



BILFINGER

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**Annual General Meeting of Bilfinger SE
Tuesday, May 15, 2018 at 10 a.m., Mannheim**

Speech by Tom Blades, Chairman of the Executive Board of Bilfinger SE

Check against delivery.

Dear shareholders, honored guests, and colleagues,
Ladies and Gentlemen,

I would like to welcome you warmly to this year's Annual General Meeting in Mannheim – also on behalf of the Bilfinger SE Executive Board.

At last year's Annual General Meeting, I presented our Bilfinger 2020 strategy to you. The 2017 financial year was characterized to a large extent by its implementation. Today, first of all, I would like to tell you where we currently stand.

Secondly, I'll say a few words about the major business developments at Bilfinger in the past financial year – and also in the first quarter of 2018.

Thirdly, I'll talk about our targets as well as our priorities, which are growth, our internal improvement program BTOP, and the management of project risks.

I will also give you an update on our top priority – compliance.

Ladies and Gentlemen,

Success is the product of good teamwork.

A close-knit team is able to achieve much more than a bunch of lone wolves. Our Bilfinger 2020 strategy enables us to bundle our strengths much more effectively than in the past. We are structuring our company and bringing Bilfinger back to profitable growth. Our formula is 2-4-6:

- We have divided our operations into two business segments: Engineering & Technologies (or E&T), and Maintenance, Modifications & Operations (or MMO).
- The E&T business segment has an international set-up. The offering comprises engineering services as well as the development and assembly of industrial plants.
- The MMO business segment has a regional set-up. We are commissioned by customers to maintain, modify and also operate plants.
- This set-up allows us to stay in close touch with our customers' needs
- Our range of services covers all phases in the lifecycle of a plant. To put it simply, our E&T business covers capital expenditure, whereas our MMO business covers operating expenditure.
- Our core competence lies in enhancing efficiency and ensuring a high level of availability, while at the same time reducing costs.
- We focus on four core regions: Continental Europe, Northwest Europe, North America and Middle East. This set-up combines established markets with attractive growth regions.
- In our six focus industries, there is a similar mix. Our primary focus is on: chemicals & petrochemicals, oil & gas, energy & utilities, pharmaceuticals & biopharma, metallurgy, and cement.



We are making our company's progress transparent and have identified three phases we need to complete: stabilization, build-up and build-out. Overall, we are making good progress. We have structured and stabilized Bilfinger and made it more robust.

In the 2017 financial year, we achieved some significant milestones in the stabilization phase. That phase is well advanced. The 2-4-6 structure has been successfully implemented in all operating units. We reduced complexity and cut the number of legal entities to less than 200. Examples are the integration of some of our former Power operations into Bilfinger Engineering & Technologies GmbH and the merger of units in Britain into Bilfinger UK.

We also optimized our approval processes and sharpened our project risk management in the course of 2017. This is already yielding visible benefits. In the United States, we recently accepted a major order from Linde. The order relates to assembly work for the construction of a petrochemical plant in the state of Texas. The owner of the new production facility is the Brazilian group Braskem. The total volume of the project is 675 million U.S. dollars, with Bilfinger having a relevant portion. This major order marks a turning point. It demonstrates we are confident that we are now able again to implement such large projects successfully.

In 2017, we also introduced BTOP, a comprehensive, long-term, company-wide program designed to enhance our efficiency and improve our operating results. The B stands for Bilfinger and Top for the in-house initiatives we are adopting to achieve improvements from within the company. Only continuous improvement from within ensures companies can counter cost increases and price pressure effectively.

Digitalization is becoming an increasingly important topic in the process industry as well. Bilfinger is one of the pioneers in this field. In the 2017 financial year, we set up a digitalization unit - its operations are going very well. We've therefore decided to concentrate our innovative digitalization business in a new subsidiary from July 1. It will be called Bilfinger Digital Next. We chose an English name because the company will operate on an international level. Bilfinger Digital Next will enable us to act more quickly and flexibly in the market.

Let's now take a look at our two business segments, E&T and MMO. This set-up is now established in the market. That's because we offer high quality and a high level of occupational safety, because we have a wide range of products, and because we are able to build on hundreds of customer references.

In the past financial year, we have won major orders in both E&T and MMO. First, let's take a look at E&T. Our strategy is on the right track. This is demonstrated by an order we received from Electricité de France (EdF) in the area of nuclear energy. We are bundling our strengths entirely for our customer's benefit. Several Bilfinger companies have joined forces to modernize numerous reactor blocks for the French energy provider. In addition, Bilfinger is supplying a nuclear waste treatment unit for the new nuclear project Hinkley Point C – also commissioned by EdF.

