



Annual General Meeting May 7, 2015
Herbert Bodner, Chairman of the Executive Board
page 1 of 23

**Annual General Meeting of Bilfinger SE
on Thursday, May 7, 2015, 10:00 a.m., Mannheim**

**Speech by Herbert Bodner,
Chairman of the Executive Board**

Please check against delivery.

Chart: Annual General Meeting 2015

Dear shareholders,
Ladies and gentlemen,

On behalf of the Executive Board, I would like to welcome you to our Annual General Meeting.

On the heels of a very unsatisfactory financial year 2014, the first quarter of 2015 was also disappointing for Bilfinger. Two weeks ago, we therefore withdrew our forecast for full-year 2015. We will not achieve the figures for output volume and earnings that had been communicated previously.

At this time, Bilfinger has to maneuver in some rough waters, as a look at the economic environment makes clear.

Chart: Oil price development 2014/2015

We recall the second half of the year 2014, when the oil price fell by more than half. From a macro-economic perspective, this initially also had positive consequences. The drop in the price of oil, however, ended the shale gas boom in the USA, for example. And Bilfinger had participated to a significant extent in this shale gas boom.

The drop in the price of oil put strong pressure on the profitability of the oil and gas industry in the USA. Investment stops on a broad front have been the consequence. This is something that we have been feeling in recent months to a degree that we did not initially expect. And this process is not finished yet. How long it will last and when investments will begin once again depends for the most part on the duration of the low price phase for oil. Our US business, however, remains very profitable, although it is experiencing a significant drop in

earnings. We did not, as mentioned, anticipate the extent of the drop.

In the European oil and gas industry, too, the low price of oil has had negative consequences. Our clients made significant cuts to their maintenance budgets.

The energy transformation in Germany has led to a completely uncontrolled decline in investment in fossil fuel based electricity generation. Even worse than this decline is the increasing lack of planning security for energy producers. After gas and coal, the profitability of lignite is now also about to end, induced by excessive funding for renewable energies. Uncertainty hinders any willingness to invest: our customers in the Power business segment are in this situation, not only in Germany, but in neighboring countries too. German energy policy has been infectious. And Bilfinger is suffering from the effects.

The energy transformation presents enormous challenges for the entirety of Germany's energy and power business. Today, utility companies do not know which energy producers they should invest in, what direction the price of electricity will take,

which power plants can be operated profitably in the future and how the basic supply of electricity can be secured.

This has led to a massive decline in investment. But also the expenditures that are important to Bilfinger, namely those for power plant maintenance, plunged by almost half in 2014. In neighboring European countries, as well, power plant operators are investing less and less in new construction and maintenance. And – something that was a surprise for us – even the low level from the years 2014 and 2015 will not be reached.

Chart: Building and Facility market

The economic conditions for the Building and Facility business segment are much more positive than those for the Industrial business segment.

In Germany and the United Kingdom, where we are most active, the market for outsourced real-estate services is stable and promises further growth.

In other countries, globally-active industrial and service companies provide us with additional growth drivers. They increasingly award service orders for their real estate portfolios to large providers and across national borders. Our opportunities are increasing accordingly.

Positive signals came from the German building construction market in 2014. The financial situation for many municipalities has improved. Public sector construction investments have therefore increased. Commercial construction also made gains.

The Building and Facility business segment has developed well in this generally positive environment.

The Group's figures for financial year 2014 and the first quarter of 2015 must be viewed against this economic backdrop, ladies and gentlemen.

Chart: Financial year 2014 and Q1 2015 – Industrial

In financial year 2014, orders received in the Industrial business segment sank by 18 percent to just below €3.3 billion. The order backlog decreased by 14 percent in 2014 and in the first quarter

of 2015 by a further 11 percent. Parallel to this development, earnings and margins also worsened. In the first quarter of 2015, EBITA and EBITA margin reached a mere €9 million and 1.1 percent, respectively. These figures should not be extrapolated for the full year, but they do represent a worse than expected start in the year 2015.

Chart: Financial year 2014 and Q1 2015 – Power

The Power business segment's output volume, orders received and order backlog were significantly below those of the previous year. This applies to both financial year 2014 as well as to the first quarter of 2015.

