



**Annual General Meeting of Bilfinger SE  
on Wednesday, May 11, 2016, 10:00 a.m., Mannheim**

**Speech from Axel Salzmann,  
Chief Financial Officer**

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*Please check against delivery.*

**Chart: Annual General Meeting 2016**

Dear shareholders,  
Honored Guests,  
Dear Employees,  
Ladies and Gentlemen,

Also on behalf of the Executive Board of Bilfinger SE, I would like to welcome you to our Annual General Meeting. In the course of my remarks, I will provide you with an overview of the past financial year. And I would like to give you important background information so that you can better classify and evaluate the developments.

First of all, there is one topic I would like to deal with upfront. The unbiased review process in the Building and Facility segment. The Executive Board has not yet taken a decision on the possible sale or retention in the Group. But we are at a very advanced stage.

We expect that the process can be concluded in the next two to three weeks. The result must, and will, make Bilfinger more competitive in the end. That is our stated goal. And we are proceeding accordingly.

This is a far-reaching decision for our Group. For this reason, we are conducting the talks with the bidders with great diligence. And in the interest of the shareholders and employees. In the end we will take a decision that has considered all possible parameters – and is the best for Bilfinger.

Now for a look back: 2015 was a difficult year for Bilfinger. A number of profit warnings destroyed trust in the company. We want to regain this trust.

How do we intend to achieve this? With a good strategy, with reliability in the financial key figures.

We know that trust must be earned. We know that these are challenging times from an economic perspective. We will move Bilfinger forward bit by bit – that is something else that we know.

### **Chart: Corner stones of our strategy**

We presented our strategy in the fall of 2015. Following a detailed analysis of our business activities. The result: it is urgently necessary to focus our efforts. We are focusing on core services, core markets and core regions.

We are using this strategy to reposition Bilfinger: We are reducing complexity, we will become more efficient and increasing the transparency of our business model.

We are in the middle of the implementation phase. 2016 will be a transition year.

1. We are structuring our businesses in a targeted manner

Our two segments Industrial and Building and Facility have been given a greater degree of independence. The segments can concentrate fully on their services, markets and regions. They can take a targeted approach to the development of their growth areas. We thus increase Bilfinger's operational decision-making strength.

We are following clear goals for both segments: Industrial will further expand its leading positioning as a service provider for the process industry in Europe. And Building and Facility, as a leading real-estate services provider in Europe, will continue to grow.

2. We are focusing on core services, core markets and core regions

What does that mean exactly? We are counting on our home markets in Europe, where we already generate more than 80 percent of our output volume. And we see the potential for further profitable growth for both pillars.

Bilfinger is relying on customized service offerings. Trends such as digitalization are changing the needs of our customers. We are gearing our services toward these trends.

### 3. We are increasing our efficiency

We also want to and must significantly improve in terms of cost structures. This is an elementary condition for long-term secure jobs.

In 2015, we began a successful restructuring in operational areas, especially in the Industrial business segment. And we are streamlining our administration in the Group.

### 4. We are concentrating on a better cash position

The focusing on cash flow is a key challenge for Bilfinger. Our objective is to further improve the liquidity situation.

We have already made progress with regard to management of net current assets. We are systematically moving forward with this approach. The sale of Water Technologies in Q1 brought us an additional cash inflow of 200 million euros.

### 5. We are focusing on our competences

Our employees and their competences are the basis of our success. Quality made by Bilfinger is highly appreciated throughout the world. We are a reliable partner for our customers.

We also want to establish a new compliance culture. I will go into this in greater detail later on.

### **Chart: Non-core activities**

A part of the strategy of repositioning and a targeted refocusing is the definition of the non-core activities that we want to dispose of. A lack of strategic fit, risk minimization or insufficient size are all reasons for this.

We were able to sell Water Technologies at the end of March. We have also sold our steel bridge construction operations. And the sale of Engineering Services in Asia Pacific further reduced the complexity and risk profile of our business.

As a result of the focus on core regions, we have already today reduced the number of countries in which we are active by half.