Another important project for us is the proposed Baltic Sea gas pipeline Nord Stream 2. Bilfinger has won an order for the development, delivery and commissioning of the process control and monitoring systems for operating the pipeline. One of the main reasons we won the contract was the comprehensive and effective compliance system we have established.

In a joint venture in the Middle East, Bilfinger secured the extension of a framework agreement for engineering and maintenance services. Our longstanding customer



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relationship has paid off. The contract was awarded by Petroleum Development Oman, the largest oil and gas production company in Oman.

Let me now turn to our maintenance business, MMO. A crucial success factor is our Bilfinger Maintenance Concept, or BMC.

In principle, maintenance can be compared in many ways to Formula 1. Both have made crucial advances in the past few decades. It's almost impossible to imagine today...
...but back in the 1950s, the sole purpose of pit stops was to repair vehicles.
Since the late 1960s, pit stops have increasingly become a strategic element of the race. Nowadays, pit stops involve detailed planning and training as they can decide the outcome of an entire race.

Industrial plant maintenance is similar. In the past, the focus was on repairing parts that were no longer working. As time has gone by, we have begun to understand that predictive maintenance planning reduces total cost and increases efficiency. So, these days, turnarounds, modifications and repairs are also meticulously planned in order to minimize downtime.

The BMC provides the framework for this strategic maintenance approach. Bilfinger has bundled all the experience and knowledge it has built up over decades into this concept. We can look back at more than 400 maintenance analyses. One of the key aspects of the concept is that we offer customers the same high Bilfinger standard wherever they may be.

It's this high standard that customers particularly appreciate.

In 2017, for instance, we extended the scope of our cooperation with Swiss pharma company Siegfried to include further activities in Germany, France and Switzerland. Our BMC approach was the decisive factor, as we have been adopting this approach for many years at Siegfried's headquarters. We also signed a new BMC contract in the United States.

Yet another success was the contract we signed in 2017 to extend and expand the work we have been doing with Finnish energy company Fortum on the maintenance of Swedish hydro power plants. We are now providing additional services here: for example, in operations. With energy company Statoil, we extended a comprehensive framework agreement until 2031.

We are also continuing and expanding our decades-long cooperation with a consumer goods company in the U.S.

In Kuwait, we are undertaking repair and maintenance work at the Sabiya Power & Water Distillation Station. The plant operator is the Kuwaiti Ministry of Electricity and Water (MEW).

You can see that our maintenance services are in demand in all four of our core regions.

Ladies and Gentlemen,

Bilfinger has been through some eventful years, so order successes like these are really important because they highlight two things.

First, customers are convinced by our expertise.

Secondly, the market accepts our 2020 strategy.



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I would like to take this opportunity to address our employees. Without you, our Bilfinger team, our strategy would not be a success. You have all worked exceptionally hard over the past year and achieved a great deal. I and my fellow members of the Executive Board would like to express our heartfelt thanks to you.

Ladies and Gentlemen,

Bilfinger is a much more stable company today than it was at the beginning of 2017. But we have not crossed the finishing line yet. That's clear when we take a look at last year's financial figures.

The 2017 financial year was a solid one for Bilfinger in many of its units. The economic environment was generally positive, although our markets continued to be challenging. This was the case in the energy sector in particular, but also in oil and gas, where customers were faring better due to rising oil prices, yet remained reluctant to invest.

Against this background, we can be satisfied with orders received and output volume in the 2017 financial year. We met our forecast for new orders, while output volume was even better than expected.

At almost 4.1 billion euros, orders received reached the prior-year level. On an organic basis (that is: adjusted for disposals and exchange rate effects), orders received rose 4 percent. This means we have achieved an important turnaround after three years of decline – and we have done so in a challenging market environment.

Our order backlog stood at around 2.5 billion euros at the end of December, compared with 2.6 billion euros a year earlier.

Output volume fell 5 percent to around 4 billion euros in the 2017 financial year. On an organic basis, however, it remained stable compared with the prior year. Given that we had been expecting an organic decline, we exceeded our target.

