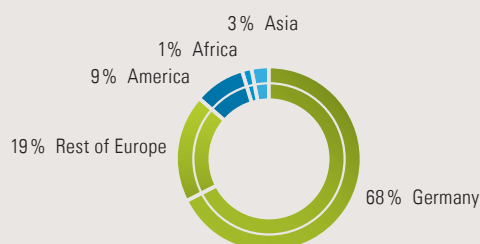
€ million

	2013	2012	Δ in %
Output volume	2,346	2,249	+4
Orders received	2,181	2,373	-8
Order backlog	2,304	2,147	+7
Capital expenditure on P, P & E	21	14	+50
Depreciation	18	14	+29
EBITA / EBITA adjusted	116	106	+9
EBITA margin (%)	4.9	4.7	
Employees (at December 31)	22,069	15,292	+44

BUILDING AND FACILITY: OUTPUT VOLUME BY REGION

€ million

	2013	2012	Δ in %
Germany	1,599	1,441	+11
Rest of Europe	454	377	+20
America	221	191	+16
Africa	11	219	-95
Asia	61	21	+190
	2,346	2,249	+4



Growth strategy Building

Organic

- Moderate organic growth with objective of shifting the focus of activities towards higher-margin specialized services

Acquisitional

- Smaller targets with high-margin specialties such as consulting, planning, management and construction logistics

Growth strategy Facility Services

Organic

- Expansion of the portfolio offering in the area of energy efficiency
- Further development of international presence in Europe and – with water technologies – in North America and Asia
- Further development of existing and acquisition of major new international clients

Acquisitional

- Further development of presence in Europe and – with water technologies – in North America and Asia
- Expansion of expertise in the area of attractive niche businesses

Performance

The Building and Facility segment successfully held its position in a challenging competitive environment. Output volume increased to €2,346 million, and the order backlog rose to €2,304 million. Organic growth in output volume amounted to 3 percent. Orders received were below the level of the previous year, which was characterized by the termination of a major service contract of several years in length. EBITA developed positively and increased by 15 percent to €116 million. This represents an increased EBITA margin of 4.9 percent. The number of employees grew to 22,069.

68 percent of output volume was generated in Germany. Important international markets in Europe, with a focus on Switzerland, Italy, Austria and Eastern Europe, had a share of 19 percent, and North America had a slightly increased share of 9 percent.

Market trend

Building

Following good demand for German building construction in 2013, an ongoing dynamic development is to be expected for 2014. Above all, the new construction of apartments and investment in energy-saving alterations to real-estate properties will continue to ensure stable capacity utilization. Consulting services for all aspects of real estate as well as high-quality work such as building extensions, facade engineering and building equipment are meeting with growing interest in the market.

Facility Services

Demand for facility services is generally very stable across all our markets. The trend is away from individual services provided locally and towards providing multinational clients with integrated services. Our services are increasingly measured against defined results and not in terms of individual activities.

Energy efficiency, sustainability and resource conservation are becoming increasingly important. In the field of energy management, we supply intelligent measurement and control systems. Through the holistic planning of technical building equipment, we create the right conditions for energy savings.

With increasingly tough price competition, success in the market depends on utilizing economies of scale and the availability of qualified personnel.

Management structure and areas of activity

From financial year 2014, management of the operational Group units in the Building and Facility business segment will be carried out by divisions of Bilfinger SE with the following areas of activity:

Building

- ___ Construction: turnkey projects and modernization
- ___ Consulting, planning, management and construction logistics
- ___ Trades: building technology, interior fittings and facade
- ___ Lifecycle projects / one

Facility Services

- ___ Commercial, technical and infrastructure facility management
- ___ Office services and catering
- ___ Services connected with the optimized operation of buildings (especially energy efficiency and maintenance optimization)
- ___ Integrated system solutions

Real Estate

- ___ Commercial, technical and infrastructure real-estate management
- ___ Asset and funds management
- ___ Valuation of real-estate properties
- ___ Real-estate consulting

Water Technologies

- ___ Industrial and municipal water treatment plants
- ___ Components for water treatment plants (e.g., filters)
- ___ Vacuum canalization and wastewater systems
- ___ Sewage sludge treatment and drying

Clients

Public and private clients of all types, especially professional real-estate owners

Major competitors

Building

Hochtief, Max Bögl, Züblin

Facility Services

Carillion, Cofely, ISS, Johnson Controls, Strabag, Wisag

Important events in 2013

Building

BASF is also convinced of our 'one' product. For the chemicals company, we are developing, designing and constructing an office building with a separate parking garage in Ludwigshafen. The 'one' project is being carried out as a property-developer model through a project company. It is a good example of how various Bilfinger entities apply their expertise so that together they can find an optimal solution for a difficult task. Bilfinger Facility Management is responsible for the operational planning, Bilfinger Baupformance is contributing the building physics and structural design, the Building unit is designing and constructing the office building and Bilfinger Parking is designing and building the parking garage. The interior fitting, facade engineering and building equipment will also be supplied by specialized Bilfinger units.

In the field of construction logistics, we see growth possibilities and good development opportunities in Europe outside Germany. Through the acquisition of CCL Consulting & Construction Logistics, based in Berlin, we significantly expanded our involvement in this area in 2013. CCL's operations will be merged with our bauserve business in 2014. With an annual output volume of €40 million, the newly formed Bilfinger Construction Logistics will be Germany's strongest company for construction logistics. The company designs, coordinates and manages all services in connection with the execution of construction work such as site surveillance and access control, occupational safety, material and machine leasing as well as facility and waste management for construction sites.

A good example of our successful positioning as a logistics specialist is the roof refurbishment at Frankfurt Airport. The roof of Terminal 2 has to be refurbished from the apron during normal operations. Access to the roof is only possible at certain positions during short time slots. The roof surface will be opened from above section by section in order to renew the material as far as the profiled sheet metal. The roofers will work under the cover of tents, which are adapted to the various shapes of the roof, transported by hand, erected and moved on as required. Our specialists are responsible for the entire logistics services and have prepared the site. They move the material onto the roof by builder's hoist or truck-mounted crane, and remove all waste material from there. On the enormous roof surfaces, materials are transported to wherever needed by specially adapted hand tractors. For that purpose, Bilfinger has laid tracks made of scaffolding covered with planks for walking on and using the hand tractors. Due to these difficult circumstances, the logistics account for more than half of the total refurbishment costs.

The renovation of the Unter den Linden State Opera House in Berlin is also being managed by Bilfinger. It includes not only the historical Opera House, but also the management offices and rehearsal center. In

compliance with the strict requirements for the protection of historical buildings, the complex will be adapted to modern needs. Raising the roof in the opera theater is to improve the resonances of the space and a tunnel will directly connect the rehearsal center with the opera building.

Technical building equipment is a key function for sustainable and energy-efficient buildings and is therefore a promising field for the future. In the year under review, Bilfinger strengthened its expertise in building equipment and energy consulting with the acquisition of the engineering firm Rostek & Stolz in Magdeburg.

Facility Services

With the acquisition of Europa Support Services at the end of 2013, we have moved up to the top group of facility services providers in the United Kingdom and Ireland. The company has a workforce of approximately 3,300 people. It generates a large proportion of its output volume of nearly €200 million per annum with its own qualified personnel and has long-term client relations with renowned companies. With this reinforcement in one of Europe's most important facility services markets, we are better positioned in the competition for major orders from internationally active clients.

We are steadily expanding our business with important large clients. For the fourth time in succession, IBM has extended a contract covering the complete facility management and project management of more than 200 properties in 24 countries of Central and Eastern Europe and the Middle East. The contract runs for a period of four years. This extension is a reflection of the trend for contracting the management of entire real-estate portfolios. In addition to IBM for example, Bilfinger also manages major international real-estate portfolios of other premium clients such as BASF, Deutsche Bank, Deutsche Post DHL, EADS, Kraft Foods and MAN.

As well as traditional FM services, consulting services are also in high demand, in particular for increasing the energy efficiency of buildings. In this context, Bilfinger is also responsible for energy management for many clients, and advises companies on sustainable energy supply and environmental protection.

In the area of real estate, we have received a major order in Turkey. Our experts will take over the letting and center management for the planned large shopping center 'Metropol Istanbul.' Bilfinger will also coordinate the facility management for the 400-meter-long shopping mall with 350 retail units. We are also responsible for the fund and real-estate management of closed-end real-estate investment funds of the German company HCI Capital, with a total of 48 office and logistics properties in the Netherlands, Austria and Switzerland, and we are taking over the property management for the Dutch real-estate portfolio of an investment company with 127 office and retail properties.

Outlook

Summarized details of the expected development of the Building and Facility business segment and of our other business segments are provided in the Outlook section on pages 118 ff.

CONSTRUCTION

WE SPECIALIZE IN PROVIDING DEMANDING ENGINEERING SERVICES
IN THE AREAS OF MOBILITY AND ENERGY

WE ARE EXTENDING OUR VALUE CHAIN IN THE AREA OF OFFSHORE WIND
BY SETTING UP OUR OWN PRODUCTION

WE ARE PREPARING FOR THE DEVELOPMENT OF THE
EUROPEAN ELECTRICITY NETWORK

WE FOCUS ON EUROPEAN CORE MARKETS

Economic environment

The European market for civil engineering was adversely affected in 2013 by the poor economic situation and by efforts to consolidate public finances.

The German market remained relatively stable as the economic situation was more favorable than in many other countries. The infrastructure acceleration program decided upon in the previous year with its additional investment in road building, railways and canals started to have a positive impact on the awarding of contracts.

In Poland, efforts to reduce the government deficit and decreasing inflows from the EU budget had a strong negative impact on the construction sector, resulting in a slump also for civil engineering. At the same time, there are indications of a revival in the coming years because the new EU financial framework that starts in 2014 will once again provide funding for infrastructure projects in the areas of energy, transport infrastructure, water management and environmental protection. Numerous new invitations to tender already took place during the year under review.

In Scandinavia, the relatively good financial situation of public budgets compared with other European countries allowed stable investment in ongoing infrastructure projects. Rising investment in transport infrastructure seems likely in the coming years. Outside the EU, Norway continued to invest substantial amounts in transport infrastructure and offshore installations.