## **Chart: Sale of Power in plan**

The largest area that is no longer part of the core business is the Power business segment. What is the current status of the selling process?

We had already announced that we intended to conclude the process over the course of 2016. This still applies.

We are currently reviewing the bids and, here too, are proceeding with tremendous care.

At the same time, we have initiated capacity adjustment measures at Power. In 2015, we invested €75 million, with a significant portion of that total in improving efficiency. We are adjusting capacities to the needs of the market out of necessity. The number of employees has declined from 11,000 to a current level of about 9,000.

## **Chart: Efficiency program for the administration**

An important cornerstone of our strategy: increasing efficiency. In operating areas – primarily in the Industrial business segment – we are making good progress. We are in the process of significantly streamlining the number of operating companies.

We have agreed on a comprehensive program to restructure the administration. With these measures, we will improve performance and competitiveness.

What exactly do we have planned?

- We are combining administrative tasks within the segments. We are streamlining divisional structures. We are optimizing procurement processes. And we are adapting our Group headquarters to the new structure.
- At Industrial in particular we are relying to an ever-greater degree on our shared service center concept. In the DACH region – Germany, Austria and Switzerland – this concept is already successfully taking hold.



This year, we have planned one-time expenses in the high double digit million euro range for this repositioning.

We plan to invest a large portion of that total in standardized and high-performance IT systems. Spread over three years. We are talking about multi-million euro investments, but we are also talking in particular about investments in the future of Bilfinger. Our objective: achieving initial savings effects in 2017, with the main portion of savings coming in financial year 2018. We will generate a significant share of these savings through lower non-personnel administrative expenses.

In administration, we will adjust the number of employees to a competitive level. We will pursue this course together with our social partners. And we will of course act in a socially responsible manner. Discussions are already underway.

### **Chart: Compliance**

The issue of compliance also plays an important role for us. Also in this regard, we want to satisfy the high demands – the



expectations of our customers, business partners, employees and, not least, the expectations of our shareholders.

Our understanding is: zero tolerance – at all levels of our company.

Bilfinger reached an agreement with the US Department of Justice in 2013. The reason was a bribery case in Nigeria which went back to 2003.

The agreement calls for the achievement of a cultural transformation, conclusion of outstanding suspected violations, establishment of an effective compliance management systems, strengthening of internal controls and a comprehensive set of conditions. Among these conditions is an independent monitor. The monitor regularly reviews the effectiveness of our program and communicates his assessment to the US Federal Authorities and Bilfinger.

In 2015 we had to acknowledge that our efforts with regard to compliance to date were insufficient for the US Department of Justice. We reacted quickly: a new Chief Compliance Officer reports of course directly to the CEO and the Audit Committee.

Independent investigation and processing of all known compliance cases. And further development of our compliance management system.

The US authorities see that we are making progress and acknowledge our efforts. For this reason, we have now reached a fundamental understanding with the US authorities. Content: no sanctions at this time, but a new agreement which will continue to be accompanied by a compliance monitor. This means: we are consistently developing our compliance management system and moving forward with the positive course that has been set.

What does this mean for our figures? In financial year 2015, one-time expenses in the amount of approximately €50 million will be incurred. Because we are establishing a compliance system that will stand the test of time. Because we are closing older cases. And because we are investing in the further development of our corporate culture.

**Chart: Industrial – Portrait**

Let us turn now to the business development in our segments.

First of all in Industrial:

Bilfinger today is already the leading provider of services for the process industry in Europe. We intend to further expand this position.

For the Industrial segment, we have focused our concentration on key future areas of activity: we want to further expand our pharmaceutical area, we want to position ourselves more strongly in the chemical industry and we want to generate additional business and growth in the food sector.

The Industrial segment has a broad customer base and a sound business model. We will develop it in the areas mentioned and position it more independently from the development of the oil price.

This is a cyclical business, but one that has substantial growth potential.

The efficiency measures that have already been mentioned will further improve the performance of Industrial. We have streamlined our new divisional structure and aligned it more closely to the needs of our customers. This allows us to establish the conditions for future growth. Industrial has a great deal of potential.