The ongoing weakness in demand as well as worsened earnings in individual projects led to a massive reduction in earnings, EBITA for the first quarter of 2015 was significantly negative at minus €18 million.

Chart: Financial year 2014 and Q1 2015 – Building and Facility



In the Building and Facility business segment, we increased our output volume and orders received – not least through the takeover of two companies in the United Kingdom, the world's third largest real-estate market.

In the first quarter of 2015, we were able to again expand our orders received. In addition to effects from the first-time consolidation of GVA, which was acquired in 2014, this is attributable to the extension of an important service order and to new orders in property and asset management, as well as in building construction.

Earnings showed significantly positive development: in the past financial year they increased by 17 percent and by 50 percent in the first quarter of 2015. Margins were also improved for both reporting periods.

Ladies and gentlemen,

In the context of focusing on engineering and services, we announced that we would sell off the civil engineering business. The Construction division has been part of Swiss construction company Implenia since March 2015. I am pleased with this deal

and am certain that the 1,900 employees will be well taken care of at their new parent company.

As a result of the sale, liquidity of about €75 million flowed to Bilfinger in the first quarter of 2015. Taking a risk provision into account, a capital gain of €12 million remains. This also took effect in the first quarter of 2015.

We also put our offshore and marine construction business up for sale at the beginning of the year. This process is underway as is the sale of the Infrastructure division and should be completed in the course of the year.

Chart: Group – output volume, orders received, order backlog

In financial year 2014, output volume decreased slightly, orders received, however fell by a significant 12 percent. The order backlog was 16 percent below the level of the previous year.

At first glance, output volume and orders received developed positively in the first quarter of 2015, but the perspective is

positively influenced by currency effects and first-time consolidations. We did not grow organically in the first quarter of 2015.

Chart: Value added

As a result of the unsatisfactory business development, value added worsened: return on capital employed from continuing operations fell to 9.5 percent.

The decrease is attributable primarily to the drop in earnings in the Power business segment. Along with the increased cost of capital, this is also the reason why the absolute value added was negative at minus €36 million.

Chart: Cash flow 2014

Cash flow from operating activities in 2014 of €65 million was well below the level of the prior year, especially due to the loss from continuing operations. Cash flow from continuing operations also decreased significantly to €115 million.

Chart: Cash flow Q1 2015

In the first three months of 2015, working capital increased significantly less than in the prior year quarter. For this reason, cash flow from operating activities and free cash flow improved considerably in the first quarter of 2015.

Chart: Adjusted EBITA, adjusted net profit

We calculate the operational profitability of Bilfinger on the basis of 'adjusted EBITA'. In this metric, earnings are recorded before interest, taxes and amortization on intangible assets from acquisitions and goodwill, and adjustments made for special items. Special items include one-time capital gains as well as restructuring expenses.

In financial year 2014, adjusted EBITA of €270 million was significantly lower than in the previous year. This is the result of the negative development in the Industrial and Power business segments. The EBITA margin decreased to 3.5 percent.

The disappointing earnings development continued in the first quarter of 2015. Adjusted EBITA was negative at minus €8 million.

Adjusted net profit from continuing operations fell by about a third in financial year 2014 to €175 million. This results in a lower earnings per share as compared with the prior year of €3.96.

In the first quarter of 2015, adjusted net profit was at minus €15 million.

Chart: Share performance

In the first six months of 2014, the Bilfinger share developed better than the DAX and MDAX. The withdrawal of our forecast for the year, however, turned the positive trend around. At the end of the year, the Bilfinger share price closed with a minus of 41 percent.

The new year began once again with a slight deficit as compared to the benchmark indices, but this was eliminated by the middle of April. Following publication of the figures for the

first quarter in connection with the withdrawal of the forecast for the current year, it fell back to the level of the beginning of the year.

Chart: Dividend

Dear shareholders,

The Executive Board and the Supervisory Board propose to the Annual General Meeting a dividend of €2.00 per share for financial year 2014. As in previous years, the distribution ratio amounts to approximately 50 percent of adjusted net profit. Bilfinger thus follows its dividend policy that is geared toward continuity.