In Austria, the government initiated an economic stimulus program due to the insolvency of a major construction company. However, there were no resulting positive effects for civil engineering in 2013. Only residential building provided any growth impetus for the construction industry.

Market position and strategic success factors

Bilfinger has positioned itself as a specialist for intelligent civil-engineering services in the areas of mobility and energy. With our expertise in technology and project work and our knowledge of regional circumstances, we are a sought-after partner for our clients. For public-sector clients, we primarily realize major transport infrastructure projects in Europe. For private-sector clients, we provide services mainly for industrial construction and for energy generation, distribution and storage.

As a result of the selective expansion of our service offering, our own research and development as well as cooperation with industrial partners and universities, we are extending our lead in the technologies we offer. We intend to participate in the development of the electricity network for the distribution of energy from alternative sources. In the spring of 2013, we acquired the FRB Group, which is active in the overhead power-line business and has headquarters in Luxembourg and Dinslaken. Bilfinger FRB specializes in the planning, layout and installation of high- and extra-high-voltage power lines. To be able to offer

so-called mixed power lines in the future, we are part of a research joint venture that is developing an innovative system for laying extra-high-voltage cables underground.

For the use of wind power, we are active in multiple projects. We are one of the leading companies laying foundations for wind parks in the North Sea and the Baltic Sea, with more than 550 foundations already completed or commissioned. All over Europe, our specialists produce, supply and install pre-stressing systems for the erection of masts consisting of segmented concrete elements for onshore wind parks with hub heights of up to 150 meters, so that they can withstand extreme storms. Together with a leading producer of wind turbines, we are developing a concept for the easy and economical dismantling of wind masts at the end of their useful lives. We are carrying out research to find technical solutions for optimizing the design of foundation elements for offshore wind parks. Our new facility for the production of steel foundations for offshore wind turbines, which is being established in the port of Szczecin in cooperation with the Polish company Crist Dockyards, is scheduled to start production toward the end of 2014. Going beyond the actual execution of construction, we are able to apply our technical expertise and wealth of experience already in the planning of challenging mobility projects. A good example of the application of our all-round planning and execution competence for a public-sector client in the context of a competitive dialog is the Kvarnholmsförbindelsen bridge-building project in Sweden. A former industrial area on an island off the coast near Stockholm is being transformed into a new residential district. The proposal made by Bilfinger for a steel arch bridge has convinced the client in terms of design, technical details and cost. By means of an asymmetrically curved shape, it avoids expensive pile foundations in geologically difficult terrain while giving the new bridge a very elegant appearance. With this contract, we have further strengthened our good position in the attractive Scandinavian market for mobility projects.

We are among the technology leaders in many areas of civil engineering such as tunneling, port construction, offshore, pre-stressed engineering, steel construction and foundation engineering. In order to avoid country risks, we concentrate our activities on core markets in Europe. Outside Europe, we take on tasks only as a technology partner for locally experienced and reliable companies.

Our Polish subsidiary Bilfinger Infrastructure has oriented its activities towards a broad client base and intends to significantly increase the proportion of projects carried out for private-sector clients. In the future, the company's output volume is to be generated fairly equally by road construction, bridge building, river regulation and power-plant and industrial construction. We sold the German company for road construction, Bilfinger Infrastructure GmbH in Bochum, to a strategic investor in 2013.

Growth strategy

Organic

- Electricity generation (especially offshore foundations), electricity networks (especially extra-high-voltage power lines)
- Expansion of business activities in the Scandinavian market (especially in the area of transport infrastructure)
- Increasing the proportion of private-sector clients

Acquisitional

- Targeted investments to strengthen special technologies

Performance

In Construction, output volume, orders received and order backlog decreased significantly. Our expectations in this business segment were not met. Output volume decreased by 26 percent to €1,038 million. Orders received decreased to €817 million. EBITA was a mere €1 million. We disposed of the loss-making road construction business in Germany at the end of the reporting year. Furthermore, we remained unable to reach an agreement on outstanding claims for completed road construction projects in Poland. The number of employees fell to 3,673.

The share of domestic volume amounted to 52 percent; European countries outside Germany accounted for 41 percent. Key markets included Scandinavia, Poland, Austria and the United Kingdom.

Market trend

In our European markets for infrastructure projects in the mobility sector, we are faced with different levels of demand: While investment in transport infrastructure remains flat in Germany and is declining in Poland, the further expansion and modernization of transport infrastructures with public-sector investment will continue for some years to come in the Scandinavian countries.

It will take a long time to implement the far-reaching changes to German infrastructure for electricity generation and distribution and energy storage triggered by the energy transformation. Also in the rest of Europe, demand is growing as a result of the expansion of wind energy, utility networks and storage technology, as well as through the conversion and modernization of power plants. In the coming years, this is expected to result in attractive construction projects in that sector in Germany and other European countries.

KEY FIGURES CONSTRUCTION

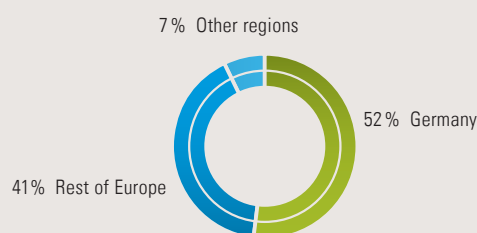
€ million

	2013	2012	Δ in %
Output volume	1,038	1,404	-26
Orders received	817	1,099	-26
Order backlog	987	1,224	-19
Capital expenditure on P, P & E	32	29	+10
Depreciation	26	25	+4
EBITA / EBITA adjusted	1	25	-96
EBITA margin (%)	0.1	1.8	
Employees (at December 31)	3,673	4,490	-18

CONSTRUCTION: OUTPUT VOLUME BY REGION

€ million

	2013	2012	Δ in %
Germany	543	645	-16
Rest of Europe	429	663	-35
Other regions	66	96	-31
	1,038	1,404	-26



Management structure and areas of activity

From financial year 2014, management of the operational Group units in the Construction business segment will be carried out by divisions of Bilfinger SE with the following areas of activity:

Construction

- ___ Mobility: ports, locks / dams, tunnels, inner-city tram / underground rail lines, noise barriers
- ___ Energy: power plant construction (conventional and renewable), foundations for offshore parks, networks
- ___ Additional competencies: foundation engineering, pre-stressing and geotechnical engineering, steel construction, structural maintenance and formwork

Infrastructure

- ___ Transport infrastructure including roads, bridges, tunnels
- ___ Construction services for power plants and industrial facilities
- ___ Other civil engineering structures

Services

Demanding planning and engineering services in the areas of mobility and energy

Clients

Public- and private-sector clients

Major competitors

Balfour Beatty, Hochtief, Max Bögl, Porr, Skanska, Strabag / Züblin

Important events in 2013

In Berlin, we are carrying out two major construction projects to improve the city's public transport system. On the one hand, the U 5 underground rail line from Brandenburger Tor to Rotes Rathaus is being extended by approximately 1.6 kilometers; on the other hand, the S 21 tram line is being extended from Hauptbahnhof to the northern tram ring. We are working on two important structures for the improvement of transport infrastructure also in our growth market, Norway: the Vågstrands Tunnel and the Tresfjord Bridge. In the North Sea off the German coast, we successfully installed the foundations for all 80 of the Dan Tysk wind turbines in 2013. We also worked on a number of projects for industrial clients. For example, we were involved with our pre-stressed systems in the construction of sugar silos up to 60 meters in height for a client in the food and beverage industry. The Group's internal networking was of particular use in a new construction project for a company in the chemicals industry. In Passau, Construction cooperated with Bilfinger VAM in the Power business segment to construct a production plant for basic chemical materials. By means of this cooperation, it was possible to master the complex interfaces between civil engineering and plant engineering and to minimize the project risks for the client.

For ambitious projects in the real-estate sector, our Foundation Engineering unit delivers turnkey excavations such as for the new Maintor office district in Frankfurt am Main, the Andreas district in Düsseldorf and the Kurpfalz-Galerie shopping center in Aachen.

Outlook

Summarized details of the expected development of the Construction business segment and of our other business segments are provided in the Outlook section on pages 118 ff.

Discontinued operations: Concessions

In the past financial year, Bilfinger sold the majority of its concessions activities as planned. From a total of 12 projects concerned, seven have already been transferred to the buyer. The transfer of the remaining five concession projects that have been sold is expected to follow in the first half of 2014 with proceeds of about €100 million and a capital gain of approximately €10 million. The majority of the divested projects will be taken over by the BBGI infrastructure fund, which is listed on the London Stock Exchange. In view of the decreasing strategic importance of the former business segment, the Group decided at the beginning of the year to sell the projects.

In addition, Bilfinger made the decision in December to also sell the shares in the German autobahn project A1. The project has been fully written off due to the development of traffic volumes which remain substantially below expectations.

The key figures of the activities sold and those for sale of the concessions business are presented under 'discontinued operations' in the annual financial statements 2013. Earnings from the activities of the former Concessions business segment amount to €4 million after taxes (previous year: €34 million). In the reporting year, capital gains from the sale of projects completed in 2013 in the total amount of €46 million were nearly offset by costs to sell and expenses for the winding up of the discontinued activities of €10 million as well as the devaluation of the investment in the A1 of €34 million.

The project-development activities have been discontinued and the asset-management units have been integrated in the Group by the Real Estate division as of January 1, 2014. We still have the M6 Duna and M6 Tolna highways in Hungary in our portfolio.

Sustainability

Our top priority is to secure the viable future of Bilfinger. Our company policy is therefore geared toward being successful over the medium and long term. Such success can only come about, in our opinion, if our business activities also take noneconomic factors into account and are able to reconcile the needs of employees, customers, suppliers, shareholders and other social groups. As part of our commitment to sustainability, we want to make an active contribution to the conservation of resources, to the promotion and development of our employees and to improving social conditions on an ongoing basis. This commitment includes obligations within the scope of international initiatives such as the requirements of the UN Global Compact and adherence to national standards like the German Sustainability Code. We are also committed to a sustainable leadership philosophy through our membership in the Wittenberg Center for Global Ethics.