### **Chart: Industrial – Financial year 2015**

2015 was, without a doubt, a challenging year for Industrial. The willingness of our customers to invest in new projects was limited. This applied primarily to the oil and gas sector. The situation was quite similar in the energy industry.

Demand for maintenance in production facilities of our chemical and pharmaceutical customers was better. These are growth areas for us.

Output volume for Industrial was stable at €3.65 billion. The same applied to orders received at €3.3 billion. Order backlog, however, declined by 13 percent. Adjusted EBITA and margin

were well below the prior-year level but within the scope of our forecast expectations.

### **Chart: Industrial – Q1 2016**

At Industrial, the efficiency measures we have implemented are beginning to take effect. As a result, earnings in the first quarter of 2016 have improved significantly.

It is imperative that we become more efficient. The price of oil remains low, the investment propensity of the oil and gas industry is still limited. As expected, output volume, orders received and order backlog were below the prior year levels in the first quarter.

What remains unchanged is that Industrial is well-positioned, has a broad customer base and will grow profitably in the future.

### **Chart: Building and Facility – Portrait**

Looking now at Building and Facility. The segment is successful. Bilfinger is among the leading European real-estate service providers. We intend to expand this position.

Bilfinger is well-positioned as an integrated service provider for management, consulting and execution of real-estate properties. We deliver service offerings for all lifecycle phases of a property.

Bilfinger can offer its clients the right solution: for integrated services, for internationalization, for energy efficiency. We see further growth potential for us here.

Here, too, additional prospects could also arise from potential acquisitions.

### **Chart: Building and Facility – Financial year 2015**

Building and Facility continued its profitable growth path in financial year 2015. The segment benefited from a positive business environment in its core markets. Important contracts in

facility management were extended and new customers were won.

Orders received increased by 57 percent to 3.6 billion euros. Output volume increased by 9 percent to 2.9 billion euros. The order backlog increased by 37 percent to 2.7 billion euros. With an unchanged margin, we were able to improve the adjusted EBITA by 9 percent.

### **Chart: Building and Facility – Q1 2016**

Last year we had an unusually strong first quarter in Building and Facility. At that time we took over major service agreements. By comparison, orders received this year were lower, but that was expected.

Also in terms of output volume and earnings we had moderate decreases in the quarter just ended, as expected. The reasons: fewer real-estate transactions as compared with the strong prior year. And a slight weakening in investment behaviour.



The good order backlog includes a number of major service agreements. Important contracts were signed just last year – generally with multi-year terms. That is a sound basis for the further development of this business.

### **Chart: Power – Financial year 2015**

Finally, a look at discontinued operations, and here at Power in particular. Business operations continue to suffer greatly from the crisis at German energy providers.

Output volume decreased by 11 percent in 2015 to just under €1.3 billion. Demand remains very low. Orders received were therefore at nearly €1 billion or 10 percent below the prior-year figure. The order backlog dropped to about €760 million. EBITA is significantly negative: due to substantial project losses and as a result of continuing burdens from unused capacities.

### **Chart: Power – Q1 2016**

In the first quarter of 2016, the earnings situation in the Power business improved considerably. Here, too, our capacity adjustment measures are having an impact.

There is still a great deal of uncertainty in the energy sector. For that reason, output volume, orders received and order backlog declined further in the first quarter. The measures we have taken to reposition the Power business are therefore all the more important.

### **Chart: Group – Financial year 2015**

Dear shareholders,

I will come now to the key figures at Group level:

We had further growth in 2015. Output volume for the Group increased by 4 percent to €6.5 billion. Orders received increased by 24 percent to €6.8 billion. And order backlog was up by 10 percent.

### **Chart: Group – Q1 2016**

Business development in the first quarter of 2016 was in line with our expectations.

Output volume decreased. We achieved earnings at the level of the previous year.

In terms of the development of orders received, it is necessary to consider the high comparable figure from the prior-year. The important thing is that orders received in the first quarter were above the figure for output volume. This means that we received more new orders than we executed in the same period.