A real downside was our operating profit. Adjusted for special items, earnings before interest, taxes and amortization of intangible assets from acquisitions (EBITA) were only 3 million euros in 2017. This was below the prior-year figure of 15 million euros. Originally, we had planned to achieve significantly higher earnings. However, in the second quarter of 2017, we had to make a risk provision of around 50 million euros for legacy projects in the U.S. We had to revise our full-year forecast for adjusted EBITA in the middle of 2017 as a result of this provision. Since then, we assumed we would break even. We were able to meet that target.

The past year has been all about stabilizing the company, so special items have continued to have an impact on our results. The total for special items was 121 million euros, with the biggest share relating to restructuring expenses. Other special items were:

- expenses for projects to harmonize our processes and systems,
- costs for further improvements to our compliance system
- and charges resulting from the disposal of companies.

Taking special items into account, we recorded an EBITA loss of 118 million euros. In the 2016 financial year, this figure was a loss of 221 million euros.



Bilfinger generated a net profit of minus 89 million euros in the 2017 financial year. This includes a positive impact of 60 million euros resulting from a longstanding legal dispute in Qatar relating to former construction work on the Doha Expressway. The net profit of 271 million euros achieved in the 2016 financial year was mainly the result of the sale of Building and Facility, which generated a capital gain of 538 million euros.

The equity ratio remained very solid. At December 31, 2017, it was 38 percent. That's 2 percentage points below the prior-year figure – despite the resumption of the dividend payment and the launch of our share buyback program.

At minus 69 million euros, adjusted free cash flow in 2017 was still negative. However, this was a significant improvement compared with the prior year. The same applies to return on capital employed (ROCE) which also improved compared with 2016, though it remained negative at minus 5.5 percent.

Ladies and Gentlemen,

As a result of the risk provision I mentioned, our earnings performance in the 2017 financial year was not satisfactory. We took immediate action and enhanced our project management – more about that later.

Bilfinger has now become a pure industrial services provider. So in future we will report revenue rather than output volume. However, there are only slight differences in the comparative figures.

The trends in our revenue and orders received give me reasons for optimism. We are making visible progress and are gradually returning to growth.

This trend is also confirmed by the first quarter of 2018. We published our financial figures for the first three months this morning. In operational terms, our performance is in line with our plans – and the market environment is increasingly positive.

That is particularly apparent when we look at orders received in the first quarter of 2018. Orders received rose for the fourth consecutive quarter, from 928 million euros a year earlier to around 1.1 billion euros in the first three months of 2018. On an organic basis, growth was 21 percent. The order backlog was almost 2.7 billion euros at the end of the quarter. These are encouraging signs!

There was a moderate decline in revenue of 3 percent to 928 million euros. However, on an organic basis, revenue improved slightly year on year.

In the first quarter of 2018, the book-to-bill ratio, the ratio of orders received to revenue, was around 1.2. This is a good figure, one that confirms our strategy.

Adjusted EBITA improved to a loss of 6 million euros, from a loss of 14 million euros in the first quarter of 2017. Net profit also improved and was minus 24 million euros, compared with minus 55 million euros a year earlier.

Operating cash flow was negative in the first quarter due to seasonal factors. It was minus 60 million euros, below the very good figure achieved in the prior-year quarter.

Adjusted free cash flow was minus 55 million euros.



We are making good progress with the streamlining of our portfolio. I am referring here to the Other Operations segment. In 2017, the companies that did not fit into our 2-4-6 structure for geographical or technological reasons were allocated to this segment. Initially, there were 13 loss-making businesses in Other Operations. The aim was to find a solution for these units as soon as possible. In the meantime, we have already sold eleven of these units.

Profitable companies are also included in Other Operations. We are continuing to invest in these companies and will sell them only if we receive an attractive offer.

We are also making good progress regarding compliance. In 2013, Bilfinger made a commitment to the U.S. Department of Justice to introduce an effective compliance system. The trigger was a bribery case in Nigeria in 2003. Bilfinger has until the end of 2018 to establish such a compliance system. Our progress is being reviewed by an independent compliance monitor. We are now on the home straight!

Our compliance system comprises three basic elements: prevent, detect and respond. In the 2017 financial year, we introduced a number of compliance guidelines, processes and systems including the vetting of external business partners and suppliers.

We are providing regular training to all our employees.

We vigorously pursue any internal allegations of misconduct.

We also conduct targeted communication campaigns. These are designed to raise lasting awareness among our employees of the issue of compliance.

In addition, we have significantly increased the number of employees working in our compliance department.