Since financial year 2011, we have been systematically publishing our objectives, strategies, activities and results in an annual Sustainability Report. The internationally recognized guidelines of the Global Reporting Initiative (GRI) form the basis of this reporting.

Ecology An important part of our business activities consists of helping our clients increase their energy efficiency and reducing their emissions. To this end, we draw up individual solutions based on cutting-edge technology. Our expertise focuses in particular on professional engineering and premium services for the extraction and application of biological, wind, thermal and hydro power as well as on the reduction of toxic emissions and the design, construction and operation of highly energy-efficient buildings.

We also gear our internal processes toward ecological benchmarks. All units of the company are certified in accordance with the environmental management standard ISO 14001 or take environmental goals into consideration in the framework of other management systems such as ISO 9001. The share of certifications in accordance with ISO 14001 increased significantly in recent years and was further expanded in 2013. Certification in accordance with ISO 50001 (Energy Management Systems) was also undertaken for individual Group companies.

We reduce the negative environmental impact of our commercial activities to the greatest extent possible. Using appropriate management systems, we constantly endeavor to optimize our utilization of materials, energy and water consumption as well as waste production in order to make an active contribution to the maintenance of biological diversity.

Employees Our employees are our most important resource. We develop their skills, motivate them and feel bound by the principles of

respect, fairness and loyalty in the way we treat each other. The health of our employees is a top priority and occupational safety is paramount. In order to further improve the safety culture at Bilfinger, we introduced a behavior-oriented safety program throughout the Group in the reporting year.

The diversity of our workforce is an important factor for our success. We rely on a diverse range of experience, qualifications and perspectives from the people who work for us in countries around the world. Bilfinger has been offering solutions to improve compatibility between career and family for many years. Solutions include, in particular, flexible working time models as well as programs for the care of children and relatives with special needs. In order to secure our business success over the long term, we intensively train young talent.

Society We see ourselves as part of society. We therefore get involved as corporate citizens wherever our business activities are located. In particular, we support projects in the areas of education, culture and sport as well as social projects. The institutions supported by Bilfinger include endowed chairs, the Deutschlandstipendium from the German Ministry of Education and Research, the Knowledge Factory, the German Sport Aid Foundation, the Special Olympics as well as the National Theatre in Mannheim.

Products and services We are an increasingly important sustainability services provider for our customers. A major share of Bilfinger's services are now provided for power plants, industrial facilities and real estate in the areas efficiency enhancement, lifecycle optimization, resource conservation, environmental technology and renewable energy. In recent years, we have completed our range of services in this area with the expansion of our expertise in electrical, instrumentation and control technology.

Bilfinger's core competencies include increasing the energy efficiency of industrial plants, power stations and buildings. We thus achieve not only substantial cost savings for our customers, but also an increase in the efficiency level and a reduction of emissions that are environmentally harmful. We support energy transformation and develop individual solutions for the production and utilization of bioenergy as well as wind, solar and hydropower. With our effective products and services for water treatments, wastewater purification, sludge treatment, waste treatment and sewage plant optimization we contribute to conserving water resources.

Further development of the sustainable product range is of utmost importance in the research and development activities of Bilfinger. We also aim to define ourselves according to the quality of our products and services and to set standards in this regard. We oblige our suppliers, subcontractors and service providers by means of a Code of Conduct to take into account the impact of their actions on people and the environ-

ment by adhering to standards such as the principles of the UN Global Compact. In addition, we mandate that they also impose these obligations with their own suppliers, subcontractors and service providers.

Outlook Bilfinger's range of services is particularly broad in the area of energy efficiency. For this reason, Bilfinger Efficiency GmbH was founded – a company that will go on the market in 2014. Bilfinger Efficiency combines the expertise of the Group in the area of energy efficiency and offers customers the relevant services from a single source.

We will continue our efforts to further improve our service range as a sustainability services provider and to improve our own sustainability performance. The strong networking of the Group which is being undertaken within the scope of our strategic development will create even better conditions in this regard.

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

Procurement

Through the ongoing expansion of our purchasing network and the further standardization of purchasing functions in the operating companies, it was possible to realize substantial procurement potential in the reporting year.

The newly-revised Group guideline on procurement forms the basis for all procurement activities in the Group. Uniformly-defined purchasing processes are necessary to be able to select the best suppliers, subcontractors and service providers for Bilfinger. In addition to monetary aspects, criteria for selection include quality, adherence to schedules, risk / security, experience, environmental aspects and compliance questions.

We seek to concentrate our procurement volumes on key strategic suppliers. The ongoing evaluation of our partners' performance in accordance with internal Group criteria, allows us to recognize weaknesses in the service level of the supplier and, together with the supplier, improve the situation. The Group-wide, standardized supplier management system and the harmonization of procurement processes are a decisive success factor in our purchasing strategy.

Newly introduced functional reporting in purchasing for the entire purchasing organization in connection with clear targets and defined key performance indicators to review target achievement increases the transparency and effectiveness of purchasing in all Group units. The consistent data and information generated with the reporting allow us to further improve control of procurement processes in the Group.

	2013	2012
Purchasing volume absolute (€ million)	3,537	3,840
Purchasing volume as a percentage of output volume (%)	42	45
thereof subcontractor services (%)	61	63
thereof materials purchased (%)	39	37

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

A total of €17.3 million (2012: €18.0 million) was invested in comprehensive communications measures in the reporting year. Of that amount, publications accounted for €2.6 million (2012: €2.6 million), fairs and exhibitions for €3.1 million (2012: €4.0 million), new media for €1.7 million (2012: €1.0 million) and other activities for €3.4 million (2012: €3.4 million). In addition, a total of €6.5 million was invested as a one-time marketing expense for the implementation of the new corporate design, global registration of the logo and the continuation of the image campaign.

Corporate identity / corporate branding One of our key communication objectives is to strengthen and reposition our corporate brand, 'Bilfinger.' As an international engineering and services group with a wealth of expertise in the areas of industry, energy, real estate and infrastructure, we are unique worldwide. The stringent and uniform brand identity stands for our new self-image. Our corporate design with worldwide validity connects all the operating units closely with the Group brand. Apart from a few exceptions, all the operating companies have 'Bilfinger' as an element of their company's name and present themselves under a shared corporate brand.

Corporate design Bilfinger is characterized by features that seem to differ greatly: the inventiveness of its engineers and the service mentality of the staff in areas providing direct services, for example. We have combined this entrepreneurial self-image into a creative 'leitmotiv' of the brand: the complementary principle. All of the creative elements of our corporate design follow this principle and thus facilitate diversity,

fascination, orientation and harmony at all perception levels of communication – and base the profile of the Bilfinger brand on exactly that self-image.

A brand portal has been developed to accelerate the Group-wide implementation of the new corporate design. All of the new corporate design manuals can be found in this online application, from typography to the use of color and images, to office equipment to print media, vehicle lettering, signs on buildings, clothing and digital media. The portal also offers numerous practical examples, advice on application and production recommendations.

Corporate campaign The advertising campaign for rebranding, which started successfully in 2012 with a focus on decision makers and opinion leaders in the fields of business, politics and society, was supplemented with three additional themes in 2013. Under the brand promise of 'We make it work,' advertisements demonstrate how Bilfinger makes a decisive contribution to helping customers focus on their core business. In 2013, the themes show the range of Bilfinger's services in the areas of sustainability, servicing industrial equipment and manufacturing power-plant components.

Internet Bilfinger's new brand identity is becoming more and more visible on the Internet. During the year 2013, 40 corporate websites were adapted to the new corporate design and relaunched. This is based on the web environment we implemented in 2012, which secures the uniform appearance of the Bilfinger websites and makes synergy effects possible. The web environment is available to all the companies of the Group and is currently home to more than 100 company websites from the entire Group.

Bilfinger was nominated for the German Prize for Online Communication in 2013 in the categories of 'Corporate Website' and 'Digital Annual Report,' and was thus among the five best contenders. We integrated the online annual report into our corporate website for the first time in 2013.

On the social web, the platforms actively used by Bilfinger have continuously rising user numbers. The biggest attractions are the YouTube channel 'BilfingerTV' (www.youtube.com/bilfingertv) and the corporate profile on the LinkedIn network site (<http://www.linkedin.com/company/bilfinger>).

Bilfinger Magazine We regularly use the Group's customer magazine not only to maintain dialog with our clients, but also to acquire business and to recruit personnel. The print edition of Bilfinger Magazine appears twice annually with a circulation of about 30,000 copies and is supplemented by an online edition. In the biggest European competition for corporate communication (BCP), the magazine was awarded prizes in

the categories of Industry / Technology and Green Publishing. Bilfinger Magazine is printed on recycling paper and the production process is optimized in terms of sustainability.

Sustainability report Bilfinger publishes an annual sustainability report, which systematically presents the Group's goals, strategies, activities and results in this area. Our sustainability reporting is based on the internationally recognized guidelines of the Global Reporting Initiative (GRI). The report is available exclusively online and was given more depth and reach in 2013.

Press In order to provide the public with relevant 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. With 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.

One focus of our press work last year was on in-depth communication about Bilfinger's repositioning. Our own stand at the Hannover Industrial Trade Fair was a new platform to inform journalists about the Group's range of services with press events and individual discussions with members of the Executive Board.

Information for employees In 2013, Bilfinger started a process to develop a new mission statement for the Group. Our employees were actively involved in the project right from the start. In more than 100 workshops all over the world, they discussed Bilfinger's values and goals. On the basis of this employee feedback, the new mission statement will be completed in 2014 and introduced throughout the Group.

The employee magazine Bilfinger World appears twice a year in the languages German, English and Polish with a circulation of 60,000 copies, and is distributed to the employees of all entities of the Group worldwide. With this magazine, Bilfinger aims to encourage networking and team spirit at the Group, and to give the employees an overview of strategic objectives and the variety of services provided by the Group.

Employees are kept up to date on what is happening at the Group on a daily basis via the intranet. Thousands of employees make use of this vast resource every day. Within the scope of repositioning the company, a new intranet portal has been introduced which offers information and news from the entire Group. 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 conference calls.