Ladies and gentlemen,

The upheaval in the markets for our Power and Industrial business segments mean that we will need to make extraordinary efforts in order to return to our former strength. The Bilfinger Excellence program was launched already in September 2013, an important component for improving efficiency.

Chart: Bilfinger Excellence – divisional structure implemented

The subgroup administrations – and with them one layer of management – have been eliminated. 12 divisions now manage the operating business, headed by the member of the Executive Board responsible for each of them at headquarters.

We intend to bring together certain administrative tasks in the future and carry them out for the entire Group from a few locations – accounting and personnel administration for example through a so-called shared service center, the information technology infrastructure through a globally responsible IT department.

Through the elimination of redundant structures and further process improvements, about 1,250 jobs will be cut in a socially responsible manner. From 2016, our personnel expenses will decrease by €80 million per year as a result. This is in addition to the non-personnel cost savings in the low double digit million range.

Chart: Restructuring 2015 – administration, business segments, portfolio management

Ladies and gentlemen,

From the first quarter of 2015, we have drawn the conclusion that these savings are not sufficient. Weak business development is forcing us to turn to further far-reaching measures.

- The focus, first of all, will be on a further streamlining of our administrative processes.
- Secondly, in the Power business segment, on top of capacity adjustments that have already been carried out, an extensive restructuring and a fundamental realignment will also be undertaken.
- Thirdly, we must adjust capacities in the Industrial business segment in those areas that depend on the power plant business or the oil and gas sector.
- And fourthly, we will conduct a further focusing of our investment portfolio beyond the divestments that have already been announced.

As before, the most urgent challenges are in the Power business segment. There we will undertake a detailed analysis of the market situation and our service range – we will also focus on our operational processes. Because our problems have proven to be also of our own doing. Deficits in project controlling, for example, which did not come to the surface in the positive market environment of the past, have made a considerable contribution to the poor earnings situation. We will therefore conduct a comprehensive review of the way projects, project management and project controlling are handled and we will identify problem areas so that project execution can be improved.

Ladies and gentlemen,

The energy transformation and the drop in the price of oil have thwarted the growth plans of our Group. No doubt you would like to hear from the Chairman of the Executive Board how the company can be returned to a growth path and how exactly this growth strategy should look. I have to request your patience, because as the outgoing Chairman of the Executive Board, it is not my place to want to make statements for the future. This will be undertaken by Mr. Utnegaard at an appropriate point in time.

Allow me nonetheless to make a fundamental comment: it is my view that Bilfinger, as a leading internationally active engineering and services company, continues to have very good opportunities for a successful development. The problems in the area of power and the current weakness in growth in industrial services will be overcome and Bilfinger will fight its way back to its former strength. I am firmly convinced of this. Allow me to present to you a number of these opportunities:

Chart: Opportunities – Industrial business segment

In industrial service, Bilfinger is one of a very small number of providers on the market able to offer clients services for the entire lifecycle of their industrial assets. This competitive advantage can be applied at an international level to a much greater extent than in the past. The broad range of services in industrial maintenance can be extended and more extensively bundled.

In the field of automation technology, Bilfinger has purposefully strengthened itself in recent years. These activities can be networked further in order to better leverage synergies in the

Group and also represent a springboard for international growth.

We see good growth potential in the food industry and in biotechnology. With our know how in engineering, manufacture and installation as well as with our expertise in the area of energy efficiency, we can better focus on customers in these industries and offer them innovative and attractive solutions.

Chart: Opportunities Power business segment

In the Power business segment, future prospects lie primarily in the modernization of existing plants. Bilfinger has extensive expertise that allows it to optimize the efficiency and sustainability of coal, gas, hydroelectric and nuclear power plants in such a way that older plants can also meet current or future requirements. The average efficiency level for coal-fired power plants around the world is well under 30 percent. In Germany, it is more than 40 percent. Bilfinger has a broad range of expertise and can apply these competences to promising international markets in a targeted manner.

Chart: Building and Facility business segment

In the Building and Facility business segment, our clients are also showing an ever-increasing interest in lifecycle oriented services for real estate. Bilfinger is in a position to provide comprehensive real-estate services from a single source. For us, the fully sustainable property is not a goal for the future, but a current reality in our business. This will benefit us to an ever-greater degree in the future.