Our commitment is clear and enshrined in our mission statement. We never compromise on safety and integrity. We are working closely with the compliance monitor to ensure we are successful. We are confident that we will be able to fulfill the conditions set out in the agreement with the U.S. Department of Justice.

Just to be clear:

- Bribery and non-compliant behavior have no place at Bilfinger.
- Our position is clear: zero tolerance – at all levels of the group.

Let's now take a look at our share price. The 2017 stock market year saw a sustained and broad upswing in the capital market. The MDAX rose around 18 percent, the SDAX gained around 25 percent. Even though our shares were not able to keep pace with these growth rates, they rose 8 percent, performing better than shares of peer group companies, and finished the year at 39.57 euros.

Since the start of 2018, there has been a moderate decline in the Bilfinger share price.

Ladies and Gentlemen,

Our Bilfinger 2020 strategy is providing a stable foundation for the future. Despite the unexpected risk provision, we are well on our way. We will take this confidence with us into the coming years. That brings me to our outlook and to our priorities. These are:

- firstly, growth,
- secondly, BTOP,
- thirdly, project risk management.



First, let's talk about our short-term outlook. In light of our performance in the first three months of 2018, we are able today to confirm our outlook for the 2018 financial year. We expect organic growth in orders received in the mid-single digit percentage range. We anticipate organically stable to slightly growing revenue.

For adjusted EBITA, we expect a significant increase to a figure in the mid- to high double-digit million euro range. Return on capital employed and free cash flow will also improve significantly, though in 2018 both figures will again be negative due to special items. On an adjusted basis, i.e. excluding special items, we expect free cash flow to break even.

Ladies and Gentlemen,

With our Bilfinger 2020 strategy, we are directing the company's focus towards profitable growth – growth is our highest priority. In the current year, we want to increase investment in the future of the company. An additional 20 million euros will be injected into the development of our business:

- into the expansion of our activities within our industries
- and into the market launch of our digital offering.

First, let me turn to the expansion of our activities within our industries.

- Our value propositions are a key factor. In many cases, these are complete solutions that combine the competences of several Bilfinger companies.
- With this approach, we offer our customers clear additional value. Bilfinger has a large portfolio of engineering services. We can also assume overall responsibility for complex projects.
- At the same time, developing our value propositions ensures we will be focusing to an even greater extent on our target industries in the future.

The direction we are taking is clear. We want to be proactive in offering our customers attractive complete solutions. In future, our Bilfinger units will be working even more closely together, aiming to bundle their strengths and offer value added to customers.

This approach is based on good market intelligence. We are therefore investing in our business development, especially in the E&T segment. We are hiring more experts who are familiar with our focus industries and will help our business to make further progress in those industries.

A good example of a promising value proposition is the modernization of process furnaces in petrochemical plants. In Europe, there is a large number of existing process furnaces that require modernization due to their age. At the same time, emission regulations are becoming stricter.

When it comes to such modernizations, time is a critical factor. The work must be of high quality and carried out quickly to minimize downtime. That's why more and more customers want a partner who will deal with the entire modernization project, from planning via the procurement of parts to commissioning.

Bilfinger has a good starting position. We already have considerable expertise in disciplines such as engineering, piping and assembly. The idea of the value proposition is to bundle the services of several Bilfinger companies and to undertake the entire modernization project.



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This reduces complexity for the customer and we generate higher revenue by delivering more services. Of course, effective risk management is a fundamental prerequisite when we accept such projects – over the entire life of the project.

A second growth area is digitalization. I am convinced that the process industry is far from having exhausted the opportunities offered. We can really make a mark in this field. Bilfinger is in an excellent starting position. We are intimately familiar with the processes of our customers. We also have a strong understanding of the digitalization of those processes. That's why we see ourselves as the bridge-builder between the process industry and IT. In the past we built bridges out of cement, now we are building digital bridges!

We have this advantage and want to make use of it. That's why we are founding Bilfinger Digital Next. With our new digitalization unit, we are putting digitalization in the fast lane, enabling us to respond quickly to our customers' needs.

Of course, at the heart of all this are our products. In the current year, we will consistently invest in the ongoing development and market launch of our offering. Our solution is called BCAP. This stands for "Bilfinger Connected Asset Performance" and is targeted particularly at small and medium-sized companies, or SMEs. We are a pioneer in this field and are plugging a gap in the market.