Direct dialog with clients From April 8 to 12, 2013, Bilfinger presented itself for the first time at the Hannover Trade Fair. In Hall 11 of the world's biggest industrial trade fair, the Group showed its complete range of engineering and other services for the sectors of industry, energy, real estate and infrastructure on a newly designed stand with floor space of 500 square meters. Under the brand promise of 'We make it work,' visitors to the trade fair were able to gain an impression of how Bilfinger looks after industrial equipment, power plants, buildings and infrastructure projects over their entire lifecycles. The exhibits included a virtual 3D model of an industrial plant that had been specially developed for the Hannover Trade Fair, a micro gas turbine that had just been launched on the market, an interactive media system to explain the real-estate product 'one,' and a model of the DanTysk wind park, for whose foundations Bilfinger is responsible. The trade-fair stand and the related series of lectures met with a very positive response from clients and the media.

Focal points of our client dialog philosophy were once again national and international trade fairs, congresses and conferences. There we presented the strengths and capabilities of our operating units.

Human resources

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

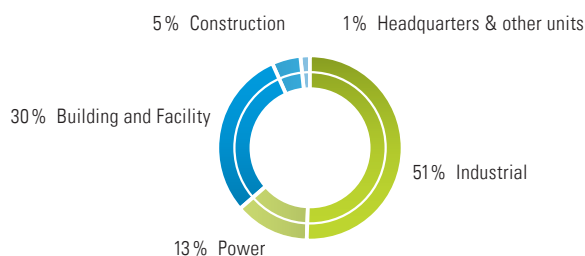
Bilfinger is an attractive employer. Surveys and rankings attest to the above-average image ratings we enjoy among students and employees. We want to improve even further in order to ensure we are successful in the competition for the best talent that has arisen as a result of demographic developments.

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

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

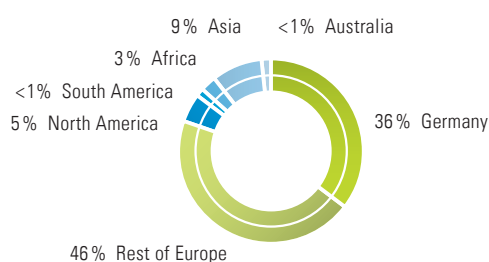
NUMBER OF EMPLOYEES BY BUSINESS SEGMENT

	2013	2012	Δ in %
Industrial	37,945	37,056	2
Power	10,028	9,278	8
Building and Facility	22,069	15,292	44
Construction	3,673	4,490	-18
Headquarters & other units	561	567	-1
	74,276	66,683	11



NUMBER OF EMPLOYEES BY REGION

	2013	2012	Δ in %
Germany	26,751	24,046	11
Rest of Europe	34,167	30,341	13
North America	3,820	3,703	3
South America	174	0	
Africa	2,250	2,086	8
Asia	6,966	6,507	7
Australia	148	0	
	74,276	66,683	11



NUMBER OF EMPLOYEES BY GENDER	2013			2012		
	Total	Male	Female	Total	Male	Female
Industrial	37,945	34,486	3,459	37,056	33,708	3,348
Power	10,028	8,974	1,054	9,278	8,398	880
Building and Facility	22,069	13,208	8,861	15,292	9,593	5,699
Construction	3,673	3,106	567	4,490	3,839	651
Headquarters & other units	561	334	227	567	352	215
	74,276	60,108	14,168	66,683	55,890	10,793

Responsibility for compliance with our occupational safety standards lies with the operating units which take into account the working conditions that are specific to their respective businesses. A Group occupational safety officer and a network of occupational safety officers in the operating units support the operating units in complying with and fine tuning 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 launched the SAFETY-WORKS! program during the reporting year. The program lays out a methodical approach for continuous optimization for the individual units in our decentralized and diverse 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.

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 60 percent of all the Group's workplaces. We conduct audits on all levels through internal and external agencies in order to continually analyze and improve our occupational safety measures.

Health promotion We are continuing to implement the concept for the promotion of health and performance among our employees which was introduced in 2012. The fields of activity include sports and exercise, physical and mental health and workplace conditions. Through a framework agreement with a national fitness provider, our employees have the opportunity to visit fitness studios throughout Germany and Austria at reasonable conditions. We promote the sporting activities of our workforce in a number of disciplines. These include running, football, basketball, cycling, skiing, squash, inline skating and yoga. We send large teams to corporate running events held at the Hockenheimring, in Frankfurt and in other cities as well as to bike races and dragon boat races. 38 teams from numerous countries took part in the Bilfinger Hochbau 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 whether our workplaces are a burden on the health of employees or whether they may even endanger their health. If necessary, technical or organizational measures are taken to deal with such risks.

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

Increasing the share of women in our workforce which, at the end of the reporting year was at 19 percent, is one of our most important objectives. The measures we apply to promote female employees include specific training opportunities and cross-mentoring programs. The share of female employees in management positions was 7 percent at the end of the year. In order to increase this figure, we have been executing our own program since 2011. Our objective is to fill approximately 15 to 20 percent of management positions at Bilfinger with women by 2020. To achieve this objective, we will be relying on the targeted promotion of young talent: of the university graduates newly hired in Germany in 2013 with economics or engineering degrees, 52 and 23 percent, respectively, were female.

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. Through an internal women's network in the company which was founded in 2012, female employees can bring themselves up to date on career topics and exchange experiences with other participants.

Professional and private life It is our goal 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. Together with the operating units, headquarters developed models for flexible working hours and home-office arrangements that are implemented in the individual companies in line with both local and individual situations.

The offers that allow for greater compatibility of career and private life and a corresponding improvement of the work-life balance include childcare options and care for family members with special needs. A model for such measures was tested in Mannheim and expanded to all locations in Germany. Employees can contact a family service agency. Bilfinger covers the costs of the consulting and agency services as well as certain care-related costs.

Recruiting The objective of our intensive university marketing program is to identify highly qualified graduates and arouse their interest in working for Bilfinger. Within the scope of the 'Deutschlandstipendium' scholarship program, we currently support 90 scholarship recipients at 19 universities. We award the 'Bilfinger Prize' at five universities. The contacts gained within the scope of this program often lead to internships and academic papers that are accompanied by our employees.

We will further intensify and internationalize our diverse activities at selected universities in order to meet the future need for highly-qualified specialists around the world.

In the course of our new market presence, all Group units appear with a standardized employer branding in the jobs market. The graphic concept for this presence has also been adapted with the repositioning of the Group. The main contact points are the career pages on our website which also has a very clearly arranged jobs pool. In a ranking of the most popular employers for engineers (trendence Institute), our company achieved a very strong 9th place and thus moved up an impressive 10 places in just one year. This confirms the positive perception of Bilfinger as an employer.

Bilfinger Academy – training and personnel development For Bilfinger, professional training is an investment in the future of each individual employee and the entire Group. The program offered by the Bilfinger Academy was further expanded in 2013 to ensure the greatest possible level of support to employees. All business areas bring together their seminars, e-learnings and development offers under a joint virtual umbrella. This gives employees and managers a complete overview of all training events. One focus in 2013 was on the Group-wide implementation of binding e-learning programs. More than 30,000 e-learnings were completed at all Bilfinger location on topics such as compliance and working capital management. Just as successful was

E-RECRUITING (GERMAN-SPEAKING COUNTRIES)

	2013	2012	Δ in %
Industrial	290	174	+67
Power	34	73	-53
Building and Facility	1,175	949	+24
Construction	62	73	-15
Headquarters & other units	36	89	-60
	1,597	1,358	+18

GROUP APPRENTICES BY BUSINESS SEGMENT

	2013	2012	Δ in %
Industrial	745	778	-4
Power	411	318	+29
Building and Facility	440	400	+10
Construction	51	57	-11
Headquarters & other units	8	8	0
	1,655	1,561	+6

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

Plant mechanic	176
Industrial clerk	101
Electricians	78
Commercial BA degree	57
Industrial mechanic	50
Construction mechanic	49
Technical draftsman / woman	45
Mechatronic technician	43
Industrial insulator	42
Technical BA degree	36

ACQUISITIONS: NUMBER OF EMPLOYEES

	2013
Europa Support Services Ltd.	3,265
Johnson Screens Inc. Group	1,081
Mauell GmbH Group	460
GreyLogix GmbH Group	365
ELWO S.A.	202
CCL Consulting & Construction Logistics GmbH	98
FRB GmbH Group	73
SPM Projektmanagement GmbH	64
Rostek & Stolz Ingenieurgesellschaft mbH	27
ESG Energy Service Group AG	19
	5,654

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. In our interim report, which we will publish on May 8, 2014, we will provide a detailed overview of the first quarter of the year.

the establishment of cross-functional networks. There, experts are working on comprehensive projects on topics of relevance to the business such as welding and engineering.

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. These appraisals were carried out on the basis of a uniform system for the first time in 2013 – initially for employees in Germany.

Employee share program The employee share program which was started in the previous year was continued in 2013. Participating employees could apply their bonus in the amount of €300 toward the purchase of a share package with five shares. The difference between the amount of the bonus and the price of the share package of €44.80 was covered by the company. In total, employees purchased more than 17,000 shares as part of this campaign.

Currently, 18.2 percent of the 25,000 employees who are entitled to participate in the program hold employee shares. While the rate of participation among management employees declined slightly, participation among all other employees rose. As in the previous year, about 80 percent of the participants had their voting rights at the company's Annual General Meeting 2013 executed by the association of employee shareholders.

Bonus payment for employees in Germany Once again, more than 18,000 employees in Germany received a bonus payment of €300 gross in June 2013 as thanks for their efforts and commitment.

Opportunity and risk report

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

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

Within the scope of the Group-wide risk management system, the divisions and subsidiaries make use of instruments that are aligned with their operating business

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

The internal control and risk management system as relates to the accounting process ensures that the business situation is properly reflected in the financial statements

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

We have restructured our organization and, with effect from the end of the reporting year, disposed of our Subgroup structure. From 2014, 14 divisions within Bilfinger SE will assume management responsibility for the operating business. Their tasks as described below were the responsibilities of the former Subgroups until the end of 2013.