### **Chart: Cash flow**

It is also pleasing that we were able to significantly improve our cash position. Cash flow from operating activities of continuing operations amounted to €142 million. That is substantially higher than the prior-year level of €34 million. This is attributable primarily to a lower increase in net current assets. The measures introduced are taking hold here.

There was also a considerable increase in free cash flow: from €105 million to €282 million. Contributing to this were cash inflows from the sale of non-core units.

As in the past, we can continue to state that Bilfinger has a sound financial foundation. We can manage the upcoming investments on our own steam. We have the financial potential to successfully move our operating business forward.

### **Chart: Adjusted EBITA – Financial year 2015**

Despite these positive developments, we are aware that, in the end, financial year 2015 was not pleasing. A nearly half-billion euro loss, that is disappointing. The reasons for the loss are primarily one-time burdens from goodwill impairments in Power.

But it is also true that in 2015, we delivered an operating profit that was in line with our communicated planning. We even performed slightly better than we predicted.

That applies to net profit. And it applies to adjusted EBITA. In August 2015, we forecast a figure between 150 and 170 million

euro. At the end of the year we surpassed this forecast with a figure of €186 million.

### **Chart: Adjusted EBITA – Q1 2016**

As mentioned, the first quarter of 2016 was in line with our expectations. Adjusted EBITA and adjusted net profit are at the level of the prior year.

The significant decrease in net profit is attributable to one main factor: we sold our water business which resulted in a book loss. In addition, there were write-downs on other sold non-core activities. Expenses for capacity adjustment measures also had a negative impact on net profit.

### **Chart: Share price performance**

A look at the development of our share price gives us an unsatisfying image.

We are certain, however, that Bilfinger has the potential for profitable growth – we have already seen initial progress. And, in the end, this will be reflected in the share price.

### **Chart: Dividend**

To the dividend. The Executive Board and the Supervisory Board propose that no dividend be distributed for 2015. Bilfinger has traditionally pursued a shareholder-friendly dividend policy. But in 2015, we had a loss of nearly a half-billion euro.

At the same time, we are restructuring Bilfinger. Ongoing and upcoming capacity adjustment measures require investments. For this reason, the Executive Board and the Supervisory Board are convinced that every euro that stays in the Group is important for making Bilfinger fit for the future. And you as shareholders also benefit from this approach. As do our employees, who are currently working in a challenging environment.

### **Chart: Outlook 2016**



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Today, we once again confirm our forecast for financial year 2016: we expect a significant decrease in output volume. But at the same time, we anticipate a slight increase in adjusted EBITA. The EBITA margin will also increase. Positive effects from the measures taken for efficiency enhancements will already be reflected here.

In the Industrial business segment, we expect an adjusted EBITA at the level of 2015 or slightly higher with a significantly declining output volume this year. Building and Facility will continue its stable growth path. Output volume and adjusted EBITA will increase slightly.

The assumptions for our planning for 2016 are: the oil price stays at its current level. The willingness to invest in the oil and gas market remains stable. The same applies to exchange rates. And we are spared any economic collapses in our markets.

We will soon have a new CEO with Thomas Blades. We want to give him the opportunity to familiarize himself with our business

operations and our planning. Then we on the Executive Board will together define medium-term goals.

Allow me to summarize our approach:

- In 2015, we approved our strategy
- In 2015, we also introduced capacity adjustment measures.
- We defined growth initiatives for both segments and are already working on their implementation.
- 2016 will be a transition year.
- We will implement the efficiency program in the administration area and will further increase our efforts within the scope of the growth initiatives.

Our objective is to expand our business in the medium and long term.

Once we have completed the repositioning in Industrial, we will actively participate in the consolidation of the market also in this segment. But only then.





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Our goal has been clearly defined: we want to lead Bilfinger back to a path of sustainable and long term profitable growth. We are on the right course, but have only just begun. There are things that we have already achieved, and there are many steps still to come.

The important thing is that we always have an eye on what is best for Bilfinger: for the shareholders, the employees, for the social partners and for society. This is what drives us, and we are gearing our activities accordingly.

We are counting on your support in this regard, dear shareholders and employees. Because success can only be achieved together.

Thank you for your attention!