The BCAP approach involves bringing together all the information that is relevant for the operation of a plant. BCAP combines engineering, operational and maintenance data via a cloud-based platform. This platform acts as a technical backbone and data center. Data sources include the process control system and production planning, as well as sensors that assess the condition of the plant.

Linking and analyzing these previously isolated data lakes reveals fresh insights. One important result of these analyses is the improved predictability of potential disruptions. The next step is to determine the right action to be taken. Our expertise means we are also able to offer comprehensive consulting in this field.

Our approach is also of interest to SMEs because it can be implemented quickly and cost-effectively. In spring 2017, we launched a pilot project with Münzing Chemie. In the course of this project at Münzing's site in Heilbronn, we have digitalized the first plants. We are already seeing positive results. We uncovered the potential to increase Overall Equipment Effectiveness by around 10 percent.

Ladies and Gentlemen,

The Münzing example shows what we are particularly good at: increasing the efficiency of our customers' plants. But good companies also keep an eye on their own efficiency. So our second priority is to drive forward continuous improvement at Bilfinger. Our framework for this is BTOP.

Essentially, the BTOP program addresses the same issue we deal with every day at our customers: ensuring greater efficiency. With BTOP, we are now doing the same within our own company. The approach is identical. When we're at our customers, we start by analyzing their maintenance. Then we use the results of this analysis and come up with a plan. On the basis of this plan, we optimize costs and increase the productivity of the plants.



Progress is continuously documented, making it possible to verify whether we keep our promises.

With BTOP, the process also starts with the identification of potential for improvement. We then evaluate the contribution an improvement measure could make. Subsequently, we draw up a clear implementation plan that also includes targets. We also continuously document progress during the implementation phase. This ensures transparency and commitment.

Improvement programs such as BTOP include major projects across several departments. But equally important are the many small-scale initiatives and improvement suggestions which come from our employees. Appropriate attitudes in the workforce are therefore the prerequisite of BTOP's success. That's how continuous improvement reveals its true power.

Ladies and Gentlemen,

Growth and efficiency are essential factors as we move forward. At the same time, to be successful, we must also be able to manage potential project risks. That was the lesson learned from the risk provision for legacy projects. Therefore, the management of project risks is our third priority.

This applies particularly to our E&T business. We now have robust standards and requirements that are mandatory for all projects. The project managers in the segment also engage in networking, exchanging ideas and sharing experiences on a regular basis.

It is paramount that risks are made transparent and objectively evaluated before the submission of offers. Against this background, we now evaluate project offers starting from a certain size according to different risk categories. The risks must also bear a reasonable relationship to the expected margin.

Rigorous risk management is also essential during the implementation of a project. We have forcefully tackled this issue. Now, once again, we are able to accept larger orders.

Ladies and Gentlemen,

Our 2020 strategy also includes mid-term targets. Over the past year, we have laid the foundations. Based on our revenue in the 2017 financial year, we want to achieve average annual organic growth of at least 5 percent until 2020. At the same time, we are seeking to achieve an adjusted EBITA margin of around 5 percent in 2020.

We are confident we will achieve these targets. To underline our confidence, we are today again proposing a dividend of 1.00 euro per share. This amount remains our dividend floor – until our results allow us to pay a higher dividend per share. Then we want to distribute 40 to 60 percent of our adjusted net profit.

In addition, we started our share buyback program of up to 150 million euros in September 2017. Under this program, we can buy back a maximum of 10 percent of share capital. By close of trade on May 9, 2018, we had acquired more than 2.2 million shares at an average price of 36.98 euros per share. This represents just over 5 percent of share capital.



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Ladies and Gentlemen,

The implementation of our strategy is a marathon, not a sprint. But we have created the conditions required for profitable growth:

- We are bundling our strengths to achieve additional value for the customer.
- With BCAP, we are a pioneer of digitalization in the process industry.
- With BTOP, we are becoming more efficient. Every day.

At the beginning, I told you that Bilfinger's stabilization phase is well advanced. The company is now transitioning from the stabilization phase to the build-up phase. Minor acquisitions might play a role here, as long as they improve our margin and help us make technological advances. However, there is no pressure to act.

Dear shareholders,

I would like to take this opportunity to express my heartfelt thanks to you:

- for your loyalty,
- for your trust,
- and for your confidence in the successful future of our company.

Do join us on our way towards Bilfinger's build-up phase and build-out phase. I look forward to continuing this journey with you and especially with the entire team of Bilfinger employees.

Thank you for your kind attention.