Our corporate strategy focuses on identifying the opportunities that present themselves at an early stage, evaluating them by applying our risk management system and taking advantage of them through suitable measures for the continued successful development of Bilfinger.

As part of strategic corporate planning approved by the Executive Board for a period of five years from 2011, the divisions regularly submit a detailed three-year plan. The resulting cumulative overview for the Group is dealt with on an ongoing basis by the Executive Board. To achieve a greater level of detail, the Executive Board conducts full-day workshops with the divisional management at which the analyses and planning of the divisions are discussed, also with a view to their classification in Group planning. This treatment takes all factors that are relevant for the Group's opportunity management into consideration, including markets, competitive situation, strategic positioning, analysis of strengths and weaknesses, own organization, investments, human resources as well as volume and earnings development. It serves as a basis for strategic decisions intended to take advantage of the Group's opportunity potential.

The recognition and realization of opportunities is an integral part of the process management system at our operational units. We define opportunities as favorable deviations from planned framework conditions. Their opposite, negative deviations from planned framework conditions, constitutes risk. Opportunities and risks are therefore treated in the same step of the process. It is only following the analysis of a deviation from normal conditions that a classification as opportunity or risk can be undertaken.

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

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

Opportunities for Bilfinger

Group We want to secure the economic success of our company by growing in defined industries through acquisitions. In this context we will consistently apply the funds available to strategically complement the portfolio and to create a stronger platform for organic growth. One focus is the strengthening of our engineering competence and the resulting increase in vertical integration.

We have also made it our goal to accelerate the organic growth of our existing units. Increased cooperation among our Group units is particularly promising in this regard. As part of our BEST (Bilfinger Escalates Strength) strategic program, we have created a series of instruments which will help our units put together comprehensive service packages and offer them to the market.

With the program to increase efficiency (Bilfinger Excellence), we will fundamentally optimize structures and processes in the sales and administrative areas and secure our competitiveness over the long term. For this purpose, we have disposed of the former Subgroup structure with effect from the end of 2013. Since that time, operational management has been the responsibility of 14 divisions within Bilfinger SE. The measures we have introduced enhance the operational responsibility of our decentralized units and strengthen our focus on the customer. These measures foster internal cooperation and the joint management of customer relationships. Bilfinger Excellence creates transparent structures, clear lines of responsibility and a competitive cost structure.

Opportunities will also arise from the improvement of our business conditions: the business environment in important industrial countries has improved, Germany is experiencing strong growth in consumption and investment and in the rest of Europe there are also initial indications that the recession is ending. With an even stronger focus on our service range achieved through the sale of our concessions business and the German road construction unit, we believe we are well-equipped to participate in the anticipated upswing.

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

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

Industrial In the Industrial business segment, the focus of our activities related to the execution of inspections for major production facilities has to date been in Central and Northern Europe. We see interesting potential to expand this business in other European countries and in Asia. This also applies to the expansion of activities related to repair and maintenance work for offshore oil and gas platforms. Especially with large international clients, we see demand for outsourcing measures in which we also maintain the industrial facilities and take over the customer's existing service personnel.

There are opportunities for acquisitional growth from portfolio expansion in existing markets and from opening up growing international markets. To this end, market potential is regularly evaluated and consistently integrated into the growth strategy. One example is the United States where the share of national gas production from the mining of shale gas reserves is expected to increase from the current 23 percent to about 50 percent of total consumption by 2035. This requires a significant expansion of the pipeline network. It is also expected that the chemical industry will increase its capacities as a result of decreasing oil and gas prices. This development offers promising development opportunities in the Industrial business segment.

In our estimation, another driver of growth will be the application of our competence in electrical, measurement and control technology as well as in engineering. In the course of the expansion of renewable energies, the intelligent networking of decentralized energy sources is extremely important. We see particular opportunities in competition from our strong position in engineering.

Power In the Power business segment, we have a sound technological foundation for taking advantage of future opportunities. Our strengths include a significant vertical integration in energy technology, our position as market leader in high-pressure piping systems, a unique range of competences in nuclear and environmental technology as well as comprehensive expertise and our own manufacturing capacities in heavy steel construction. With the addition to our portfolio of services in the area of turbine services, we are in a position to provide our clients with maintenance services for their entire power plant from a single source. Strong market penetration in Europe – especially in DACH and Eastern European countries – and a long-standing presence in South Africa and the Middle East form a solid foundation for the further development of our business in power plant service. With regard to the decision to shut down nuclear power plants in Germany, we are preparing to participate in the necessary dismantling of reactors.

We see promising opportunities in our international markets. There is substantial demand in many countries for the modernization of aged facilities, especially for coal-fired power plants. For gas-fired power plants, opportunities are presented in the conversion of open cycle power plants (OCP) to combined cycle power plants (CCPP). For regions such as the Middle East, the modernization and expansion of thermal seawater desalination plants are of fundamental importance. In North America, the dynamic energy sector offers substantial development opportunities also for our Power business segment.

On this basis, we seek to develop new growth opportunities in selected markets such as Europe, the Middle East, Asia or the USA.

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

In the building construction business in Germany we see opportunities primarily in the provision of high-margin special services such as consulting, construction logistics and the management of construction projects. We intend to continue our moderate growth in these areas.

At Facility Services, there are particular opportunities in the expansion of business activities with key accounts, greater use of our comprehensive competences in the field of consulting and from an expansion of our activities in energy management for buildings. In asset and property management, an expansion of the service portfolio to high-margin broker services can generate impetus for growth.

We intend to use our strong position in Germany to take advantage of additional opportunities in selected European countries as well as in North America and Asia. We seek organic growth and are planning further acquisitions. We want to strengthen our position as a leading European service provider through the intensification of our activities for asset, property and facility management services in the important UK market. We thus also increase our potential to assume responsibility for transnational services at major international customers. The Water Technologies division, which includes the activities of Johnson Screens – acquired in the reporting year – and the resources that were already in place in the Group, has a strong international position in the future market water.

Construction In the Construction business segment there are opportunities in the restructuring of our civil engineering units into specialists for intelligent construction services in mobility and energy. We see further potential in the Scandinavian countries which continue to invest heavily in the expansion of their transportation infrastructure. We are market and technology leader in the construction of foundations for offshore wind turbines in the North Sea and Baltic Sea. This position provides us with the opportunity to expand our construction activities in connection with the use of regenerative energies. To this end, we will apply our strong competence in the offshore field as well as in tunnel construction and foundation engineering. With the addition of utility line construction to our portfolio, we want to participate in the expansion of the electricity network for the distribution of alternative energies. Other attractive areas of activity in the Construction business segment can include cable laying and execution of construction-related services.

In construction logistics, we see additional growth opportunities and good development possibilities in European markets outside Germany. As a key function for energy-efficient real estate, technical building equipment also represents a promising area of activity.

Risk management system

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

The risk management function comprises the following components in particular:

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

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

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

Headquarters are also responsible for controlling tasks of overriding importance. The corporate departments of Group Controlling,

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

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

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

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

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

Our controlling and monitoring instruments are combined into a comprehensive risk management system that is subject to continuous development. All of the processes and approval procedures that are stipulated by law, the Executive Board or the corporate functions are documented in guidelines, work procedures, manuals and instructions. Via the intranet, employees throughout the Group have quick access to the content of the risk management system. The functionality and effectiveness of key elements of this system, including the operational, non-accounting related internal controlling system and the internal risk system are reviewed by the Audit Committee of the Supervisory Board and the external auditors. Any recommendations on the optimization of the risk management system resulting from these reviews are implemented immediately.

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

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

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

This internal control and risk management system ensures that entrepreneurial substance is accurately recorded, processed and recog-

nized in the balance sheet and implemented in the accounting system. Appropriate staffing and equipment, the use of adequate software as well as clear legal and internal company requirements form the basis of an orderly, standardized and consistent accounting process. The clear division of areas of responsibility as well as various control and monitoring mechanisms (especially plausibility controls, the dual control principle and audit treatments from Internal Auditing), ensure proper accounting. In this way, it is ensured that the accounting process is carried out uniformly and in line with legal requirements, the principles of proper book-keeping, international financial reporting standards and internal Group guidelines. Furthermore, it is ensured that business transactions throughout the Group are recorded and evaluated uniformly and within the scope of accounting publications and that, as a result, accurate and reliable information is made available.

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

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

Risks related to our business environment

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

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

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

Risks related to our business model

Subsidiaries We carry out business operations through a large number of subsidiaries and affiliates. All the companies of the Group are subject to the regular financial controlling of subsidiaries and associated companies. This is carried out from headquarters as directed by the Executive Board and is outside the reporting hierarchy. By permanently monitoring business developments, especially by means of local reviews, subsidiary controlling creates a complete picture and an independent opinion of the companies' financial situations.

The subsidiary controllers report to the Executive Board once a month and inform it of any unusual developments without delay. In addition, there is a financial controlling department in each division that reports to the respective management and is subject to the functional supervision of Group Controlling. The Supervisory Board ensures that it is also informed in detail on the development of newly acquired Group companies.

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

Risks related to service provision

Project business We face calculation and execution risks in relation to the planning and implementation of complex major projects in particular. Losses in major projects can lead to a substantial burden on earnings.

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

Within the context of this project controlling, principal contracts are subjected to a thorough commercial and legal examination, with technical aspects analyzed separately by experts in that field. Projects above a certain volume or with a high degree of complexity are carefully monitored by a central unit with defined regulations in each phase of the business so that any corrective measures can be taken in good time. 48 projects were under special observation in 2013. Sufficient provisions have been taken in the balance sheet for all identified project risks.

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

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

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

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 as well as service providers. If these contract partners are not able to meet their performance and / or payment obligations, if they perform poorly, behind schedule or not at all, it can lead to difficulties for our own performance and to financial losses.

We counter this risk by carefully selecting our partners in terms of reliability and performance and – when necessary – 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. This approach has proven to be effective in the global economic and financial crisis: virtually no partner risks have arisen.