In facility management, we benefit from the trend among multinational companies toward having their real estate properties managed by a single service provider. Here, too, our ability to integrate our real-estate services as well as our increasingly international positioning make us a special provider.

With the acquisition of GVA, our position as a real estate manager on the attractive British market has been considerably strengthened. Through the range of premium consulting services, we can in future become more active in the area of real estate investment. In this context, we will profit from an

increase in the transaction volume of commercial real estate in our markets.

It is generally true that the global trend toward greater sustainability and more energy and resource efficiency provides Bilfinger with new opportunities in all business segments.

Greater energy efficiency and lower emissions, for example, is not only the objective of the energy industry, but also in the process industry, in the manufacturing sector and in the real estate sector. Here we can create value added – for example by supporting the certification of sustainable real estate with consulting, design, execution and operating services or by securing the improved plant operation of low emission biomass thermal power plants, modernized lignite boilers or highly-efficient flue gas desulfurization systems.

Ladies and gentlemen,

We are not occupied with topics related to the operational business alone. We also view good corporate governance, the responsible management and control of the company, as a fundamental requirement for long term economic success.

A comprehensive review of our compliance and control systems is currently underway, and they will be strengthened further.

The rule continues to apply that when we receive information on potential misconduct in our Group, we will pursue it rigorously and clarify the situation. Our position here is absolutely no tolerance.

As already reported, we received internal information relating to breaches of our compliance rules in Brazil in financial year 2014. These related to the delivery of monitor walls for security control centers in major Brazilian cities. According to this information, employees of a local Bilfinger company are alleged to have paid bribes.

It is regrettable that, despite an established compliance system, such incidents cannot be ruled out in a large company with such a broad reach. The important thing in such cases, however, is our reaction and how we deal with the situation.

We immediately launched an internal investigation which included external experts. The suspicions were, unfortunately, substantiated. According to current findings, the volume of

potential improper payments reached a total amount of less than €1 million. Once the internal investigation has been completed, we will take whatever personnel consequences are necessary. We are working together closely with the responsible Brazilian authorities in the further investigation of the incidents. We will also provide them with our internal findings without restriction.

Chart: Outlook 2015 – Group

Ladies and gentlemen,

Allow me to come back to the business or, more precisely, to the outlook for the current year. Bilfinger is facing tremendous challenges: we have to come to grips with far-reaching market changes, we have to reduce costs and improve operating performance. The newly-formed Executive Board will also have the important task of reviewing the corporate strategy and developing a successful growth course for the future.

This will have a positive impact on the figures for financial year 2016. For full-year 2015 we anticipate, as reported, a significant decrease in adjusted EBITA. Accordingly, adjusted net profit from continuing operations will also be substantially below the

prior-year figure. Further, net profit will be impacted by special effects, especially by expenses for the planned restructuring measures, the scope of which has not yet been determined.

Bilfinger will therefore only issue a quantitative forecast when the transformation phase of the Executive Board has been completed and the newly-formed committee has analyzed and evaluated the prospects for the current financial year.

Ladies and gentlemen,

In this very difficult phase for our company, the Executive Board would like to express its particular thanks to the employees for their continuing strong commitment. You faced considerable challenges this past year on a number of fronts. We are receiving praise from our customers for the outstanding execution of orders and services and our strong reputation as a reliable partner remains intact. This is something that primarily our employees deserve credit for, and something you can be proud of. Together with my colleagues on the Executive Board, I have led the company through a difficult nine months would like to also express my personal thanks to the employees, who



impressed with their loyalty and commitment. It has been a pleasure working with you.

I would like to thank you, dear shareholders, also on behalf of the Executive Board, for your confidence, which was surely severely strained by the company.

I ask that you provide my successor, Per Utnegaard, and his colleagues, with the same level of confidence that you have given me.

I am convinced that the newly-formed Executive Board will lead Bilfinger once again on a path to success. With all the challenges we currently face, one thing should not be forgotten: as an engineering and services group, Bilfinger is market leader in many sectors in Germany and Europe and has a solid foundation for future success. Please continue to demonstrate your loyalty.

Thank you.