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

A particular problem is presented by advance performance obligations, especially in the construction 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. To avoid such situations we systematically monitor the business conduct and financial situation of our clients.

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

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

Quality assurance Our operational units remain primarily responsible for the quality of their products as well as the relevant safety and monitoring measures. These decentralized systems are supported by the headquarters. A corporate officer for quality assurance gathers relevant data and information from all divisions, determines the status of 'best practice' and distributes his findings to all Group units. The condensed knowledge on optimized quality management is routed to the ongoing work of the quality assurance managers in our operating units as well as to training and education measures.

The proven audits and certifications of processes and units with our partners, the German Quality Association, the European Organization for Quality and the Technical Review Association are continued. With the further development of our quality management, we have taken all the steps necessary to provide our clients with a quality level of the highest standard.

Financial risks

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

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

Investment financing is carried out with consideration of matching maturities. From the €250 million promissory note loan placed for this purpose in 2008, and following the repayment of a first tranche in the amount of €84 million in 2011, the second tranche of €166 million was repaid on time in the middle of 2013. In 2012, a €500 million bond with maturity in 2019 was issued. To finance working capital, we have a

€500 million pre-approved credit line at attractive conditions that is in place until 2016.

The credit facilities available for the execution of our project and services business continue to be appropriate to support our future corporate growth. To this end, long-term bilateral credit lines in the amount of €1.8 billion with a term until 2014 are available. In addition, we also have short-term bilateral credit lines. All credit commitments can be called due prematurely in the case of a change of control. The long-term credit agreements include a financial covenant in the form of a limitation of the dynamic gearing ratio. Any breach can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis. At no time did such a threat exist.

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

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

Whenever possible, hedging against price fluctuations of raw materials is undertaken on the basis of fixed-price agreements for deliveries or sliding-price clauses for consumption at a physical level. If this is not possible, hedging is carried out with the use of commodity swaps, for diesel fuel or bitumen, for example.

We counteract the risks of interest-rate changes by continually reviewing and, when required, adjusting the composition of recourse liabilities subject to fixed and variable interest rates. We assess risks with 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.

In the area of non-recourse project financing, however, liabilities are hedged with full maturity matching with the use of interest rate swaps. Changes in market value occurring in this context must be reflected in the balance sheet, but they have no impact on the success of the relevant project or on the Group's cash flows.

Substantial counterparty risks can arise in connection with the investment of liquid funds and the application of derivative financial instruments. To limit such risks, we enter into financial transactions exclusively with such banks that have a rating of at least A-. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place. Our risk consideration also includes the loss of pre-approved but not yet utilized financing in the project business.

Due to this consistent application of the financing policy, there were no negative effects on the Group's financial position or earnings also in 2013.

Note 30 (see page 192 f.) 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 29 of the notes to the consolidated financial statements (see page 189 f.).

Other risks

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

Reputation Accidents at our project sites, environmental damage, actual or alleged deficits and errors in our performance as well as compliance violations can all damage our reputation and impact our financial situation. We counteract damage to our reputation through open communication and cooperation with clients and government authorities.

IT In order to prevent unauthorized access and data loss and to guarantee the permanent availability of our systems, we protect our information technology with numerous technical installations. Our IT struc-

tures are largely standardized. We use software products from leading producers such as SAP, Oracle and Microsoft. Applicable security guidelines are regularly adapted to the latest technical developments. IT security is regularly audited in a standardized process by internal and external auditors.

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

General assessment of the risk situation

The evaluation of the overall risk is the result of a consolidated consideration of all significant individual risks. Further reduction of the construction business tends to minimize our project risks. The overall risk situation of the Bilfinger Group has not, however, changed significantly as compared with the prior year. We are convinced that the risks associated with our business activities are sustainable for the Group in view of our strong diversification, our financial strength and the instruments that have been put in place to manage these risks.

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

Outlook

Economic environment

For the year 2014, we anticipate a generally positive development of economic conditions in those markets that are relevant for Bilfinger.

Development of the Group

Bilfinger is using its broad potential as an engineering and services group for the next phase in its development. Based on the strategic program BEST (Bilfinger Escalates Strength) and the efficiency enhancement program Bilfinger Excellence, output volume will increase to €11-12 billion by 2016 and net profit will grow to about €400 million (see page 61).

Even though, according to current assessments, the global economy is about to enter a period of positive development, our markets remain demanding. With our robust business model, we remain confident that we are well-equipped to reach our goals.

Provided that the assessments with regard to the economic development of the global economy prove true and no recessionary tendencies appear, we anticipate the following development in 2014, not including future acquisitions:

Industrial

Declining insecurity about the future of the European currency means that companies are showing a renewed willingness to invest. As a result, investments in plant and equipment in the euro zone will expand again at a rate of about 4 percent following two years of decline (COM 2013). The German investment dynamic will be exceeded by that of the United Kingdom and the USA. Overall, global trade will increase. For the chemical industry, however, expectations are currently somewhat reserved because not all export markets are showing the same level of recovery. With the revival of the investment economy, the groundwork has been laid for stable growth rates in the markets for industrial services.

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

Power

The global market for power plant services will grow more strongly in 2014 than in the two previous years. North America, Europe, the Arabian Gulf states and emerging economies are pursuing ambitious but very different plans for the further development of their energy systems. With the further stabilization of the global financial system, credit bottlenecks are becoming less of a worry. The economic recovery in the industrialized countries will have a positive impact on the stability of the emerging economies and their ability to invest. In Germany, the initial course of action from the Grand Coalition with regard to energy policy is becoming apparent – one geared toward greater cost efficiency in the expansion of renewable energies. Up to now, however, it is not clear whether it will be possible to reduce uncertainties related to power plant investments associated with the energy transformation, meaning that the willingness to build new power plants will remain low. This also means that the modernization of existing power plants will become even more important.

Buoyed by the international business, Bilfinger anticipates an increase in output volume for the Power business segment in 2014. In 2013, the EBITA margin reached an exceptionally high level of 9.8 percent. It will not quite reach the target corridor in 2014.

Building and Facility

In Germany, the year 2014 will likely bring the turning point toward positive growth rates in commercial and public-sector building construction. The willingness of companies to undertake new construction will be supported by more affordable financing conditions and the fading symptoms of the European debt crisis. With the completion of private and public-sector structures increasing once again, an important driver for facility services is developing positively in Germany in 2014. In Switzerland and Austria, too, demand for facility management services will likely increase in the course of the European economic recovery. It is also likely that we will see stable development in the British market for facility management services which is being supported by a significant economic recovery, rising real-estate prices in London and strong investment activity among companies.

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

Construction

Following three years of extensive budget consolidation in many euro zone countries, a more relaxed approach in budget policy can be expected. The anticipated end of the recession in the euro zone will lead to an increase in tax revenues and will facilitate the execution of infrastructure projects that have to date been delayed. To the same

degree, the improved financing conditions for euro countries on the capital markets have a stabilizing effect on the execution of investments in transport and energy networks. The ongoing programs of the new EU financing framework for the period from 2014 to 2020 will create particular investment impetus in the southern and eastern European recipient countries of the EU Structural Fund. In Germany, the civil engineering market will benefit from increasing infrastructure spendings of the federal government.

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

Group

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

Adjusted EBITA / adjusted net profit from continuing operations Adjusted EBITA (reporting year: €409 million) and adjusted net profit (reporting year: €249 million) will increase significantly with higher margins. The basis for this is, primarily, the planned increase in volume as well as the Group-wide cost reduction measures.

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 2014, we expect a return on capital employed for continuing operations of at least 15 percent.

Dividend policy Our sustainable dividend policy calls for a distribution ratio of approx. 50 percent of adjusted net profit.

Cash flow from operating activities Despite payments for restructuring costs, we plan a noticeable increase in cash flow from operating activities on the basis of increasing earnings. In this context we will maintain a strong focus in particular on the management of working capital.

Capital expenditure on property, plant and equipment Planned investments in property, plant and equipment for 2014 in a magnitude of a good €200 million are above the usual level of about 2 percent of output volume. This is due to a joint venture in the Construction

GENERAL STATEMENT OF THE EXECUTIVE BOARD ON THE EXPECTED DEVELOPMENT OF THE GROUP € million	Output volume		EBITA margin adjusted	
	2013	Expected 2014	2013	Expected 2014
Industrial	3,653*	Noticeable increase	5.7%*	Magnitude of 6%
Power	1,566*	Noticeable increase	9.4%*	Between 8 and 8.5%
Building and Facility	2,346	Substantial increase	4.9%	At upper end of target corridor of 4.5 to 5%
Construction	1,038	Similar level	0.1%	Still under target figure of 4%
Other	-94	–	–	–
Group	8,509	Increase to at least €9 million	4.8%	Increase

* With the implementation of the new organizational structure, the allocation of a number of operational Group companies to the business segments has changed. As a result, from financial year 2014 an output volume of about €310 million and an EBITA of €24 million from 2013 which had previously been part of the Industrial business segment will in future be presented in the Power business segment.

business segment for the production of steel foundations for offshore wind turbines in which €50 million will be invested in 2014. Because we hold the majority of 62.5 percent of shares in the joint venture, these investments will be fully disclosed in our consolidated financial statements 2014.

Investments in financial assets At the end of 2013, we had financial scope of approximately €800 million for acquisitions planned within the context of our corporate strategy. We intend to invest this sum in financial years 2014 and 2015.

Financing structure Cash and cash equivalents amounted to €669 million at the end of 2013.

In accordance with our planning, we will finance the dividend distribution in 2014 from free cash flow.

We expect to be able to finance the acquisitions planned for 2014 largely through the use of available liquidity and payments due this year from the sale of our concessions projects. Insofar as it is necessary, borrowed capital will be used in addition.

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

Capital structure With regard to capital structure, we strive for relations in the relevant key figures that are required for our solid investment-grade rating (see page 62 for details).

Research and development Our expenditures for research and development will increase in the coming years. The focus of activities will be on the optimization of energy generation in power plants and the reduction of energy requirements over the lifecycle of buildings.

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

Overall, the Executive Board of Bilfinger SE views the situation of the Group as positive. On the basis of our strengths as an engineering and services group, we intend to grow organically at an average annual rate of 3 to 5 percent. A significant portion of the increase in volume planned until 2016 will come from acquisitions. We will increase earnings at a disproportionately high rate through acquisitions in high-margin areas and through the further measures laid out in our strategy programs BEST and Bilfinger Excellence.

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 grants entitlement to one vote in 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 statutory limitations, such as pursuant to 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 March 14, 2012 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 15 percent of the voting right and amounts to 15.01 percent. In accordance with Section 22 Subsection 1 Sentence 1 Number 1 of the German Securities Trading Act (WpHG), these voting rights were assigned to Cevian Capital II GP Limited through Cevian Capital II Master Fund LP, Cevian Capital Partners Limited and Cevian Capital II Co-Investment Fund LP.

In January 2013, Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, notified us that the voting rights of Cevian Capital II Master Fund LP, Grand Cayman, Cayman Islands, exceeded the threshold of 15 percent on January 14, 2013 and amounted to 15.07 percent. Thereof, voting rights of 14.0 percent have been assigned pursuant to Section 22 Subsection 1 Sentence 1 of the German Securities Trading Act (WpHG). Cevian Capital Partners Limited, Florinina, Malta, gave notification that on January 15, 2013 its voting rights exceeded the threshold of 15 percent and amounted to 15.19 percent.

Within the scope of the Annual General Meeting 2013, Cevian notified us that its voting rights at that point in time amounted to a total of 18.87 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 80,515 voting rights had been transferred to the association.

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

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

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

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

Treasury shares In February 2008, the Executive Board, with the consent of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share. Of this total, 17,635 shares were converted in the reporting year as part of an employee share program. Afterwards, the company holds 1,866,365 treasury shares; this corresponds to 4.055 percent of the current voting rights. The company has no rights from these shares (Section 71 b AktG). In accordance with the resolution of May 23, 2007, the Executive Board can sell these shares through the stock exchange, offer them for sale to shareholders under consideration of the principle of equal treatment, use them within the scope of corporate mergers or acquisitions or for the fulfilment of conversion and option rights or recall them without any further resolution by an Annual General Meeting. The Annual General Meeting held on April 18, 2013 authorized the Executive Board, among other things, to offer these treasury shares for sale or to pledge / transfer them, with the approval of the Supervisory Board, to employees of Bilfinger SE and subordinated subsidiary companies as well as to the management of subordinated subsidiary companies; this also includes authorization to offer the shares for sale under other special conditions or to pledge / transfer them at no cost.

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

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

shares on the last three days of stock-exchange trading before the day the offer is made public, calculated on the basis of the arithmetical average of the price of Bilfinger shares in the closing auction of Xetra trading of Deutsche Börse AG (or a comparable successor system).

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

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

Approved capital

By resolution of the Annual General Meeting of April 15, 2010, with the consent of the Supervisory Board, the Executive Board was authorized until April 14, 2015 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 2010). Such issue of new shares may be effected against cash or non-cash contributions. The new shares are to be offered to shareholders for subscription. An indirect subscription right within the meaning of Section 186 Subsection 5 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 and guarantees for our syndicated cash credit lines of €500 million, our promissory note loan of €500 million, and various bilateral credit facilities totaling over €1,820 million. For the credit facilities, there is also an immediate prohibition of any further utilization in the case of such a change of control.

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 pages 129 ff.).

Executive Board remuneration

The remuneration of the members of the Executive Board is comprised of a fixed salary, bonuses including a special incentive as well as fringe benefits and retirement benefits. Further information including individualized details of payments can be found in the remuneration report (see pages 129 ff.). The remuneration report is part of the combined management report.

Disclaimer

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

Corporate governance report

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

Structure of corporate governance

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

Executive Board The members of the Executive Board are appointed by the Supervisory Board; it currently consists of five members (see page 207). The Executive Board manages the company in its own responsibility; its tasks include setting the company's corporate goals and strategic focus, managing and monitoring the operating units, as well as implementing and monitoring an efficient risk management system. Details of the remuneration of the Executive Board members can be found in the remuneration report, which is included as a section of the Group management report (see page 129).

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

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 208). The positions held by members of the Supervisory Board on monitoring boards of other companies are also listed here.

Details of the remuneration of the Supervisory Board members can be found in the remuneration report, which is included as a section of the Group management report (see page 132).

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

German Corporate Governance Code

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance and control. It was developed by the responsible government commission based upon statutory provisions as well as nationally and internationally recognized standards of corporate governance. The Code is updated and elaborated 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 and the public in the management and supervision of German listed companies.

Objectives for the composition of the Supervisory Board In accordance with Section 5.4.1 Sentence 1 of the German Corporate Governance Code, the Supervisory Board shall state concrete objectives regarding its composition which, while considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members as defined by Section 5.4.2 of the German Corporate Governance Code, an age limit to be specified for the members of the Supervisory Board and diversity. In accordance with Section 5.4.1 Subsection 2 Sentence 2 of the German Corporate Governance Code, these objectives should also include appropriate consideration for the

participation of women. Proposals from the Supervisory Board to the responsible election committees shall, in accordance with Section 5.4.1 Subsection 3 Sentence 1 of the German Corporate Governance Code, give ample consideration to these objectives. The objectives and the status of their implementation shall, in accordance with Section 5.4.1 Subsection 3 Sentence 2 of the German Corporate Governance Code, be published in the corporate governance report.

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

- ___ At least two members should, as a result of their international experience, embody to a significant extent the 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').
- ___ At least one woman should be a member of the Supervisory Board.
- ___ As a rule, no member should be over 70 years of age at the time of the Annual General Meeting which is to decide on his or her appointment as member of the Supervisory Board; exceptions are to be justified.

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

Declaration of compliance On September 19, 2013, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following annual declaration of compliance as required:

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

- ___ The Supervisory Board does not comply with the recommendation in Section 5.1.2 Subsection 1 Sentence 2 Clause 2 (seeking an appropriate consideration of women) insofar as it is guided solely by the qualification of those persons available when filling Executive Board positions. The Supervisory Board would, however, consider filling a vacant position on the Executive Board with a woman provided that in the specific case an appropriate candidate is available.
- ___ The recommendation in Section 5.4.3 Sentence 3 (announcement to shareholders of proposed candidates for the Chairmanship of the Supervisory Board) is not followed because this recommendation does not conform with the distribution of competencies as set out in the German Stock Corporation Act (AktG), which states that the election of the Supervisory Board Chairman is the responsibility of the Supervisory Board alone.

Since issuing the Declaration of Compliance of October 23, 2012, the company has complied with all recommendations of the German Corporate Governance Code as amended on May 15, 2012 with the exception of the recommendations in Sections 5.1.2 Subsection 1 Sentence 2 Clause 2 and 5.4.3 Sentence 3."

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

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

Directors' dealings

Pursuant to Section 15 a of the German Securities Trading Act (WpHG), the members of the Supervisory Board and the Executive Board, other persons with management duties who regularly have access to insider information on the company and who are authorized to make significant business decisions, and certain persons who are in a close relationship

with those persons are legally obliged to disclose to Bilfinger SE any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €5,000 in any calendar year. We publish details of such transactions on our website at www.bilfinger.com, among other places, without delay.

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

Compliance system

For Bilfinger compliance represents an essential element of successful executive management and good corporate governance. With this in mind, we have established our compliance system. It meets the increased global requirements and international standards.

The basis for the compliance rules valid on a Group-wide basis is a Code of Conduct which lays out the general principles of our actions. The corresponding Group guidelines include concrete instructions on the central issues of integrity, competition and dealing with business partners.

The new compliance regulations were distributed to all employees in more than 20 languages. We distribute the content throughout the world by means of comprehensive on-site training, webinars and a newly-developed e-learning program.

With the communication platform Bilfinger Compliance Communications, employees worldwide can ask questions via telephone or intranet in their native language. These questions will then be answered by the compliance team. The system can also be used to report compliance incidents (anonymously, if desired). Internal whistleblowers are protected against any reprisals; the voluntary disclosure of one's own misconduct is to the advantage of the employee concerned.

Persons outside of the company such as customers, suppliers, subcontractors or service providers can also point out misconduct via Bilfinger Compliance Communications. These messages remain anonymous if so desired.

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

Our control systems to ensure adherence with compliance requirements are developed on an ongoing basis and are increasingly integrated in to operational processes. They also comprise routine and special audits by Internal Auditing and the compliance organization. Important

business partners are subjected to an IT-supported integrity audit. In particular, we review the use of third parties in connection with order acquisition.

Through the immediate reporting of serious cases and the Chief Compliance Officer's quarterly reports, the Executive Board, the Audit Committee of the Supervisory Board and the plenum of the Supervisory Board are given detailed updates on developments in the compliance area. A compliance committee supports the Chief Compliance Officer in the composition and the further development of the compliance system.

We actively pursue information on compliance violations through our own investigations, by notifying the relevant authorities when necessary and cooperating with them to achieve a full resolution. Any misconduct that is discovered will result in personnel consequences for those involved and will lead to preventive organizational measures.

The insights gained from reporting, the comparison with other systems and the evaluations from external specialists all lead to the ongoing development and improvement of our compliance system. Following an agreement with the U.S. Department of Justice, an independent Compliance Monitor was appointed by Bilfinger in the spring of 2014 to support the company in this optimization.

Financial loss liability insurance

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

Corporate governance statement

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

Mannheim, March 13, 2014

Bilfinger SE

The Executive Board

The Supervisory Board

Remuneration report

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

Executive Board remuneration

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

Annual fixed salary The annual fixed salary shall amount to €499 thousand for full members of the Executive Board and €818 thousand for the Chairman of the Executive Board. As newly appointed Executive Board members, the remuneration received by Dr. Keysberg (until April 30, 2014) and Mr. Koolen (until March 18, 2015) is reduced by 20 percent. In addition to the fixed salary, the members of the Executive Board also receive fringe benefits (benefits in kind), for the most part in the form of insurance cover and the use of company cars, the value of which is accounted for in accordance with applicable tax law.

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

The details are as follows: As the starting amount of variable remuneration, each full member of the Executive Board receives €3,800 (€3,040 for as long as the annual fixed salary is reduced by 20 percent) and the Chairman of the Executive Board receives €6,600 per €1 million of the average EBT achieved by the Group in the past three years. This starting amount is limited by a cap of €1,300 thousand for full members of the Executive Board (€1,040 thousand for as long as the annual fixed salary is reduced by 20 percent) and €2,200 thousand for the Executive Board Chairman. 65 percent of the starting amount is paid out immediately. The remaining 35 percent (deferral) is paid out after a waiting period of two years depending on the development of Bilfinger's share price (in terms of total shareholder return) compared with the MDAX. If the relative development of the share price is more than 60 percent worse than the MDAX, the deferral is not paid out. The deferral is limited by a cap to 150 percent of its starting value (equal to 35 percent of the starting amount of the variable remuneration).

The Supervisory Board can reduce the EBT of one or more financial years that is used to calculate the average EBT by up to 20 percent if the EBT is significantly increased by non-recurring components of earnings. Furthermore, the Supervisory Board can increase or reduce the starting amount of profit sharing in 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 target bonus system has been introduced as a supplement to the existing variable remuneration for members of the Executive Board from January 1, 2013. This supplement has a term of four years and is oriented toward annual earnings and liquidity targets. Depending on the fulfillment of the EBT target as set for the relevant financial year, members of the Executive Board receive a bonus which, for 100 percent target achievement amounts to €150 thousand for full members of the Executive Board and €225 thousand for the Chairman of the Executive Board. If 100 percent of the annual target for free cash flow is achieved, full members of the Executive Board receive €50 thousand and the Chairman of the Executive Board receives €75 thousand.

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

REMUNERATION in € thousand	Annual fixed salary		Variable remuneration				Non-cash benefits		Total cash remuneration Annual fixed salary + immediate payment + non-cash benefits	
	2013	2012	thereof 65% immediately		thereof 35% deferred (share based) ¹		2013	2012	2013	2012
			2013	2012	2013	2012				
Roland Koch (Chairman)	818	768	1,430	1,430	762	751	106	106	2,354	2,304
Joachim Enenkel	499	425	845	800	450	420	56	56	1,400	1,281
Dr. Jochen Keysberg	399	60	676	113	360	60	87	16	1,162	189
Pieter Koolen (from September 19, 2013)	113	–	193	–	103	–	13	–	499 ²	–
Joachim Müller	499	449	845	845	450	444	44	44	1,388	1,338
Thomas Töpfer (until October 31, 2013)	416	449	704	845	375	444	21	22	1,141	1,316
	2,744	2,151	4,693	4,033	2,500	2,119	327	244	7,764	6,428

¹ Fair value at granting date

² Including payment of funds intended for retirement benefit in the amount of €180 thousand (see page 131)

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

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

Total remuneration granted for the financial year The cash remuneration of the Executive Board for the reporting year and for the previous year is shown in the chart above. Total remuneration granted is comprised of annual fixed salary, variable remuneration including share-based remuneration, non-cash benefits and payments to the relief fund for the pension plan. The above-mentioned cap for the base profit-sharing amount was applied in the determination of variable remuneration for financial year 2013, leading to a substantial reduction in the amount of these remuneration components as compared to the unlimited initial amount. No payment will be made in accordance with the special incentive since the high thresholds were not reached.

Mr. Töpfer left the Executive Board as of October 31, 2013. Within the scope of the termination of his contractual relationship, Mr. Töpfer received a payment in the amount of €3.967 million. This amount is below the contractually determined severance cap which is in line with the German Corporate Governance Code, according to which severance payments including fringe benefits should not exceed the value of two years' annual remuneration.

No loans or advances were made to the members of the Executive Board in 2013. No remuneration was paid for positions held on supervisory boards or comparable boards of companies of the Group in 2013.

Additional disclosures

Long-term incentive plan The remuneration system for the Executive Board that was in effect until the end of 2010 also included a variable component linked to the company's long-term performance and share price (long-term incentive plan). Under this arrangement, the members of the Executive Board were granted phantom shares in the form of so-called performance share units (PSUs). On the balance sheet date, Messrs. Enenkel and Müller have a total of 13,741 PSUs from the years 2009 and 2010. Cash payment (taxable) of the value of these PSUs takes place in each case after a four-year lockup period in the years 2014 and 2015 in line with the development of Bilfinger's share price compared with the MDAX. The amounts to be paid out are limited by caps. On the basis of the Bilfinger share price of €81.53 at the end of 2013 and taking the caps into consideration, from today's perspective, payments totaling €587 thousand will be made in the years 2014 and 2015.

Following the Annual General Meeting on April 18, 2013, Mr. Töpfer received payment for 837 PSUs for the year 2008 with a value of €49 thousand (taxable). Due to his departure from the Executive Board, Mr. Töpfer will not receive any payments from the long-term incentive plan.

Retirement benefits With the exception of Mr. Koolen, Executive Board members receive pension payments from a retirement age of 62. In case of the death of one of these members of the Executive Board, survivors are entitled to pension benefits in the form of widow and orphan pensions. These entitlements have been transferred to an external institution in the form of a reinsured relief fund and are based on contributions made by the company to the relief fund and contractually agreed with the member of the Executive Board. All future pension entitlements are fully funded so that there is no financial burden on the company in the event of a claim. The benefits of the external institutions also cover the risk of occupational disability for Messrs. Enenkel, Dr. Keysberg and Müller. Mr. Koch, however, would receive a monthly pension of currently €6,949 directly from Bilfinger until the age of 62 in the case of occupational disability (increased by €175 for each year of service); his annual contributions to the relief fund would continue to be paid in the amount of 55 percent of his last annual fixed salary.

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

For Messrs. Enenkel, Dr. Keysberg and Töpfer, retirement pension commitments exist that were granted before they were appointed to the Executive Board. The relevant values amount to €179 thousand

PSUs GRANTED UNDER THE LONG-TERM INCENTIVE PLAN € thousand	2009 tranche	2010 tranche	Total
Joachim Enenkel	0	1,868	1,868
Joachim Müller	1,850	10,023	11,873
Thomas Töpfer	0	0	0
	1,850	11,891	13,741
Theoretical amount to be paid out based on a share price of €81.53 (in € thousand)	151	436	587
Year of payment	2014	2015	

RETIREMENT BENEFITS € thousand	Probable annual pension entitlement upon retirement	Payments to relief fund	
	2013	2012	
Roland Koch (Chairman)	187	449	422
Joachim Enenkel	124	225	202
Dr. Jochen Keysberg	105	180	162
Joachim Müller	115	225	202
Thomas Töpfer	33	117	180
	564	1,196	1,168

for Mr. Enenkel (2012: €172 thousand), €197 thousand for Dr. Keysberg (2012: €190 thousand) and €735 thousand for Mr. Töpfer (2012: €707 thousand). Because Mr. Koolen withdrew from his pension plan at Tebodin B.V. with his appointment to the Executive Board, the proportionate pension entitlement he earned there in the amount of €310 thousand (taxable) was paid out to him in cash.

The table above shows contributions to the relief fund for the year 2013 and pension entitlements already achieved by members of the Executive Board.

Other arrangements for the members of the Executive Board Mr. Müller receives a transitional payment from the company if his Executive Board membership ends due to revocation or non-extension of his Executive Board appointment by the company or due to termination of his contract of service for an important reason to be justified by the company. However, this arrangement only applies if the event causing termination occurs after a period of office of a full eight years.

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. A special regulation applies to the Chairman of the Executive Board due to his function; he is entitled to terminate his contract of service if the acquiring entity takes measures that effectively and materially restrict his abilities to exert control or his independence as the Chairman of the Executive Board. In the case of termination of a contract of service due to a change of control, the members of the Executive Board receive severance compensation for the remaining periods of their contracts of service subject to a maximum of three years. The severance compensation comprises the annual fixed salary and profit sharing; the latter is calculated as the average of the variable remuneration paid in the past five full financial years (bonuses, PSUs, immediate payments and deferrals). Following the remaining period of his contracts of service covered by severance compensation, Mr. Müller is entitled to a transitional payment if the individual conditions for such payment are fulfilled. Pursuant to the previous remuneration system, PSUs already granted are not compensated for the time after leaving the Executive Board. In accordance with the recommendation in Section 4.2.3 Subsection 5 of the German Corporate Governance Code, severance compensation in the case of a change of control is limited to 150 percent of the general severance cap of two years' remuneration in accordance with Section 4.2.3 Subsection 4 of the German Corporate Governance Code.

Total remuneration of former members of the Executive Board and pensions The amounts paid to former members of the Executive Board or their surviving dependants totaled €2,169 thousand (2012: €2,238 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €27,264 thousand (2012: €27,524 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 Super-

REMUNERATION OF THE SUPERVISORY BOARD OF BILFINGER SE

€ thousand

	2013	2012
Dr. h. c. Bernhard Walter (Chairman, Chairman of the Presiding Committee)	179	179
Stephan Brückner (Deputy Chairman, member of the Presiding Committee)	144	144
Herbert Bodner (from July 1, 2013, member of the Audit Committee)	56	–
Volker Böhme (member of the Audit Committee)	109	110
Dr. John Feldmann (member of the Presiding Committee)	109	109
Lone Fønss Schröder	72	73
Thomas Kern (member of the Audit Committee)	110	109
Rainer Knerler (member of the Presiding Committee)	109	109
Thomas Töpfer (until April 18, 2013)	22	72
Udo Stark (Chairman of the Audit Committee)	146	145
Holger Timmer	72	73
Jens Tischendorf (from April 18, 2013)	51	–
Prof. Dr. Klaus Trützscher (until June 30, 2013, member of the Audit Committee)	55	109
Marek Wróbel	73	73
	1,307	1,305

visory 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 2013 amounted to €1,307 thousand (2012: €1,305 thousand). In financial year 2013, members of the Supervisory Board of Bilfinger SE were also compensated for expenses in the total amount of €30 thousand. No additional remuneration was paid or benefits granted for personal services rendered such as consulting or agency services.